



**THE INSTITUTE OF CHARTERED
ACCOUNTANTS OF NIGERIA**

PATHFINDER

**NOVEMBER 2023 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 – NOVEMBER 2023****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 **RED INK** will not be marked.

TUESDAY, NOVEMBER 14, 2023**DO NOT TURN OVER UNTIL YOU ARE TOLD TO DO SO**

THE INSTITUTE OF CHARTERED ACCOUNTANTS OF NIGERIA
FOUNDATION LEVEL EXAMINATION – NOVEMBER 2023
FINANCIAL ACCOUNTING

Time Allowed: 3¹/₄ 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. What are the primary roles of accountants in business and the economy?
 - A. Providing legal advice to businesses and individuals
 - B. Managing human resources and employee recruitment
 - C. Conducting market research and analysing consumer behaviour
 - D. Preparing financial statements and conducting audits
 - E. Designing marketing campaigns and advertising strategies

2. What is the purpose of a chart of accounts in a business?
 - A. To organise financial transactions into identified categories of assets, liabilities, income and expenses
 - B. To generate instructions and policies for recording information in the financial statements
 - C. To design a unique code and headings for each personal ledger account
 - D. To follow the rules of accounting set by the government
 - E. To ensure consistent posting of transactions

Use the information below to answer questions 3 and 4:

A company has receivables at year-end of ₦2,250,000. The company has a policy of maintaining a general allowance of 5% on its receivables. The general allowance brought forward from the previous period was ₦52,000.

3. What is the general allowance for doubtful debts in the statement of profit or loss at the current year-end, based on the company's policy?
 - A. ₦52,000
 - B. ₦60,500
 - C. ₦105,000
 - D. ₦112,500
 - E. ₦173,500

4. What is the net account receivables after considering the general allowance at the current year-end?
- A. ₱2,076,500
 - B. ₱2,137,500
 - C. ₱2,145,000
 - D. ₱2,189,500
 - E. ₱2,198,000
5. Which of the following is **NOT** a disclosure requirement for property, plant and equipment, as per IAS 16 - Property, Plant and Equipment?
- A. The measurement bases used for determining the gross carry amount of property, plant and equipment
 - B. The number of inspections carried out on items of property, plant and equipment
 - C. The depreciation methods used for each major class of property, plant and equipment
 - D. The impairment losses recognised during the period
 - E. The total cost of property, plant and equipment acquired through business combinations
6. Which of the following events can lead to a change in a partnership agreement?
- A. Introduction of additional capital by a partner
 - B. Establishment of a new marketing strategy
 - C. Admission of a new partner to the firm
 - D. Hiring of additional manager by the Partnership
 - E. Implementation of a new financial management system

Use the Information below to answer questions 7 and 8:

On April 1, a company had an opening inventory of 250 units which cost ₱75 each. During the month, it purchased 750 units at ₱90 each and issued 500 units.

7. Using the First-In-First-Out (FIFO) method, what is the value of the closing inventory after the company issued 500 units?
- A. ₱37,000
 - B. ₱37,500
 - C. ₱38,750
 - D. ₱42,500
 - E. ₱45,000

8. Using the Weighted Average Cost method, what is the cost per unit of the closing inventory after the company issued 500 units?
- A. ~~₦~~82.50
 - B. ~~₦~~83.75
 - C. ~~₦~~85.00
 - D. ~~₦~~86.25
 - E. ~~₦~~87.50
9. Which of the following best describes the impact of technological advancement on accounting operations?
- A. Technology has made accounting more complex and less efficient, leading to data analysis challenges
 - B. Technological advancements have had no significant effect on accounting practices and financial organisations
 - C. The use of technologically advanced software has made accounting more efficient, particularly in data analysis, financial organisation and measuring economic activities
 - D. Accounting operations have become slower due to the integration of technologically advanced software
 - E. Technology has made accounting easier, but it has not improved data analysis of financial organisations
10. Which of the following statements correctly describes cash basis of accounting?
- A. Revenue is recognised in the period when it is earned, regardless of when the cash is received
 - B. Expenses are recognised in the period when they are incurred, regardless of when they are paid
 - C. Revenue is recognised in the period when the cash is received, regardless of when it is earned
 - D. Expenses are recognised in the period when they are earned, regardless of when they are incurred
 - E. Both revenue and expenses are recognised in the period when they are occurred, regardless of cash transactions
11. The primary purpose of the general journal in accounting is to
- A. Record transactions from books of prime entry
 - B. Record year-end adjustments only
 - C. Correct errors in personal ledgers
 - D. Provide a record and explanation of various adjustments
 - E. Serve as the primary book of entry for all financial transactions

12. In the notes to the financial statements, which of the following is **NOT** required to be disclosed regarding property, plant and equipment under IAS 16?
- The fair value of the assets at the beginning and end of the period
 - The current market value of the assets at the end of the period
 - The gross carrying amounts and accumulated depreciation at the beginning and end of the period
 - The expected useful lives of the assets and their residual values
 - The total amount of additions made to the property, plant and equipment during the year
13. Which of the following best describes incomplete records in accounting?
- Incomplete records occur when a company has lost important financial documents and cannot reconstruct them
 - Incomplete records are accounting records that contain errors and discrepancies, leading to inaccurate financial statements
 - Incomplete records are financial records where information is missing due to a lack of double entry book-keeping system and up-to-date accounting practices
 - Incomplete records occur when a company's financial statements do not include all the required disclosures and notes
 - Incomplete records are financial statements that have not been audited by an external auditor, leading to potential inaccuracies
14. How does the application of Data Analytics assist in uncovering hidden information from a dataset?
- By using encryption methods to protect sensitive data
 - By automating data entry processes to reduce human errors
 - By applying statistical methods and modeling to identify trends, patterns, and insights
 - By generating visualisations for data representation and presentation
 - By providing cloud storage for secure data management
15. The accounting equation of Kola is ₦107,250 (Assets) = ₦55,500 (Equity) + ₦51,750 (Liabilities). Kola decides to take ₦6,000 in cash and inventories with a value of ₦3,000 out of the business for his personal use. What is the new value of the accounting equation for Kola after the withdrawals?
- ₦98,250 = ₦46,500 + ₦51,750
 - ₦98,250 = ₦55,500 + ₦42,750
 - ₦107,250 = ₦58,500 + ₦54,750
 - ₦98,250 = ₦49,500 + ₦48,750
 - ₦98,250 = ₦52,500 + ₦45,750

16. Which of the following statements correctly describe the treatment of bank accounts and cash balances from the perspective of both the company and the bank?
- A. For the company, money in the bank is an asset, and for the bank, deposits are liabilities
 - B. For the company, money in the bank is a liability, and for the bank, deposits are assets
 - C. For the company, an overdraft balance is a liability, and for the bank, overdrafts are income
 - D. For the company, an overdraft balance is an asset, and for the bank, overdrafts are liabilities
 - E. For the company, money in the bank is an asset, and for the bank, deposits are expenses
17. When a non-current asset is disposed of, what is the typical situation regarding the asset account and the accumulated depreciation account in the general ledger?
- A. Both the asset account and the accumulated depreciation account will be closed to zero
 - B. The asset account will have a closing balance, but the accumulated depreciation account will be closed to zero
 - C. The asset account will be closed to zero, but the accumulated depreciation account will have a closing balance
 - D. Both the asset account and the accumulated depreciation account will have closing balances to carry forward
 - E. Neither the asset account nor the accumulated depreciation account will have a zero closing balance
18. Which of the following statements accurately describes not-for-profit organisations?
- A. Not-for-profit organisations always strive to maximise their revenue and minimize costs to generate a profit
 - B. Not-for-profit organisations are businesses that focus solely on making a profit and do not have any other objectives
 - C. Not-for-profit organisations include clubs, societies, charities, hospitals, and government bodies
 - D. Not-for-profit organisations operate at a level where their income exceeds their costs, similar to a profit-making entity
 - E. Not-for-profit organisations do not generate any income and solely rely on donations and grants

19. What is the cash paid for wages and salaries during the period, given the following information?

Accrued wages and salaries at the beginning of the period: ₦6,500

Accrued wages and salaries at the end of the period: ₦12,500

Wages and salaries reported in the statement of profit or loss: ₦114,000

- A. ₦108,000
- B. ₦119,000
- C. ₦120,000
- D. ₦126,000
- E. ₦133,000

20. How has technology-driven disruption affected the accounting profession over time?

- A. It shielded accounting from disruptions, leading to minimal changes in the industry
- B. The transition to computerised accounting eliminated the need for accountants' involvement
- C. Accountants adapted to a machine-driven environment through gaining computer skills and software knowledge
- D. Recent innovations in technology, such as blockchain, pose a threat to certain roles of accountants
- E. Blockchain technology has revolutionised accounting, completely replacing traditional accounting practices

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. Explain the difference between the roles of a bookkeeper and an accountant in the accounting process. (8 Marks)

b. Explain the various types of accounting and their respective roles in providing relevant information to different users of financial information. (12 Marks)

(Total 20 Marks)

QUESTION 2

Briefly explain the following accounting concepts in the preparation of financial statements.

- i. Going concern
- ii. Consistency
- iii. Accrual
- iv. Fair presentation
- v. Substance over form
- vi. Prudence
- vii. Materiality

(Total 20 Marks)

QUESTION 3

- a.
 - i. State **THREE** types of errors that can be revealed by the trial balance (3 Marks)
 - ii. Explain **TWO** of the highlighted errors (2 Marks)
- b. The trial balance of Niger Limited failed to agree. The total of the debit column exceeded the total of the credit column by ₦863,000. On investigation, the following errors were discovered:
 - 1. Sales of ₦50,000 were not recorded in the sales account.
 - 2. An expense of ₦25,000 was mistakenly debited as ₦250,000.
 - 3. Purchases of ₦70,000 were omitted from the purchases account.
 - 4. An error in calculating depreciation resulted in an understatement of expenses by ₦12,000.
 - 5. A credit sale of ₦35,000 was mistakenly recorded as a debit in sales account.
 - 6. An expense of ₦8,000 was not recorded in the expense account.
 - 7. Liability of ₦100,000 were omitted from suppliers account.
 - 8. An error in recording interest income resulted in an understatements of income by ₦6,000.
 - 9. Cash receipts of ₦45,000 were recorded as ₦450,000.
 - 10. An error in inventory valuation resulted in an overstatement of inventories by ₦10,000.
 - 11. Dividends of ₦20,000 were received but not recorded in the cash book.
 - 12. An error in tax calculation resulted in an underpayment of taxes by ₦35,000.
 - 13. A payment of electricity bill of ₦12,000 was accidentally entered twice.
 - 14. Loan repayments of ₦60,000 were omitted from the bank accounts.

You are required to prepare:

- i. The journal entries to correct the errors. (7 Marks)
 - ii. The suspense account to effect corrections as appropriate. (8 Marks)
- (Total 20 Marks)**

QUESTION 4

- a. Provide a concise description of each cost element associated with Property, Plant and Equipment (PPE) under IAS 16, and explain the conditions under which these costs are capitalised. (8 Marks)
- b. Caleb Limited has recently purchased a motor vehicle for its business operations. The company incurred various costs in acquiring, preparing, and operating the motor vehicle. The following information is available:
 - i. Purchase price of motor vehicle-~~₦~~5,000,000
 - ii. Annual insurance premium-~~₦~~120,000
 - iii. Transportation costs to the company's location-~~₦~~50,000
 - iv. Installation costs for specialised equipment-~~₦~~150,000
 - v. License and registration fees-~~₦~~80,000
 - vi. Fuel and maintenance expenses (for the first month of operation)-~~₦~~70,000
 - vii. Legal fees for acquisition-~~₦~~100,000

Required:

Calculate the initial measurement of the motor vehicle (6 Marks)

- c. Igba Enterprises, a small business, has incomplete records for the month of September 2023. Suspecting discrepancies, the proprietor has invited an accountant to assist in investigating the books. The available information includes the following details:
 - i Opening cash balance as at September 1, 2023-~~₦~~100,000
 - ii Payments to suppliers-~~₦~~1,350,000
 - iii Opening bank balance as at September 1, 2023-~~₦~~750,000
 - iv Payment to employees-~~₦~~525,000
 - v Closing cash balance as at September 30, 2023-~~₦~~162,000
 - vi Receipts during September-~~₦~~2,300,000
 - vii Closing bank balance as at September 30, 2023-~~₦~~950,000

Required:

Using the information provided, calculate any missing figure and clearly show all necessary calculations. (6 Marks)

(Total 20 Marks)

QUESTION 5

- a. State and explain the relationships among the main components of financial statements. (12 Marks)
- b. Explain the distinction between accounting policies and accounting estimates in accordance with IAS 8-Accounting Policies, Change in Accounting Estimates and Errors. (8 Marks)

(Total 20 Marks)

QUESTION 6

ABO Partnership consists of three partners: Awka, Bwari and Owo. The partnership agreement specifies that profits and losses are to be shared in the following manner:

Awka 40%
Bwari 30%
Owo 30%

The following balances are extracted from the partnership's statement of financial position as at September 30, 2023:

	₦
Cash	250,000
Account receivables	400,000
Inventories	200,000
Furniture and fittings (carrying amount)	250,000
Account payables	120,000
Loan notes	300,000

Additional information:

- i. During the year, the partnership earned a profit of ₦600,000. Interest on the loan notes is 10% per annum.
- ii. Partners' current account balances at the beginning of the year were:
Awka: ₦150,000 (Credit Balance)
Bwari: ₦100,000 (Debit Balance)
Owo: ₦50,000 (Credit Balance)
- iii. Partners' salaries are as follows:
Awka: ₦120,000
Bwari: ₦90,000
Owo: ₦90,000

- iv. Transfers made during the year from current accounts to capital accounts:
Awka: ₦68,000
Bwari: ₦26,000
Owo: ₦26,000

Assume the initial capital accounts are established according to the agreed profit-sharing ratios.

Required:

- a. Show how the profits of ABO Partnership for the year ended September 30, 2023 is shared to the partners. (6 Marks)
- b. Calculate the partners' initial capital. (5 Marks)
- c. Prepare partners' current accounts for ABO Partnership as of September 30, 2023. (6 Marks)
- d. Prepare partners' capital accounts for ABO Partnership as of September 30, 2023. (3 Marks)

(Total 20 Marks)

SECTION A

MCQ - SOLUTIONS

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

Workings

	₹
3. Current year allowance (5% x 2,250,000)	= 112,500
Less Previous year allowance	<u>(52,000)</u>
Allowance charges for the year	<u>60,500</u>
4. Account receivables	= 2,250,000
Charges for the year	= (112,500)
Net account receivables for the year	= 2,137,500

7. The value of closing inventories using First-in-First-Out (FIFO) method

Date	Details	Purchases		Units	Issues		Units	Balance	
		Units	Price ₦		Amount ₦	Price ₦		Amount ₦	Price ₦
Apr1	Balb/f						250	75:00	18,750
	Purchases	750	90:00	67,500			1,000		86,250
	Issues				250	75:00		18,750	
					250	90:00		22,500	
					<u>500</u>			<u>41,250</u>	
	Closing Balance						<u>500</u>	<u>90:00</u>	<u>45,000</u>

$$\begin{aligned}
 8. \quad \text{The weighted average cost method} &= \frac{(250 \times 75) + (750 \times 90)}{250 + 750} \\
 &= \frac{18,750 + 67,500}{1,000} \\
 &= \text{₦}86:25
 \end{aligned}$$

$$\begin{aligned}
 15. \quad &\text{₦}107,250 - 9000 = 55,000 \\
 &9000 + 51,750 \text{ ₦}98,250 = \\
 &\text{₦}46,500 + \text{₦}51,750
 \end{aligned}$$

$$\begin{aligned}
 19. \quad \text{Accrued wages and salaries at the beginning of the period} &= \text{₦}6,500 \\
 \text{Add: Wages and salaries reported in the SOP/L} &= \text{₦}114,000 \\
 &= \text{₦}120,500 \\
 \\
 \text{Less: Accrued wages and salaries at the end of the period} &= (\text{₦}12,500) \\
 \text{Cash paid for wages and salaries during the period} &= \text{₦}108,000
 \end{aligned}$$

Examiner's report

The questions test basic knowledge of accounting principles including their applications to simple computations.

Candidates' performance was above average with few deficiencies in the application of principles to solve questions that involved calculations.

SOLUTION 1

- a. Bookkeepers and accountants perform different roles within the realm of financial management, and they have distinct sets of responsibilities. Here are the key differences between the two roles:

Bookkeeper

- i. Recording transactions: Bookkeepers are primarily responsible for recording the day-to-day financial transactions of a business, including purchases, sales, receipts, and payments. They use accounting software to maintain accurate and up-to-date financial records.
- ii. Categorising transactions: Bookkeepers classify and categorise financial transactions into the appropriate accounts, such as assets, liabilities, equity, revenue, and expenses, to ensure that the financial records are organised and accurate.
- iii. Reconciling accounts: Bookkeepers reconcile bank statements, accounts payable, and accounts receivable to ensure that the financial records accurately reflect the company's financial position.
- iv. Generating financial reports: Bookkeepers may prepare basic financial reports, such as statement of income and statement of financial position , based on the data they have recorded.

Accountant:

- i. Financial analysis: Accountants are responsible for analysing financial data, interpreting it, and providing insights to help businesses make informed decisions. They go beyond recording transactions to provide strategic financial guidance.
- ii. Tax planning and compliance: Accountants are often involved in tax planning, ensuring that businesses comply with tax laws, and preparing and filing tax returns. They provide guidance on tax strategies and help minimise tax liabilities.
- iii. Financial statement preparation: Accountants prepare and analyse complex financial statements, including statement of cash flows, statement comprehensive income, and notes to the financial statements, which provide a comprehensive view of a company's financial performance.
- iv. Auditing: Some accountants perform auditing services, examining financial records to ensure accuracy and compliance with laws and regulations. They may also provide recommendations for improving internal controls and financial processes.

- b. **The various types of accounting and their respective roles in providing relevant information to different users of financial information includes:**
- i. **Financial Accounting:** This involves the process of recording, classifying, preparation, interpretation of financial statements so that both internal and external users can make informed decisions.
 - ii. **Cost Accounting:** Cost Accounting is the procedure for accumulating cost data to provide information for planning, control and decision making by management.
 - iii. **Performance management:** Performance Management is a continuous process where managers and employees combine efforts in planning, monitoring and reviewing the effectiveness of the workforce towards the achievement of the overall objectives of the entity.
 - iv. **Government accounting:** Government Accounting is a part of public sector accounting that records revenue and expenditure of government ministries, departments and agencies (MDAs). The government uses this information for appropriate decision making, planning, control and appraisal of government activities, and in compliance with the laws regulating government finances.
 - v. **Tax accounting:** The accounting profits generated in the financial statements provide the basis for determining the taxable profits of an entity. The taxable profits are different from the accounting profits because certain expenses and income are allowable for accounting purpose but disallowed for tax purpose. A good understanding of the knowledge of these taxable and non-taxable incomes and expenses would help an entity in its tax management.
 - vi. **Financial management:** Financial Management is the process by which the resources of an organisation are efficiently and effectively procured, utilised and accounted for by the owners of the business in such a way to maximise the wealth of the owners.
 - vii. **Forensic accounting:** Forensic Accounting refers to the application of accounting skills to investigate and probe frauds, deliberate misrepresentations (falsifications and misappropriations) or embezzlements of an entity's resources with a view to recovering such funds, usually through legal proceedings.
 - viii. **Social and environmental accounting:** Social and Environmental Accounting is the branch of accounting that deals with accounting for and reporting of the social and environmental impact of an entity's activities upon the stakeholders (investors, management, employees, customers, suppliers, local community where the entity operates, etc).

Examiner's report

The question examines candidates' knowledge of differences between the roles of a bookkeeper and an accountant, and also requires them to discuss the roles of different types of accounting.

Many candidates attempted the question and their performance was poor in part (1a) but average in part (1b).

Their major pitfalls in the question are:

- Most candidates interchanged the roles of a bookkeeper and an accountant. Few others could not identify more than two differences between the two roles; and
- In part 1b, many candidates identified elements and components of financial statements. Those who could identify the types of accounting could not provide acceptable explanations, especially for public sector accounting, forensic accounting and cost accounting.

Candidates are advised to acquaint themselves with the various types of accounting and what accountants do in industry and private practice.

Marking guide

	Marks	Marks
a. Differences between the roles of bookkeeper and accountants		
Explaining four (4) roles of bookkeepers	4	
Explaining four (4) roles of accountants	<u>4</u>	8
b. Explanation types and roles of accounting		
Stating 6 types of accounting	3	
Explaining the roles of each type identified	<u>9</u>	<u>12</u>
Total		<u><u>20</u></u>

SOLUTION 2

i. **Going concern**

The Conceptual Framework for Financial Reporting notes that financial statements are normally prepared assuming the entity is a going concern and will continue in operation for the foreseeable future.

IAS1 requires management to make an assessment of an entity's ability to continue as a going concern. If management has significant concerns about the entity's ability to continue as a going concern, the uncertainties must be disclosed. If management concludes that the entity is not a going concern, the financial statements should not be prepared on a going concern basis, in which case IAS 1 requires a series of disclosures.

ii. **Consistency**

The presentation and classification of items in the financial statements shall be retained from one period to the next unless a change is justified in the following circumstances:

- A change in policy would be more appropriate having regard to the criteria for the selection and application of accounting policies, IAS- 8; and
- IFRS requires a change in presentation.

iii. **Accrual**

This can be called either accrual or matching concept. The accrual concept states that income should be recognised when they are earned and not when they are received in cash. Expenses should also be recorded when they are incurred and not when paid.

The application of this concept gives rise to prepayments and accrued expenses (accrual). An accrued expense occurs when it has been incurred but has not been paid. Prepaid expenses occur when payment has been made for services but benefits have not been derived from them.

They give rise to liabilities and assets, respectively. Prepaid expenses and outstanding receivables are assets while income received in advance and outstanding payables are liabilities of the business.

iv. **Fair presentation**

Fair presentation requires the faithful representation of the effects of transactions, other events, and conditions in accordance with the definitions and recognition criteria for assets, liabilities, income and expenses set out in the framework.

The financial statements must "present fairly" the financial position, financial performance and cash flows of an entity. Fair presentation requires the faithful representation of the effects of transactions, other events, and conditions in accordance with the definitions and recognition criteria for assets, liabilities, income and expenses set out in the framework. The application of IFRSs, with additional disclosure when necessary, is presumed to result in financial statements that achieve a fair presentation.

v. **Substance over form**

Substance over form in accounting refers to a concept that states that transactions recorded in the financial statements and accompanying disclosures of a company must reflect their economic substance rather than their legal form.

Whoever prepares the financial statements of a company needs to use their judgment to derive the business sense from the transactions and events in order to present them in a manner that best reflects their true essence.

vi. **Prudence**

The prudence concept refers to a crucial principle used in accounting to ensure that income and assets are not over stated in financial statements. Alternatively known as the conservatism principle, it also makes sure that liabilities are not understated and provisions are made for income and losses. As a general indication prudence rules exist to prevent a business recognising an asset in its financial statements at amount greater than its recoverable value in such instances the asset is reduced to recovery value.

vii. **Materiality**

Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity.

Each material class of similar items must be presented separately in the financial statements. Dissimilar items may be aggregated only if they are individually immaterial. However, information should not be obscured by aggregating or by providing immaterial information, materiality considerations apply to the all parts of the financial statements, and even when a standard requires a specific disclosure, materiality considerations do apply.

Examiner's report

The question tests candidates' knowledge of some basic accounting concepts in the preparation of financial statements.

Majority of the candidates attempted the question and their performance was average.

The commonest pitfall of the candidates was that they could only define the concepts but failed to explain their significance or application, especially fair presentation, substance over form, prudence and materiality.

Candidates are advised to study accounting concepts and review pathfinder solutions to questions of this nature for better performance in examinations.

Marking guide

		Marks	Marks
i.	Going concern		
	Definition	1	
	Explaining the significance	<u>2</u>	3
ii.	Consistency		
	Definition	1	
	Explaining the significance	<u>2</u>	3
iii.	Accrual		
	Definition	1	
	Explaining the significance	<u>1</u>	2
iv.	Fair presentation		
	Definition	1	
	Explaining the significance	<u>2</u>	3
v.	Substance over form		
	Definition	1	
	Explaining the significance	<u>2</u>	3
vi.	Prudence		
	Definition	1	
	Explaining the significance	<u>2</u>	3
vii.	Materiality		
	Definition	1	
	Explaining the significance	<u>2</u>	3
	Total		<u>20</u>

SOLUTION 3

- a. i. The types of errors that can be revealed by the trial balance are as follows:
- Partial reversal of entry
 - Single entry
 - Transposition error
 - Casting error
 - Omission of an item on the trial balance
 - Reversal of item on the trial balance
 - Debit item in the ledger recorded as credit item in the trial balance
 - Mis- statement error on the trial balance
- ii. **Explaining the types of errors:**
- **Partial reversal of entry**
This is an error that is made where there is a violation of the double entry principle by either debiting an account and debiting another

account, instead of crediting the other account and vice versa for example, a cash sales of ₦50,000, which was credited to sales account and also credited to cash account, instead of being debited to cash account, will constitute an error of partial reversal of entry.

- **Single entry**

This also involves a violation of the double entry principle by recording the debit entry relating to a transaction but ignoring the corresponding credit entry and vice versa for example, a cash sales of ₦50,000 which was credited to sales account but without any corresponding debit entry, will involve a single entry error.

- **Transposition error**

This is the case where a transaction was properly recorded on the basis of double entry in the ledger but the amount involved on the transaction was mis- stated on an account for example, Purchases of ₦89,700 by cheque was debited correctly to purchases account but credited to bank account as ₦98,700.

- **Casting error**

This is the case where there is casting error on an account in the ledger, which was also used to compute the balance on the account. In this case, the balance derived from that account will either be over stated or under stated. Where this balance is reflected on the trial balance, then, the trial balance derived from that account will either be over stated or under stated. For example, The sales account was over cast by ₦50,000, this will cause a difference on the trial balance.

- **Omission of an item on the trial balance**

This is the case where an account and its corresponding balance was completely omitted from the trial balance. For example, the rent account balance of ₦200,000 was completely omitted on the trial balance.

- **Debit item in the ledger recorded as credit item in the trial balance**

This is the case of where an item that should have been debited on the trial balance was credited in error and vice versa. For example, the discount allowed account balance of ₦1,500 was posted on the wrong side of the trial balance.

- **Mis-statement error on the trial balance**

This is the case where the balance of an account shown on the trial balance was either over stated or under stated. E.g the balance of the rent account ₦200,000, was recorded on the trial balance as ₦20,000.

b. **Niger Limited**

i) Journal entries

	Debit (₦)	Credit (₦)
1. Suspense account	50,000	
Sales		50,000
Being omission of sales entry		
2. Suspense account	225,000	
Expense account		225,000
Being incorrect posting of expense		
3. Purchases	70,000	
Suspense account		70,000
Being omission of purchase entry		
4. Depreciation	12,000	
Suspense account		12,000
Being depreciation understatement correction		
5. Suspense account	70,000	
Sales		70,000
Being correction of credit sales (35,000 x 2)		
6. Expense account	8,000	
Suspense account		8,000
Being omission of expense entry		
7. Suspense account	100,000	
Liabilities		100,000
Being omission of liabilities		
8. Suspense account	6,000	
Interest income account		6,000
Being correction of understated interest income		
9. Suspense account	405,000	
Cash book		405,000
Being correction of cash receipt entry		
10. Suspense account	10,000	
Inventory		10,000
Being correction of inventory valuation error		
11. Suspense	20,000	
Bank account		20,000
Being recording dividend payment		
12. Suspense	35,000	
Tax payable		35,000
Being correction of tax calculation error		

13.	Suspense account	12,000	
	Electricity		12,000
	Being correction of duplicate entry		
14.	Suspense	60,000	
	Bank account		60,000
	Being omission of loan repayment		

ii.

Niger Limited			
Suspense account			
Description	₦' 000	Description	₦' 000
Sales	50,000	Bal b/f	863,000
Expenses		Purchases	70,000
	25,000		
Sales		Expenses	8,000
	70,000		
Interest income	6,000	Dividends	20,000
Liability	100,000	Depreciation	12,000
Cash	405,000		
Inventory	10,000		
Cash	20,000		
Bank	35,000		
Electricity	12,000		
	<u>973,000</u>		<u>973,000</u>

Examiner's report

The question examines candidates' knowledge of the errors that affect the trial balance and their ability to correct errors using journals and suspense account.

Most candidates attempted the question and their performance was above average, with candidates scoring more marks in question (3a).

The common pitfalls of the candidates include:

- Inability to differentiate between errors that affect the trial balance and those that do not; and
- Inability to demonstrate the principle of double entry to prepare the journal and the suspense account.

Candidates are advised to acquaint themselves with the application of the principle of double entry and make effective use of ICAN Pathfinder and Study Text on this subject, which are comprehensive and explicit.

Marking guide

	Marks	Marks
a) Types of errors		
i. Stating three types of errors	3	
ii. Explain two of the errors identified	<u>2</u>	5
b) i. Journal entries:		
Showing the correct double entries for the 14 errors	7	
ii. Preparation of suspense account:		
Naira signs on debit and credit sides	$\frac{1}{2}$	
15 correct entries in the suspense account	<u>$7\frac{1}{2}$</u>	<u>15</u>
Total		<u><u>20</u></u>

SOLUTION 4

- a. **Describing elements of cost of property, plant and equipment (PPE)**
Under IAS 16, costs related to Property, Plant, and Equipment (PPE) are capitalised under specific circumstances. Here is a concise description of each cost element associated with PPE and the conditions under which these costs are capitalised.
- Purchase price:** The purchase price of an asset, including any import duties and non-refundable purchase taxes, is capitalised as part of the cost of PPE.
 - Directly attributable costs:** These are costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Directly attributable costs include expenses such as site preparation, initial delivery and handling, and installation.
 - Borrowing costs:** If a company borrows funds specifically to finance the construction or acquisition of an asset, the interest incurred during the construction period can be capitalised. However, this is subject to certain criteria, such as the completion of substantial activities necessary to prepare the asset for its intended use.
 - Costs of dismantling and removing the asset:** The cost of dismantling and removing the asset and restoring the site on which it is located is capitalised, if it is incurred as a consequence of acquiring or using the asset. This cost is recognised as part of the cost of the asset and is accounted for over the asset's useful life.
 - Subsequent costs:** Costs incurred after the initial recognition of the asset can be capitalised if they result in increased future economic benefits and can be measured reliably. For example, costs related to significant upgrades or enhancements that extend the asset's useful life or improve its performance can be added to the asset's cost.

It is important to note that costs are capitalised when they meet the recognition criteria, which include the probability that future economic benefits associated with the asset will flow to the entity and the cost of the asset can be measured reliably. If these criteria are not met, the costs are expensed in the period in which they are incurred. Proper adherence to these guidelines ensures accurate valuation and presentation of PPE in the financial statements, providing stakeholders with reliable information about the company's long-term assets.

b. Calculating initial cost of motor vehicle of Caleb Ltd

	₦
Purchase price	5,000,000
Transportation costs	50,000
Installation costs	150,000
License and registration fees	80,000
Legal fees for acquisition	<u>100,000</u>
Total initial measurement	<u>5,380,000</u>

**Igba Enterprises
Schedule of cash for the Month of September 2023**

	₦	₦
Opening cash balance as of September 1		100,000
Opening bank balance as of September 1		750,000
Receipts during September		<u>2,300,000</u>
		3,150,000
Payment to suppliers	1,350,000	
Payment to employees	<u>525,000</u>	<u>1,875,000</u>
		1,275,000
Closing cash balance as of 31 September 2023	162,000	
Closing bank balance as of 31 September	<u>950,000</u>	<u>1,112,000</u>
Missing cash		<u>163,000</u>

Examiner's report

Parts (a) and (b) of the question tests candidates' knowledge of the elements of cost of property, plant and equipment within the context of IAS 16, while part (c) requires candidates to determine missing cash by preparing schedule of cash for a particular month.

Majority of the candidates attempted all parts of the question and their performance was average. Performance rate for 4b and 4c was impressive while performance in part (4a) was poor.

Most candidates who failed the question either discussed factors that affect depreciation or could only identify the purchase price as elements of cost of PPE, in part (4a).

Candidates are advised to study all the relevant aspect of IAS 16 that is within the syllabus at this level.

Marking guide

	Marks	Marks
a. Listing four (4) elements of cost of PPE	2	
Describing the elements of cost of PPE	<u>6</u>	8
b. Calculating initial cost of PPE		6
c. Preparation of cash schedule to determine missing figure		<u>6</u>
Total		<u>20</u>

SOLUTION 5

a. The main components of financial statements include the statement of profit or loss and other comprehensive income, statement of financial position, statement of cash flows, and statement of changes in equity. These financial statements are interconnected and provide valuable insights into a company's financial health and performance. Here are the relationships among these components:

i. **Statement of profit or loss and other comprehensive income:**

- **Relationship with the statement of financial position:** This summarises a company's revenues, expenses, gains, and losses over a specific period, usually a fiscal year or quarter. The net income or net loss reported on the statement of profit or loss and other comprehensive income directly impacts the equity section of the statement of financial position. Positive net income increases shareholders' equity, while a net loss decreases it.

ii. **Statement of financial position:**

- **Relationship with the statement of profit or loss and other comprehensive income:** The statement of financial position provides a snapshot of a company's financial position at a specific point in time, including its assets, liabilities and equity. The ending balances of assets, liabilities, and equity reported on the statement of financial position are derived from the cumulative effects of past statements of profit or loss and other comprehensive income.
- **Relationship with the statement of cash flows:** The ending cash and cash equivalents reported on the statement of financial position match the cash balance reported on the statement of cash flows. Changes in other statement of financial position items, such as accounts receivable and accounts payable, are reconciled with the statement of cash flows from operating activities section.

iii. **Statement of cash flows:**

- **Relationship with the statement of financial position:** The statement of cash flows explains how changes in the statement of financial position items affect a company's cash position. It reconciles the beginning and ending cash balances on the statement of financial position.
- **Relationship with the statement of profit or loss and other comprehensive income:** The statement of cash flows' operating activities section starts with net income from the statement of profit or loss and then adjusts for non-cash items and changes in working capital to arrive at the net cash provided by or used in operating activities.

iv. **Statement of changes in equity:**

- **Relationship with the statement of financial position:** The statement of changes in equity shows how equity items (shares, retained earnings, additional paid-in capital, etc) change over time. It reconciles the beginning and ending balances of equity items with changes that occurred during the period.
- **Relationship with the statement of profit or loss and other comprehensive income:** The net income or net loss from the income statement is a significant driver of changes in retained earnings, which is a key component of equity. Dividends paid to shareholders also affect retained earnings.

In summary, financial statements are interrelated in that they provide a comprehensive view of a company's financial performance, position and cash flows. Changes in one statement have direct or indirect impacts on the others and together they offer a comprehensive picture of a company's financial health and activities. These statements are essential tools for investors, creditors and management to assess a company's performance and make informed decisions.

- b. In financial reporting, accounting policies and accounting estimates are fundamental concepts, yet they serve different purposes and functions.

i. **Accounting policies:**

Definition: Accounting policies are the specific principles, bases, conventions, rules, and practices applied by an entity in preparing and presenting financial statements.

Explanation: Accounting policies provide the framework for recording and reporting transactions and events in financial statements. These policies dictate how transactions are recognised, measured, presented, and disclosed. They are generally adopted to ensure consistency and comparability across different periods and entities within an industry.

Example: A company might adopt the FIFO (First-In-First-Out) method for inventory valuation. This means that the oldest inventory items are considered sold first when calculating the cost of goods sold.

Impact: Accounting policies significantly influence the reported financial position and performance of a company. Different policies can lead to variations in reported revenue, expenses, assets and liabilities, affecting financial ratios and analysis.

ii. **Accounting estimates:**

Definition: Accounting estimates are approximations of monetary amounts made in the absence of precise means of measurement. They involve judgments based on the most recent, reliable and relevant information available.

Explanation: Accounting estimates are used when it's impossible to obtain exact measurements, such as in estimating the useful life of an asset, the collectability of receivables, or the fair value of investments. These estimates are based on historical data, current economic conditions, and future expectations.

Example: Estimating the allowance for doubtful debts based on the past experience of bad debts. This involves predicting the likelihood of customers defaulting on payments.

Impact: Accounting estimates can significantly affect the financial statements. Changes in these estimates can impact net income, assets, liabilities and equity. For instance, changes in depreciation estimates can alter the carrying amount of assets, affecting both the statements of financial position and the statement of comprehensive income.

Examiner's report

Part (a) of the question examines candidates' knowledge of the relationship between the components of financial statements while part (b) examines their knowledge of accounting policies and changes in accounting estimates.

Many candidates attempted the question and their performance was below average.

Candidates' common pitfalls include the following:

- Some candidates discussed elements of financial statements, instead of components;
- Candidates who could highlight the components failed to discuss how the components are interrelated; and
- Candidates could only define accounting policies and changes in accounting estimates but they failed to cite examples and explain their impact on the financial statements.

Candidates are advised to study all aspects of the syllabus.

Marking guide

	Marks	Marks
a. Relationship among components of financial statements		
Stating 6 relationship	3	
Explaining the relationship	<u>9</u>	12
b. Accounting policies:		
Definition, explanation, examples and impact of accounting policies	4	
Definition, explanation, examples and impact of accounting estimates	<u>4</u>	<u>8</u>
Total		<u><u>20</u></u>

SOLUTION 6

a. **ABO Partnership**
Share of profit for the year to September 30, 2023

	₦	₦
Reported in the question		600,000
Less interest on loan notes (10% of ₦300,000)		<u>30,000</u>
Profit for the period		570,000
Partners' salaries		
Awka	120,000	
Bwari	90,000	
Owo	<u>90,000</u>	300,000
Profits available for distribution to the partners		270,000
Awka 40% x 270,000	108,000	
Bwari 30% x 270,000	81,000	
Owo 30% x 270,000	<u>81,000</u>	<u>270,000</u>

b. **ABO Partnership**
Calculation of the partners' initial capital accounts

	₦	₦
Cash		250,000
		400,000
Accounts receivables		200,000
		<u>250,000</u>
Inventories		1,100,000
Furniture and fittings (carry amount)	(120,000)	
Total assets	<u>(300,000)</u>	<u>(420,000)</u>
Liabilities:		680,000
Accounts payable		
Loan notes	150,000	
Total assets	(100,000)	

Initial current account balances:	<u>50,000</u>	<u>(100,000)</u>
Awka		580,000
Bwari	232,000	
Owo	174,000	
Initial capital account:	<u>174,000</u>	<u>580,000</u>
Awka (40% x ₦580,000)		
Bwari (30% x ₦580,000)		
Owo (30% x ₦580,000)		

b.

**ABO Partnership
Partners' current accounts**

	Awka ₦	Bwari ₦	Owo ₦
Balances b/d	150,000	(100,000)	50,000
Salaries	120,000	90,000	90,000
Share of profit	<u>108,000</u>	<u>81,000</u>	<u>81,000</u>
	378,000	71,000	221,000
Transfer to capital accounts	<u>68,000</u>	<u>26,000</u>	<u>26,000</u>
Balances c/f	<u>310,000</u>	<u>45,000</u>	<u>195,000</u>

c.

**ABO Partnership
Partners' capital accounts**

	Awka ₦	Bwari ₦	Owo ₦
Balances b/d	232,000	174,000	174,000
Transfer from current accounts	<u>68,000</u>	<u>26,000</u>	<u>26,000</u>
Balance c/f	<u>300,000</u>	<u>200,000</u>	<u>200,000</u>
Balance b/d	300,000	200,000	200,000

Examiner's report

Candidates were required to apply the knowledge of accounting equation to derive the initial capital of the partners and then prepare the partners' capital and current accounts.

Many candidates attempted the question and their performance was average.

Few candidates could not prepare partners' current and capital accounts while few others could not derive the initial capital of the partners from incomplete records.

Candidates are advised to cover in-depth all aspects of the syllabus.

Marking guide

	Marks
Partnership accounts:	
a. Determination of share of profit	6
b. Calculation of initial capital	5
c. Preparation of partners' current account	6
d. Preparation of partners' capital account	<u>3</u>
Total	<u>20</u>

THE INSTITUTE OF CHARTERED ACCOUNTANTS OF NIGERIA**FOUNDATION LEVEL EXAMINATION – NOVEMBER 2023****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 **RED INK** will not be marked.

TUESDAY, NOVEMBER 14, 2023**DO NOT TURN OVER UNTIL YOU ARE TOLD TO DO SO**

THE INSTITUTE OF CHARTERED ACCOUNTANTS OF NIGERIA
FOUNDATION LEVEL EXAMINATION – NOVEMBER 2023

MANAGEMENT INFORMATION

Time Allowed: 3¹/₄ 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** a characteristic of 'Last-In-First-Out' (LIFO) materials pricing method?
 - A. Results in many batches being only partly charged to production where a subsequent batch is received
 - B. It is an actual cost system
 - C. It is acceptable by the tax authorities
 - D. Administratively clumsy
 - E. Makes cost comparison between jobs difficult

2. A document which includes the detailed cost centre and cost unit is known as
 - A. Tender
 - B. Cost sheet
 - C. Work order
 - D. Bill of quantities
 - E. Goods requisition note

3. When the actual overhead is less than the absorbed, there is
 - A. Equal absorption
 - B. Major absorption
 - C. Under absorption
 - D. No absorption
 - E. Over absorption

4. Which of the following is **NOT** an inventory valuation method?
 - A. Last-In-First-Out
 - B. Weighted average
 - C. Periodic average price
 - D. First-In-First-Out
 - E. Economic order quantity

5. What is the break-even point where sales figure is ₦15,000,000 and margin of safety is 30%?
- A. ₦2,000,000
 - B. ₦3,000,000
 - C. ₦6,500,000
 - D. ₦10,500,000
 - E. ₦12,000,000
6. Which of the following may be a limiting factor in production?
- A. Labour rate
 - B. Machine maintenance schedule
 - C. Materials
 - D. Technology change
 - E. Warehouse location
7. Which of the following journal entries is correct for the issuance of direct materials to production?
- | DR | CR |
|---------------------|---------------------|
| A. Materials | Work in progress |
| B. Work in progress | Materials |
| C. Work in progress | Accounts payable |
| D. Materials | Accounts payable |
| E. Materials | Accounts Receivable |
8. The reorder quantity is 2,000 while demand for one year in units is 20,000. What is the number of deliveries per annum?
- A. 6
 - B. 8
 - C. 10
 - D. 14
 - E. 16
9. Activities such as customer service and distribution, material handling and set-ups, are part of
- A. Standard costing
 - B. Marginal costing
 - C. Contract costing
 - D. Activity based costing
 - E. Job costing

10. **ONE** of the methods of separating fixed costs from semi-variable costs is
- A. Low high method
 - B. Variable method
 - C. High low method
 - D. Constant method
 - E. Semi variable method
11. An automated file that stores definitions of data elements and data characteristics such as usage and physical representation is called
- A. Database
 - B. Database management system
 - C. Data dictionary
 - D. Data definition
 - E. Data manipulation language
12. Which of the following is **NOT** one of the operations of warehouse management system?
- A. Inventory management
 - B. Shipping
 - C. Labour management
 - D. Ordering management
 - E. Auditing
13. A collection of attributes that describes an entity is called
- A. File
 - B. Data item
 - C. Record
 - D. Database
 - E. Character
14. The following are the characteristics of Big data, **EXCEPT**
- A. Large volume
 - B. Varied type
 - C. High speed of generation
 - D. Variability
 - E. Low storage
15. The type of database organisation in which data are represented in rows and columns is called
- A. Network database
 - B. Relational database
 - C. Tree database
 - D. Hierarchical database
 - E. Hybrid database

16. Which of the following is **NOT** an example of database management system (DBMS)?
- A. Microsoft access
 - B. MYSQL server
 - C. Oracle
 - D. Microsoft write
 - E. Microsoft SQL server
17. The following are the major stages in data processing, **EXCEPT**
- A. Collection of data
 - B. Input
 - C. Sorting of data
 - D. Processing of data
 - E. Output of information
18. A database system is used to perform the following functions, **EXCEPT**
- A. Prevent a single data to be used by several applications
 - B. Avoid data duplication
 - C. Ensure consistency in an organisation's use of data
 - D. Make data independent of the programs using it
 - E. Ensure systematic method of storage and retrieval of data
19. Which of the following is **MOST** likely to protect an organisation's database system from hackers?
- A. Card-key locks
 - B. Virus detection
 - C. Encryption of data
 - D. Firewalls
 - E. Hard to determine passwords
20. Which of the following can be used to detect incorrect data entry into a database?
- A. Audit trail review
 - B. Response time test
 - C. Validity check
 - D. Storage validation
 - E. Keyboard test

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

The stores data of ABC Limited for the month of July is as follows:

Date	Receipts Units	Purchase Price per unit	Issues Units
01/07	250	₦3.00	
07/07	250	₦3.20	
10/07			200
19/07			250
21/07	350	₦3.30	
28/07			200

Required:

Prepare the store ledger account in tabular form using the weighted Average Price Method showing daily balances as memorandum on the table.
Show workings. **(20 Marks)**

QUESTION 2

a. The **TWO** main labour remuneration methods are:

- i. Time rate system
- ii. Piece rate system

List **FIVE** advantages of each of them **(5 Marks)**

b. There are six workers in a production department of a manufacturing company; Ayo, Bola, Cosmas, Dapo, Eniola and Alasa.

The following information are extracted from the company's records for the month: Standard production per month 1,250 units.

Production by each employee: Ayo 1,000 units; Bola 1,250 units; Cosmas 1,375; Dapo 900; Eniola 1,125, Alasa 1,200.

Piecework rate is ₦100.00 per unit of actual production

Additional bonus is ₦200.00 for each 1% of actual production above 80% actual production over standard.

There's also production allowance of ₦5,000 per month

Required:

Compute the total remuneration for the workers for the month. **(15 Marks)**
(Total 20 Marks)

QUESTION 3

The figures given below are four years historical sales data of a company.

Required:

Calculate the moving averages, trends and seasonal variations.

Year	Quarter	Historical sales data
1	1	3,000
	2	2,800
	3	2,400
	4	2,800
2	1	3,200
	2	3,000
	3	2,600
	4	3,000
3	1	3,600
	2	3,400
	3	3,000
	4	3,200
4	1	3,800
	2	3,600
	3	3,400
	4	3,600

(20 Marks)

QUESTION 4

- a. One of the key assets within an organisation is the information system and associated contents.

You are required to list and explain briefly **THREE** major objectives of the security of the information system and its contents. (4 Marks)

- b. List **THREE** threats to computerised information systems. (3 Marks)
- c. i. Define disaster recovery planning. (2 Marks)
ii. Enumerate **FIVE** major aims of disaster recovery planning. (5 Marks)
- d. i. Define information privacy. (2 Marks)
ii. Explain basic uses of social media and give **TWO** of its benefits to organisations. (4 Marks)

(Total 20 Marks)

QUESTION 5

- a. Database and database management system are **TWO** terms that are very paramount in the management of data.

You are required to:

- i. Define Database Management System. (2 Marks)
 - ii. List **FOUR** characteristics of a database. (4 Marks)
 - iii. Enumerate **FOUR** facilities provided by Database management system.
- b. i. What is a data warehouse? (2 Marks)
- ii. Enumerate **FOUR** features of data warehouse. (4 Marks)
- c. Enumerate **TWO** advantages and **TWO** disadvantages of purchasing a database. (4 Marks)

(Total 20 Marks)

QUESTION 6

- a. Over the years, machine learning has become one of the mainstays of Information Technology.

You are required to:

- i. Define Machine Learning. (2 Marks)
 - ii. Enumerate **SIX** applications of machine learning. (3 Marks)
 - iii. List **FOUR** categories/types of machine learning. (2 Marks)
- b. Physical behavior of systems can be transformed into a mathematical model leading to efficient algorithm for simulation purpose.

You are required to:

- i. Define simulation. (2 Marks)
- ii. Enumerate **FIVE** advantages and **THREE** disadvantages of simulation. (8 Marks)
- iii. Distinguish between continuous simulation and discrete simulation. (3 Marks)

(Total 20 Marks)

SECTION A

MCQ - SOLUTIONS

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

Examiner's report

There are 20 questions in this section, covering a significant portion of the syllabus.

The questions were attempted by 100% of the candidates and performance was average as about 50% of the candidates scored 50% and above of the marks obtainable

The major reason for this average performance was the failure of candidates to cover all sections of the syllabus during preparations.

Candidates are advised to study the ICAN Study Text and other materials in detail, paying attention to all topics covered by the syllabus.

SECTION B

SOLUTION 1

**ABC Ltd
Stores Ledger Account**

Receipt Date	QTY	Price ₦	Total ₦	Issue Date	Material Requisition	Issue details ₦	Balance (memo) ₦
01/07	250	3.00	750				250 @ 3.00 = 750
07/07	250	3.20	800				500 @ 3.10 = 1,550
				10/07	200	200 @ 3.10 = 620	300 @ 3.10 = 930
				19/10	250	250 @ 3.10 = 775	50 @ 3.10 = 155
							400 @ 3.275 = 1310
							OR
				28/07	200		400 @ 3.28 = 1312
							200 @ 3.275 = 655
							OR
						200 @ 3.275 = 655	200 @ 3.275 = 655
							OR
						200 @ 3.28 = 656	200 @ 3.28 = 656

NOTE: ₦3.275 was approximated to ₦3.28 above.

WORKINGS: Valuation of stock balance

i. From 07/07 to 19/10

Receipt 01/07	250 units at ₦3.00	= ₦750
Receipt 07/07	<u>250</u> units at ₦3.20	= <u>₦800</u>
Total	500	= ₦1,550

Average price = $\frac{₦1,550}{500} = ₦3.10$

ii. From 20/07 to 28/07

Balance 19/10	50 units at 3.10	= 155
Receipt 21/07	<u>350</u> units at 3.30	= <u>1,155</u>
Total	400	1,310

Average price = $\frac{₦1,310}{400} = ₦3.275$

Examiner's report

The question tests candidates' understanding of stores ledger accounting.

About 90% of the candidates attempted the question, but performance was only average as about 50% of the candidates that attempted the question scored 50% and above of the marks allocated.

The major pitfall was incorrect application of principles of weighted average.

Candidates should understand that application of principles forms the nucleus of most topics of a quantitative nature and should be accorded the required attention.

Marking guide

	Marks	Marks
Stores ledger account:		
3 figures under Receipts total - ₦750, ₦800 & ₦1,155	1 mark each	3 Marks
3 figures under issue details - ₦620, ₦775 & 655	1 mark each	3 Marks
6 figures under balance (memo) -	1 mark each	6 Marks
Workings		
i. ₦750, ₦800 and ₦1, Average price - ₦3.10	1 mark each 1 mark	3 Marks
ii. ₦155, ₦800 and ₦1310 Average price - ₦3.275	1 mark each 1 mark	3 Marks
Total		20 Marks

SOLUTION 2

- a. i. Advantages of time rate system:
- It is simple to operate.
 - Produces quality of work.
 - It's economical to operate.
 - It gives workers sense of security.
 - It's acceptable by labour union.
 - It causes unity in labour.
- ii. Advantages of piece rate system:
- It gives incentives to efficient workers.
 - Simple and easy to understand.
 - It gives equitable wages.
 - It results in increased production.
 - It results in less supervision.

- Simplifies costing of remuneration.
- It's less costly to operate.

Computation of Total Workers' Remuneration

Name	Stand Prodn (units)	Act. Prodn Units	Achie -ved %	% over 80%	Bonus ₦	Piece- work pay ₦	Spec. Allce ₦	Total ₦
Ayo	1,250	1000	80%	0	0	100,000	5,000	105,000
	1,250							
Bola		1,250	100%	20%	4,000	125,000	5,000	134,000
	1,250							
Cosmos		1,375	110%	30%	6,000	137,500	5,000	148,500
	1,250							
Dapo		900	72%	0	0	90,000	5,000	95,000
	1,250							
Eniola		1,125	90%	10%	2,000	112,500	5,000	119,500
	1,250							
Alasa		1,200	96%	16%	3,200	120,000	5,000	128,200

Examiner's report

The question tests candidates' understanding of labour costing.

About 60% of the candidates attempted the question, but performance was poor in the part (a) of the question, while part (b) was well understood by the candidates.

About 40% of the candidates that attempted the question scored 50% and above of the marks allocated.

The major pitfall was incorrect application of principles regarding computation of bonuses.

Candidates are advised to study the ICAN Study Text in detail, paying adequate attention to detailed application of principles where necessary.

Marking guide

	Marks
a. i. ½ for any five points	½ x 5 = 2½
ii. ½ for any five points	½ x 5 = 2½
b. % over 80%	½ x 6 = 3
Bonus	½ x 6 = 3
Piece-work pay	½ x 6 = 3
Special allowance	½ x 6 = 3
Total	<u>20</u>

SOLUTION 3

Year	Quarter	Historical sales data	Moving Average	Trend	Seasonal Variation
1	1	3,000			
	2	2,800			
			2,750		
	3	2,400		2,775	-375
			2,800		
	4	2800		2825	-25
			2,850		
2	1	3200		2875	+375
			2,900		
	2	3,000		2,925	+75
			2,950		
	3	2,600		3,000	-400
			3,050		
	4	3,000		3,100	-100
			3,150		
3	1	3,600		3,200	+400
			3,250		
	2	3,400		3,275	+125
			3,300		
	3	3,000		3,325	-325
			3,350		
	4	3,200		3,375	-175
			3,400		
4	1	3,800		3,450	+350
			3,500		
	2	3,600		3,550	+50
			3,600		
	3	3,400			
	4	3,600			

Examiner's report

This question tests candidates' understanding of moving averages, trends, and seasonal variations.

The question was not popular as about 10% of the candidates attempted it. This topic has not been examined in a long while, hence most candidates did not expect it.

Expectedly, performance was poor. About 20% of the candidates that attempted the question scored 50% and above of the marks allocated. The major pitfall was lack of understanding of the topic.

Candidates are reminded that this topic is an integral part of the syllabus and can be examined at any time.

Marking guide

	Marks	Marks
Moving average: Heading		$\frac{1}{2}$
	Each figure under moving average = $\frac{1}{2} \times 13$	$6\frac{1}{2}$
Trend:	Heading	$\frac{1}{2}$
	Each figure under trend =	$\frac{1}{2} \times 12 = 6$
Seasonal Variations:	Heading	$\frac{1}{2}$
	Each figure under seasonal variation = $\frac{1}{2} \times 12$	<u>6</u>
Total		<u>20</u>

SOLUTION 4

a. Key objectives of security of information system

- i. **Confidentiality:** This requires that the information in a computer system be accessible for reading, printing, displaying and other forms of disclosure by authorized parties only.
- ii. **Integrity:** This requires that computer assets can be modified including writing, changing, changing status, deleting and creating by authorized parties only. OR
Making sure that the data in an organisation's possession is accurate, reliable and secured against unauthorised changes, tampering, destruction or loss.
- iii. **Availability:** This requires that computer system resources are available to authorised parties when they are needed. OR
Making private information available for anyone who is authorized to access it; such as when a customer request to view his or her profile.

b. Threats to computerised information systems

- i. Hardware and software failure
- ii. User errors/Human errors
- iii. Physical disaster such as fire or flood
- iv. Theft of data, service and equipment
- v. Unauthorised use of data
- vi. Telecommunications disruptions
- vii. Malware attacks e.g. virus

- viii. Social engineering attacks
- ix. Information extortion
- x. Theft of intellectual property
- xi. Malicious use
- xii. Unauthorised access (hackers and crackers)
- xiii. Identity theft

- c. i. Disaster recovery planning is the act of setting out processes and procedures to be followed in order to protect and recover the information systems in case disaster occur.

OR

A formal document created by the organisation that contains detailed instructions on how to respond to unplanned incidents such as natural disasters, cyber-attacks and other disruptive events.

ii. **Major aims of disaster recovery planning**

1. Identifying the breach or disaster that has taken place.
2. Preventing further losses by shutting down systems and operations.
3. Minimising the impacts of the disaster on the organisation stakeholders (customer or supplier) whose data may have been compromised.
4. Restoring and re-securing the information systems.
5. Minimising downtime and re-establishing business operations as soon as possible.
6. Taking appropriate action to minimise the reputational damage to the company following a breach to their IT systems and restoring confidence in the company.
7. Minimising interruptions to normal operations.
8. Limiting the extent of disruption and damage.
9. Minimising the economic impact of the interruption.
10. Establishing alternative means of operation in advance.
11. Training personnel with emergency procedures.

- d. i. **Information privacy:** This is the act of keeping the information one likes to keep to oneself from getting into the hands of companies' hackers, government organisations and other groups.

OR

The protection of personal data from those who should NOT have access to it and the ability of individuals to determine those who can access their personal information.

ii. Uses of social media

1. **Communication:** Social media tools such as blogs and websites are used to create articles and blogs for interactions, communications, information and empowering the audiences.
2. **Collaboration:** With the use of social media tools, collaboration in various aspects of human life among users can be done.
3. **Opinions and reviews:** This is useful for good communication and conversation.
4. **Brand Monitoring:** All the consumer brands and the companies that deal with the public make use of the brand monitoring tools in order to see what exactly is being talked about their brands and businesses.
5. **Entertainment:** The world of gaming is now dependent on social media platforms. Games like Farmville and Mafia wars are the prime time games that are played on social media sites.
6. **Media Sharing:** One of the most popular and well-known sites that can be used for sharing media is YOUTUBE and with over 500 million followers, this website is already on the map due to the amazing things that it offers to its users.
7. **Paid Advertisement:** Users of social media such as Facebook, Twitter/X, Snapchat etc. are also very effective in running paid adverts on different social media portals

Benefits of social media

1. Building relationship.
2. Getting connected to new people/Customers.
3. Reaching large audiences.
4. Direct connection with the audience.
5. Joining social media is free.
6. Having access to paid advertising services.
7. Driving traffic to one's websites.
8. Creating viral contents.
9. Uncovering valuable insights.
10. Building brands by interacting with others and sharing interesting facts about oneself.
11. Staying up to date.

Examiner's report

This question tests candidates' understanding of the concept of information systems.

About 80% of the candidates attempted the question. Performance was average in the parts (a) and (b) of the question, but very poor in Parts (c) and (d).

Only about 5% of the candidates that attempted the question in Part C and D scored 50% and above in parts (c) and (d) of the marks allocated.

Candidates' major pitfall was poor knowledge of the topic.

Candidates are advised to pay greater attention to this section of the syllabus while preparing for future examinations.

Marking guide

	Marks	Marks
a. $1\frac{1}{2}$ ticks for correct objectives	$1\frac{1}{2}$	$4\frac{1}{2}$
b. $\frac{1}{2}$ tick for correct threat	$\frac{1}{2}$	$2\frac{1}{2}$
c. i 2 ticks for correct definition	2	2
ii 1 tick for correct aim	1	5
d. i 2 ticks for correct definition	2	2
ii 1 tick for each list and explanation	1	<u>4</u>
Total		<u>20</u>

SOLUTION 5

- a. i. Database Management System (DBMS) is a set of software programs responsible for the construction, storage, retrieval, expansion, maintenance and control of data and information in a database.

OR

Software that serves as an interface between end-users and a database allowing the users to create, read, update and delete data in the database.

ii. **Characteristics of database**

- Provision of a common set of data files for all users of the system.
- Data in a database can be accessed for use by many different users and programs.
- Data in a database has to be organised and in a standard format.
- A computerised database is accessed and controlled by a special software known as Data Base Management System. (DBMS).
- Database may be held on the same computer file or on distributed between several computers in a network.
- Insulation between programs and data and data abstraction.
- Self-describing nature of a database system.

iii. **Facilities provided by DBMS**

- Ability to add new records, amend or delete existing data on the database.
- Ability to retrieve data for processing or information to help with decision making.
- Ability to update the database without the need to modify any application programs.
- Ability to present data on the database in different combinations and in different forms.
- Ability to control access to parts of the database through the use of passwords.
- Ability to provide for data integrity, independence and integration.
- Monitoring the performance of applications and their data.
- Planning for storage and capacity growth requirements.
- Establishing a powerful backup and disaster recovery solutions.
- Archiving, partitioning, replicating and masking data.
- Establishing and maintaining security rules and user access rights.
- Providing dictionary of definitions and descriptions of available data.

- b. i. A data warehouse is a large database containing operational data from different IT systems with reporting and query tools for analysis of data and presentation of information in report format.

OR

Storage of both current and historical relational information from a variety of systems and sources, most often used for reporting data analysis and business intelligence.

OR

It is a centralised storage system that allows for the storage, analysis and interpretation of data in order to facilitate better decision-making.

ii. **Features of data warehouse**

- Data in data warehouse is subject-oriented (organised subject by subject rather than by application or function)
- Data in data warehouse is non-volatile i.e. once data has been entered into the warehouse, it cannot be updated or altered.
- Holds data from legacy system to enable analysis of operational data for the past years for use in trend analyses and forecasting.
- A data warehouse is used to extract archived operational data and integrate it into the organisation thereby removing inconsistencies between data in different systems.
- Integrating data from varied sources into a consistent format.
- Data stored in data warehouse must be time variant either explicitly or implicitly.

c. **Advantages of purchasing a database**

- Quick way to acquire large amount of data.
- It can aid the growth of the company, as there will be access to thousands of potential customers.
- To reduce the amount of time spent on managing data.
- To analyse data in a variety of ways.
- To promote a disciplined approach to data management.
- To turn different information into valuable resource.
- To improve the quality and consistency of information.

Disadvantages of purchasing a database

- Competitors may also be able to purchase the data.
- Information can be old/outdated.
- Confirming the validity/accuracy of the data may be difficult.
- The usefulness of database will depend on how well the specification for the database were identified, set out and sent to Data Company.
- Frequent update/upgrade may be difficult and costly.
- Increase in costs in terms of hardware, software, data storage, etc.

Examiner's report

This question tests candidates' understanding of the concepts of database management system and data warehouse.

About 30% of the candidates attempted the question and performance was below average in the part (a) of the question, while that of part (b) and (c) were very poor.

About 5% of the candidates that attempted the question in Part (c) scored 50% and above of the marks allocated. The major pitfall among the candidates was inadequate preparation.

Candidates are advised to study the ICAN Study Text in detail, paying adequate attention to all topics covered by the syllabus.

Marking guide

		Marks	Marks
a i.	2 ticks for correct definition	2	2
ii.	1 tick for each characteristic	1	4
iii.	1 tick for each correct facility	1	4
b i.	2 ticks for correct definition	2	2
ii.	1 tick for each correct feature	1	4
c.	1 tick for each correct point	1	4
	Total		20

SOLUTION 6

- a. i. System to learn from data rather than through explicit programming by using a variety of algorithms that iteratively learn from data to improve, describe data and predict outcomes.

OR

It is a subfield of AI which is the capability of a machine to imitate intelligent human behaviour.

OR

It is a subfield of AI that focuses on the design of systems that can learn from and make decisions and predictions based on data.

ii. **Application areas of machine learning**

- Spam filtering
- Credit card fraud detection
- Digit recognition on cheques, zip codes, etc.
- Detecting faces in images
- Recommendation system
- Search engines
- Handwriting recognition
- Scene classification
- Voice assistants
- Fraud detection
- Social Media
- Catching malware
- Self-driving cars
- Speech recognition
- Predict traffic pattern
- Image recognition

iii. **Categories/ types of machine learning**

- Supervised learning
- Unsupervised learning
- Reinforcement learning
- Deep learning
- Deep reinforcement learning
- Semi-supervised learning

- b. i. Simulation is a technique for studying real-world dynamic system by imitating their behaviour using a mathematical model of the system, implemented on a computer.

OR

Simulation is a model that mimics the operation of an existing or proposed system, providing evidence of decision making by being able to test different scenarios or process changes.

ii. **Advantages of simulation**

1. It can arbitrarily model complexity.
2. It circumvents analytically intractable models.
3. It facilitates “what if” and sensitivity analyses.
4. It can lead to system improvement.
5. Greater understanding of simulation can be used to verify analytical solutions.
6. It can identify bottlenecks in the flow of entities (material, people, etc.) or information.
7. It uses multiple performance metrics for analysing system configurations.
8. It obtains a better understanding of the system by developing a mathematical model of a system of interest and observing the systems operation in detail over a long period of time.
9. It helps to gain insight into which variables are most important to system performance.
10. Critical situation can be investigated without risk.
11. Can be safer and cheaper than the real world system.
12. Able to test product/system works before building them.
13. Can be used to find unexpected problems.
14. It can avoid danger and loss of life.

Disadvantages of simulation

1. Simulation provides only individual, not general solution.
2. It can only solve one parameter at a time.
3. It takes large amount of development time and/or computer time.
4. It is very costly to use than analytical model.
5. It consumes a lot of resources.
6. It takes a lot of computer memory and it is time consuming.
7. It is difficult to develop, so experts are required.
8. It is hard to interpret its results.
9. Mistakes may be made in the programming or rules of simulation.

iii. **Continuous simulation:** refers to simulation approaches where a system is modelled with the help of variables that change continuously according to a set of differential equations e.g. thermal or hydraulic systems.

Discrete simulations: are event-driven where the variables needed to describe the system change at discrete time points e.g. service industry application such as queues in grocery stores and manufacturing applications involving material flow analyses.

OR

Discrete simulation is a stochastic modelling approach widely used to address dynamic and complex systems e.g. Healthcare system.

Examiner's report

This question tests candidates' understanding of the concept of machine learning and simulation.

About 20% of the candidates attempted the question and performance was below average. While candidates performed fairly in the part (a) of the question, performance in part (b) was very poor.

Only about 5% of the candidates that attempted the question scored 50% and above of the marks allocated in part (b).

Candidates demonstrated lack of deep knowledge of the topics. They are therefore advised to ensure better coverage of these topics when preparing for future examinations.

Marking guide

	Mark	Mark
a i. 2 ticks for correct definition	2	2
ii. ½ tick for correct application	½	3
iii. ½ tick for correct category	½	2
b i. 2 ticks for correct definition	2	2
ii. 1 tick for correct point	1	8
iii. 1½ ticks for correct distinction	1½	<u>3</u>
Total		<u>20</u>

THE INSTITUTE OF CHARTERED ACCOUNTANTS OF NIGERIA**FOUNDATION LEVEL EXAMINATION – NOVEMBER 2023****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 **RED INK** will not be marked.

WEDNESDAY, NOVEMBER 15, 2023**DO NOT TURN OVER UNTIL YOU ARE TOLD TO DO SO**

THE INSTITUTE OF CHARTERED ACCOUNTANTS OF NIGERIA

FOUNDATION LEVEL EXAMINATION – NOVEMBER 2023

BUSINESS, MANAGEMENT & FINANCE

Time Allowed: 3¹/₄ 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 management theorists made a study of Japanese companies and compared them with companies in the US?
 - A. William Ouchi
 - B. Henry Mintzberg
 - C. Douglas McGregor
 - D. Elton Mayo
 - E. Peter Drucker

2. Which of the following is represented by the acronym “HTML”?
 - A. Hyper Test Mark Language
 - B. Hyper Text Mark Land
 - C. Hypo Text Markup Languages
 - D. Hypo Text Mark Language
 - E. Hyper Text Markup Language

3. Which of the following is associated with junior managers and supervisors in an organisation?
 - A. Functional responsibilities
 - B. Efficiency control, quality control, control of waste, avoiding unnecessary spending
 - C. Co-ordination of activities of subordinates
 - D. Co-ordination with other work groups and functions
 - E. Monitoring and control

4. Which of the following is an advantage of a decentralised decision-making process?
- A. Facilitates effective co-ordination of activities
 - B. Promotes the usage of initiative instead of getting instructions about what to do
 - C. Managers at head office are able to apply a 'corporate view' to the entire business
 - D. Fewer managers might be needed
 - E. Uses specialised management support teams for the entire organisation possible
5. Calculate the present value, discounted at 12 percent, of receiving ~~₦~~300,000 at the end of year 6.
- A. 151,989.34
 - B. 162,999.34
 - C. 173,989.34
 - D. 184,989.34
 - E. 195,989.34
6. Which of the following features is **INCORRECT** in respect of payback period investment appraisal method?
- A. It can be used to eliminate projects that will take too long to pay back
 - B. Often used by companies that have liquidity problems
 - C. Ignores the total cash returns from the project
 - D. Analyses accounting profits
 - E. Simple to calculate
7. Which of the following is **TRUE** of a finance lease?
- A. The leased asset is reported in the statement of financial position of the lessor as a non-current asset
 - B. The lessor is responsible for insurance running and maintenance costs for the asset
 - C. The purchase cost of the leased asset is paid by the lessor
 - D. The lessee cannot claim the tax depreciation allowances
 - E. The lessee is the legal owner of the asset

8. Which of the following is **NOT** a feature of Net Present Value (NPV) method of investment appraisal.
- A. It considers liquidity as means of evaluating capital project
 - B. It makes use of cost of capital or discount rate
 - C. It takes into consideration time-value-of-money
 - D. It takes account of the timing of the cash flows
 - E. It evaluates all cash flows from the project
9. Which of the following is **NOT** an example of a Non-government organisation?
- A. Delight and Partners
 - B. Lagos Digital Village
 - C. Murtala Mohammed Foundation
 - D. Nigeria Health Care Project
 - E. Women in Management and Business
10. Which of the following is **NOT** a disadvantage of a joint venture?
- A. Flexibility can be restricted
 - B. Degree of partners' involvement may not be equal
 - C. Clash of cultures and management styles may impair the success of the venture
 - D. It has unclear and unrealistic objectives
 - E. Eradicates the risk of discrimination
11. Which of the following best describes a divisional organisation structure?
- A. A structural organisation
 - B. A centralised organisation
 - C. A decentralised organisation
 - D. A transitional organisation
 - E. A regional organisation
12. A body that has responsibility or oversight of more than one country is
- A. Strategic apex body
 - B. Supranational body
 - C. National government
 - D. Transnational body
 - E. Strategic body

13. Which of the following is concerned with internal reporting to decision-makers?
- A. Financial management
 - B. Financial accounting
 - C. Strategic management performance
 - D. Management accounting
 - E. Finance
14. Which of the following best describes the concept that an accountant must **NOT** allow his professional or business judgement to be affected by conflict of interest?
- A. Due care
 - B. Objectivity
 - C. Professional competence
 - D. Confidentiality
 - E. Integrity
15. The process by which a professional accountant reports suspicions of illegal or improper behaviour to a person in authority is
- A. Due care
 - B. Surveillance
 - C. Strategic alert
 - D. Professionalism
 - E. Whistleblowing
16. Which of the following management principles best describes employees awareness of where they stand in the organisation's hierarchy?
- A. Unity of command
 - B. Unity of direction
 - C. Scalar chain
 - D. Order
 - E. Equity
17. The reason one has for acting or behaving in a particular way is
- A. Stimulus
 - B. Ego
 - C. Motivation
 - D. Maturity
 - E. Emotional intelligence

18. Which of the following is **NOT** an example of intrinsic rewards?
- A. Sense of achievement in doing the work
 - B. Sense of recognition for doing the work
 - C. Enjoying the status that the job provides
 - D. Award of a company car
 - E. Pride in doing the work
19. A project team in an organisation is often made up of individuals from different
- A. Ethnic groups
 - B. Functional areas
 - C. Matrix structures
 - D. Social backgrounds
 - E. Organisations
20. A message could fail to prompt the intended response in any of the following situations, **EXCEPT**
- A. The recipient of the message was not paying proper attention
 - B. The recipient does not have the knowledge to understand the message
 - C. The recipient has a personal likeness of the sender
 - D. The recipient is in conflict with the sender
 - E. The recipient gets the message but then forgets it

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

According to Cole and Kelly “An organisation is a group of people with common purpose who work together to achieve shared goals”.

- a. Define the term group cohesion and explain briefly **FIVE** characteristics of an effective team. (10 Marks)
- b. Explain briefly the following concepts:
 - i. Formal organisation

- ii. Organisational structure
 - iii. Flat organisation
 - iv. Outsourcing
 - v. Shared services
- (10 Marks)
- (Total 20 Marks)**

QUESTION 2

Managers must be well informed that environmental factors are determinants for organisations' survival and success, as these factors have a bearing on the strategy and other decisions of the organisation.

- a. Explain briefly the **FOUR** features of bureaucracy and state **FOUR** reasons for the growth of bureaucracy as summarised by Rosemary Stewart. (10 Marks)
 - b. Explain briefly the following concepts:
 - i. Game theory
 - ii. Self-regulation theory
 - iii. Motivation
 - iv. Self-efficacy
 - v. Scalar chain
- (10 Marks)
- (Total 20 Marks)**

QUESTION 3

Modern organisations now focus on managing their employees rather than knowing how to do their work well.

- a. Explain briefly the assumptions that guide reinforcement theory and **THREE** ways reinforcement theory could be used in the business environment. (10 Marks)
 - b. List the **TEN** principles of management as suggested by Lyndall Urwick and briefly explain **FIVE** of them. (10 Marks)
- (Total 20 Marks)**

QUESTION 4

Management and organisations have acknowledged that business analyses and communication models are strategic tools for reducing risks.

- a. Explain briefly the concept "Strategic position analysis" and state **FOUR** main features of entrepreneurial organisation. (10 Marks)
 - b. Define the term "communication style" and explain briefly **THREE** components of communication style. (10 Marks)
- (Total 20 Marks)**

QUESTION 5

- a. Managers think about non-financial issues as well as financial issues when making outsourcing decisions.
- i. Explain **SIX** non-financial considerations that will be relevant to a make-or-buy decision. (6 Marks)
 - ii. Describe with the aid of an example in each case, two non-financial benefits from outsourcing work to an external supplier. (4 Marks)
- b. Sustainable development has been defined as the ‘development that meets the needs of the present without compromising the ability of future generations to meet their own needs.’ A problem with accounting for sustainable development is to identify what ‘sustainable development’ actually means.

Identify **FOUR** practical difficulties with this definition. (10 Marks)

(Total 20 Marks)

QUESTION 6

- a. Briefly explain the concept “Economic stagnation”. (2 Marks)
- b. State the **THREE** policy approaches used by governments to meet macroeconomic objectives. (3 Marks)
- c. List and explain briefly **FOUR** operations research techniques. (8 Marks)
- d. Safeguards are actions or other measures that may eliminate threats or reduce them to an acceptable level.

Explain **SEVEN** safeguards created by the Profession in this regards.

(7 Marks)

(Total 20 Marks)

SECTION A

MCQ - SOLUTIONS

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

Examiner's report

Section A of the paper comprises twenty mandatory multiple-choice questions. The questions test candidates' knowledge of the various aspects of the syllabus. This section is compulsory and was attempted by all the candidates and their performance was above average.

Candidates should be encouraged to cover all aspects of the syllabus and the study text. ICAN study text and Pathfinder for better performance in future examinations of the institute.

Marking guide

MCQs 1-20 1 mark each for any correct option stated
up to a maximum of 20 marks

20 Marks

SECTION B

SOLUTION 1

- a. i. Group cohesion refers to the degree of unity and cooperation within a group. It involves the emotional bond, trust and shared goals among members, which contribute to the togetherness of the group. It describes the strength of the bond uniting the group and often leads to increased productivity and satisfaction of members of the group. When cohesion is strong, the group will remain strong, stable and continue to exist. Conversely, when cohesion is weak the group may ultimately disband.
- ii. **The characteristics of an effective team are:**
- i. **Success:** An effective team is one that is successful at achieving its goals or objectives.
 - ii. **Focus:** An effective team is aware of its goals and objectives and keeps these in mind all the time. They use their time and resources well.
 - iii. **Collective decision-making.** An effective team reaches decisions through discussion and agreement.
 - iv. **Good communication.** In an effective team, the team members communicate with one another well and keep one another well-informed. They are also truthful in communicating with each other.
 - v. **Collaboration.** In an effective team, the members will cooperate and collaborate. Each team member will do whatever is necessary to get the job done, even if this means doing work that is unfamiliar and outside their normal experience.
 - vi. **Positive conflict.** Positive conflict occurs when there is disagreement, but the team members are willing to discuss their differences fully and reach a suitable agreement about

what the solution should be. Some conflicts are inevitable in teams; the way that the conflicts are resolved is important.

vii. **Mutual support.** In an effective team, each team member is aware of the contributions provided by other team members.

viii. **Team spirit.** In an effective team, team members identify themselves with the team and feel a part of the team. Team spirit and team loyalty are strong.

b. i. **Formal organisation**

A formal organisation is a structured group where there are stated rules and regulations, with defined hierarchy, duties and obligations that are expected to be carried out by each individual. It is the organisation structure that has been created and maintained by its leaders. This is often shown as an organisational chart, with job descriptions.

ii. **Organisation structure**

Organisational structure is the system that defines how certain activities are directed in order to achieve the goals of an organisation. Common organisational structure includes entrepreneurial structure, functional structure, divisional structure, matrix structure, and boundaryless structure. Organisational structure is the framework within which the activities of people within the organisation are coordinated and managed.

iii. **Flat organisation**

A flat organisation can be described as one in which there is a minimal number of levels in its hierarchy, with a few layers between top management and employees. It can also be described as one in which the scalar chain is short and there is only a small number of management levels.

iv. **Outsourcing**

Outsourcing is the practice of contracting work out to a third-party supplier.

Outsourcing involves contracting tasks, processes, or services to external third parties rather than handling them internally.

Companies do this to take advantage of specialist external expertise to free up management time to concentrate on core activities. For example, a national food retail company might outsource its delivery work to a specialist transport company.

v. **Shared services**

Shared services involve the consolidation of support function in an organisation into a centralised unit, the unit then provides such service to different departments within the organisation, rather than

replicating such service across the organisation. It can also be described as the provision of a service by one part of an organisation or group where that service had previously been found in more than one part of the organisation or group. Thus, the funding and resourcing of the service is shared and the providing department effectively becomes an internal service provider.

Examiner's report

Part (a) of the question requires the candidates to define the team group cohesion and the characteristics while part (b) requires candidates to explain the following concepts: formal organisation; organisation structure; flat organisation; outsourcing; and shared services

Most of the candidates attempted the question but performance was below average.

Most of the candidates could not give a good definition of group cohesion and the characteristics of an effective team correctly. Also, candidates could not give very good explanations of the concepts examined.

Candidates should be encouraged to be familiar with the contents of the study text using ICAN study text and Pathfinder as a guide.

Marking guide

	Marks	Marks
a. i. Award a maximum of 2½ marks for stating the correct definition	2½	
ii. Award a maximum of 1½ Marks each for any 5 characteristics of the effective team correctly stated (1½ x 5)	<u>7½</u>	<u>10</u>
b. Award a maximum of 2 marks each for the correct explanation of the concepts (2 x 5)		<u>10</u>
		<u>20</u>

SOLUTION 2

- a. i. Features of bureaucracy as suggested by Rosemary Stewart:
- i. **Specialisation.** There is a specialisation of work, but this applies to the job, not the individual who does the job. This means that there is continuity. When one person leaves the job the job continue and another person fills the same position.
 - ii. **Hierarchy of authority.** There is a distinction between 'management' and 'workers. Within management, there is a hierarchy with clearly defined levels of authority and 'ranks' of managers.

- iii. **A system of rules.** The rules of a bureaucracy provide impersonal and efficient rules and procedures. Individuals within a bureaucracy must know what the rules are to do their job successfully.
 - iv. **Impersonal.** In a bureaucracy, the exercise of authority and the system of privileges and rewards are based on a clear set of rules.
 - ii **Reasons for the growth of bureaucracy according to Rosemary Stewart**
 - i. **The growing size of organisations**
The growing size of organisations such as large organisations need some bureaucratic structure to function efficiently.
 - ii. **Greater complexity of work**
The greater complexity of work makes it necessary to have specialisation of tasks within an organisation which is made possible through the bureaucratic approach.
 - iii. **Scientific management**
This approach supports a rational way (scientific approach) of organising work and having formal procedures for getting work done.
 - iv. **The demand for equality of treatment**
Bureaucracies provide impartiality and should ensure equal treatment for all.
- b. i. **Game theory**
This is an operation research (OR) technique used to solve problems involving conflict. It involves studying mathematical models of conflict and cooperation to help make strategic decisions. Rules are specified which represent the various choices of action available and help determine what the potential and likely outcomes of various courses of action will be.
- ii. **Self-regulation theory**
The self-regulation theory is a system of conscious personal management that involves the process of guiding one's own thoughts, behaviors, and feelings to reach goals. The theory can be applied to impulse control, the management of short-term desires, and the illusion of control. Self-regulation involves a certain amount of knowledge to exert self-control.
- iii. **Motivation**
Motivation describes the reason(s) one has for acting or behaving in a particular way. This in turn impacts the general desire or willingness of someone to do something. It refers to what drives an individual to act in a particular manner. It has to do with the needs, desires, and drives,

that direct a person's behaviour toward specific goals. If an individual is motivated by his or her work, enjoys doing it and gets a feeling of satisfaction or self-actualisation from doing the work, then the individual is likely to be more productive.

iv. **Self-efficacy**

This is the measure of the belief in one's own ability to succeed in situations in order to complete tasks and reach goals.

v. **Scalar chain**

The scalar chain describes the number of different reporting levels through which communications and decisions are passed in an organisation. In a bureaucratic organisation, a scalar chain refers to the number of levels in the management hierarchy, between the most senior managers at the top of the organisation and ordinary employees at the bottom. The scalar chain can either be tall or flat. It is tall if the scalar chain is long and there is a large number of levels in the management hierarchy and flat if the scalar chain is short and there is only a small number of management levels.

Examiner's report

Part (a) of the question tests the candidates' knowledge of the concept of 'bureaucracy' while part (b) examines candidates' aptitudes to explain the following concepts: game theory, self-regulation theory, motivation, self-efficacy and scalar chain.

Most of the candidates attempted the question and their performance was poor.

Most of them could not explain the features of bureaucracy and reasons for its growth. Furthermore, candidates seem to have little or no knowledge of all the five concepts they were asked to explain.

For a better performance in future examinations, candidates are strongly advised to cover the entire syllabus in the course of their preparations for this subject. ICAN study text and pathfinder can be used as a guide.

Marking guide

	Marks	Marks
2.		
a. i	Award a maximum of 1½ marks each for any 4 points correctly explained (1½ x 4)	6
	Award a maximum of 1 mark each for 4 points correctly stated (1x 4)	4
		<u>10</u>
b.	Award a maximum of 2 marks each for the correct explanation of the concepts (2 x 5)	<u>10</u>
	Total	<u>20</u>

SOLUTION 3

- a. i. Reinforcement theory states that people seek out and remember information that provides cognitive support for their pre-existing attitudes and beliefs.

The main assumptions that guide reinforcement theory are that people:
Generally, do not like to be wrong;
Feel uncomfortable when their beliefs are challenged; and
Seek out and remember information to help 'prove their point'.

- ii. Use of reinforcement theory in the business environment include:
- i. Setting clear and reasonable expectations – Limiting rewards to impossible or extremely difficult tasks can lead to anger and a sense of helplessness resulting in worse performance. Therefore, expectations should be clear and achievable.
 - ii. Identifying strong motivators – The best way to do this is to adopt a participative approach and mutually agree with employees on what an appropriate reward would be. For example, a parachute jump experience would not be a suitable reward for someone scared of heights.
 - iii. Encouraging desirable behaviours – Behaviour such as strong teamwork, quality production and punctuality should be reinforced in order to turn them into strong work habits over time. An effective technique is to target rewarding one behaviour at a time in order to eradicate negative behaviours in that sphere before moving on to the next negative behaviour to manage.
 - iv. Motivation of Staff – staff should be motivated to give their best in the workplace. It can be in the form of productivity bonuses to staff that perform well or giving of incentives such as gifts at the end of the year.
 - v. Managers should avoid bringing unnecessary stress into the organisation so that staff can give their best.
 - vi. Staff training – Staff should be sent for related courses that can enhance their productivity. Staff training motivates workers and makes them happier.
- b. i. The **TEN** principles of management suggested by Lyndall Urwick are:
Objective
Specialisation
Co-ordination
Authority
Responsibility

Definition
Correspondence
Span of control
Balance
Continuity

- ii. i. **Objective** - Every organisation and every part of the organisation must be an expression of the purpose of the undertaking concerned, or it is meaningless and therefore redundant.
- ii. **Specialisation** - The activities of every member of any organised group should be confined, as far as possible, to the performance of a single function. Thus, implying one group, one function.
- iii. **Coordination** - The purpose of organising per se, as distinguished from the purpose of the undertaking, is to facilitate coordination and thus unity of effort.
- iv. **Authority** - In every organised group, the supreme, authority must rest somewhere. There should be a clear line of authority for every individual in the group.
- v. **Responsibility** - The responsibility of the superior for the acts of the subordinate is absolute.
- vi. **Definition** - The content of each position, both the duties involved, the authority and responsibility contemplated and the relationships with other positions should be clearly defined in writing and published to all concerned.
- vii. **Correspondence** - In every position, the responsibility and the authority should correspond.
- viii. **Span of control** - No person should supervise more than five, or at most, six direct subordinates whose work interlock or interrelate.
- ix. **Balance** - It is essential that the various units of an organisation should be kept in balance.
- x. **Continuity** - Re-organisation is a continuous process: in every undertaking specific provisions should be made for it.

Examiner's report

Part (a) of the question examines candidates' knowledge of reinforcement theory while part (b) requests candidates to list and explain the principles of organisation.

Few candidates attempted the question and their performance was poor.

Candidates had little or no clue of the assumptions that guide reinforcement theory; hence they could not explain them, also, they not properly explain the principles of organisation.

Candidates are advised to have a mastery of all the contents of the syllabus and make use of ICAN Study Text and Pathfinder for future examinations.

Marking guide

		Marks	Marks
3.			
a.	i	Award a maximum of 1 mark for explaining what reinforcement theory means and a maximum of 1 mark each for any of the three assumptions	4
	ii	Award a maximum of 2 marks each for any 3 points correctly explained (2 x 3)	6
			<u>10</u>
b.	i	Award a maximum of ½ mark each for any of the 10 points listed (½ x 10)	5
	ii	Award a maximum of 1 mark each for any 5 principles correctly explained (1 x 5)	5
		Total	<u><u>20</u></u>

SOLUTION 4

- a. Strategic position analysis involves a study of the business environment and how it is changing, to identify any threats or opportunities that might be emerging, and how these might affect future strategy. It also involves a study of the competition in the entity's markets and the strengths or weaknesses that the entity has in relation to its competitors. One of the purposes of strategic position analysis is to recognise the competitive strengths ('competitive advantage') that the entity enjoys and should exploit.

The main features of an entrepreneurial organisation are:

- i. The entrepreneur-leader takes all the main management decisions and he does not delegate decision-making to other people. He is closely involved in the day-to-day operations of the business.
- ii. There is no formal management structure. Individuals report directly to the entrepreneur-leader, who tells them what to do.
- iii. The entrepreneur-leader therefore dominates the organisation.
- iv. The business operations are likely to be simple because it is usually difficult for a single person to manage a business whose operations are complex. For example, the business might make and sell a small

number of products or may provide just one type of service to customers.

b. i. **Definition of communication**

The term 'communication style connotes the broad ways in which people tend to exchange information with others. Communication style can be described as using the right words in the right order to achieve the message objective. The main communication styles include passive; assertive; and aggressive. Components of the style include tone – the overall effect that is created; vocabulary and syntax – the phrases and words actually used plus the type of sentence structure used; and interest and personality.

ii. **Components of communication style**

Tone: For effective communication, tone consciously aims at being warm and friendly, nonetheless simultaneously firm and honest. It should express ideas positively rather than negatively. – for examples, instead of saying “We are out of stock” say “We will be getting new stock tomorrow” Tone reflects the mood and defines the applicable format for example personal or impersonal. For example, consider whether it is more appropriate to say “write the report” or rather “Will you write the report, please” Personal or impersonal – for example “you will receive a 3% pay rise” versus “it has been agreed by the board that employees will receive a 3% pay rise”. Tone emphasises appropriate techniques such as accenting spoken words or pausing before a key point, underlining or boldening written messages, or repeating key words.

- **Vocabulary and syntax:** This is all about the phrases and words actually used plus the type of sentence structure used. Appropriate vocabulary will include words that are familiar and understandable, clear and specific, factual and objective. For effective communication, words that could be unfamiliar, vague, ambiguous, emotional and subjective should be avoided. The use of single and simple words should be encouraged.

In short – KISS – ‘keep it simple, stupid’. Use single words (the shorter the better) rather than verbose descriptions. For example, say ‘large’ instead of ‘not inconsiderable’ Use simple rather than complex sentences, ensuring paragraphs are not too large.

- **Interest and personality:** Whilst maintaining the fundamentals of business communication (direct, succinct, recognise authority, impartiality, efficiency and corporate identity), incorporating elements of interest and personality can assist in conveying your message in an interesting, impactful and persuasive manner. Some of the tactics you could use include: Understatement, statistics, questions and metaphors.
- **Humour:** Be careful when employing humour within a message. On the positive side it can increase attention and awareness and also gain acceptance by bringing the ‘human touch’ to an argument. On the negative side it may distract attention from the main message, may not

appeal to all cultures and moods and may also undermine credibility (seriousness).

- **Persuasion:** When the objective of the business communication is to persuade, then you will need to be particularly sensitive to the reactions of the recipient and consider the following:
 - Flexibility – you need to be constantly seeking and receiving feedback in order to read the signals from the recipient. This is particularly important in sales.
 - Tact – be careful with how you frame disagreement, particularly when dealing with customers who may default to the “customer is always right” premise
 - Listen – in spoken communication the trick is to listen as well as speak, in written communication it is to read as well as write.

Examiner’s report

Part (a) tests candidates’ knowledge on the concept of ‘strategic position analysis’ and features of an entrepreneurial organisation. Part (b) of the question tests candidates’ intellectual capacity concerning communication in business.

Majority of the candidates attempted this question and the performance was poor.

Most of the candidates mentioned the advantages of entrepreneurship organisation instead of the features. Furthermore, they could not properly explain communication style and the components.

Candidates are advised to have a mastery of all the contents of the syllabus and make use of ICAN Study Text and Pathfinder for future examinations.

Marking guide

		Marks	Marks
4.			
a. i.	Award a maximum of 4 marks for the correct explanation of the concept	4	
ii.	Award a maximum of 1½ marks each for any 4 points correctly stated (1½ x 4)	6	<u>10</u>
b. i.	Award a maximum of 2½ marks stating the correct definition of the term	2½	
ii.	Award a maximum of 2 ½ Marks each for any 3 components correctly explained (2½ x 3)	7 ½	<u>10</u>
	Total		<u><u>20</u></u>

SOLUTION 5

- a. i. **Non-financial issues as well as financial issues when making outsourcing decisions**
- Loss of some degree of control over the work.
 - The company relies on the external supplier to produce and supply the outsourced items.
 - The company takes the risk that the external supplier will produce the outsourced items to a lower standard of quality, or fail to meet delivery dates on schedule, so that production of the end product may be held up by a lack of components.
 - Loss of some flexibility.
 - The decision to increase or reduce the supply of the outsourced item at short notice may be frustrated by the external supplier.
 - It has implications for employment within the entity, with the consequence of making some employees redundant.
 - Attract some cost implications that could also adversely affect the relationship between management and other employees, especially in the case of redundancy.
 - It might be appropriate to think about the situation whereby the entity changes its mind at some time in the future and decides either,
 - to bring the work back in-house or
 - to give the work to a different external supplier;
 - the external provider might not be co-operative in helping with the removal of its work
- ii) **Non-financial benefits from outsourcing work to an external supplier**
- i. If the work that is outsourced is not specialised, or is outside the entity's main area of expertise, outsourcing work will enable management to focus their efforts on those aspects of operations that the entity does best. For example, it could be argued that activities such as the management of an entity's fleet of delivery vehicles, or the monthly payroll work, should be outsourced because the entity itself has no special expertise in these areas.
- ii. The external supplier, on the other hand, may have the expertise, which enables it to provide the outsourced products or services more efficiently and effectively. For example, a company might outsource all its IT support operations, because it cannot recruit and retain IT specialists. An external service provider, on the other hand, will employ the relevant IT specialists.

- b. **Identification of the practical difficulties with sustainability definition**
- i. What are the needs of the present? There is a helplessness to identify the needs of the present. Presumably, these are more than simply survival needs, because current levels of consumption are, in many parts of the world, well above survival level.
 - ii. What are the needs of future generations? There is a great incapability to identify the needs of future generations and a failure to state if these are just survival needs. If they are identified as survival needs, then there is presumably an assumption that economic wealth will decline.
 - iii. It raises the question of over what time period should the needs of future generations be measured. Thus, the incapacity to identify the time period in the needs of future generations be measured. In theory, future needs should be measured in the long-term future. However, companies and governments plan for the future over much shorter time frames.
 - iv. There is the problem of knowing the needs of the people being referred to in the definition. Does it mean that the needs of all people in all societies, or that sustainability is being measured in terms of individual countries or regions of the world?
 - v. Since companies plan for the future and report their performance within fairly short time frames, reporting for sustainable development by companies is likely to focus on relatively short-term measures of sustainability.

Examiner's report

Part (a) of the question tests candidates' knowledge on the non-financial considerations that will be relevant to making or buying decisions while part (b) examines candidates' knowledge of social and environmental issues affecting investment decisions with special emphasis on sustainability development.

Most of the candidates attempted the question and the performance was poor.

Commonest pitfalls were, candidates did not have a clear understanding of the requirements of the question and could not define and identify the practical difficulties of sustainable development.

Candidates are advised to have a mastery of all the contents of the syllabus and make use of ICAN Study Text and Pathfinder for future examinations.

Marking guide

	Marks	Marks	
5.			
a. i.	Award a maximum of 1 Mark each for any 6 points correctly identified (1 x 6)	6	
ii.	Award 1 Mark each for any 2 benefits correctly identified (1 x 2)	2	<u>8</u>
	Award 1 Mark each for any 2 examples provided (1 x 2)	2	
b.	Award a maximum of 2½ Mark each for any 4 difficulties correctly explained (2 ½ x 4)	10	<u>12</u>
	Total		<u>20</u>

SOLUTION 6

- a. Economic stagnation describes a situation when the national income of an economy is either- declining, flat, or growing slowly. Economic stagnation occurs when national income is not increasing, but economic activity is at a much lower level than it could be. Economic growth should be possible but is not happening.

Under-utilisation of economic resources such as land and capital equipment is one of the features of economic stagnation as investors are discouraged from investing large amounts of money because a satisfactory return on their investments is not guaranteed.

Economic stagnation pushes up the rate of unemployment. Economic stagnation in a country may result in individuals from such countries migrating to other countries where economic wealth is greater.

- b. The three policy approaches used by governments to meet macroeconomic objectives are:
- Monetary policies – changes in interest rates, the supply of money and credit, and also changes in the value of the exchange rate;
 - Fiscal policies – changes in government taxation, government spending and borrowing;
 - Supply-side policies designed to make markets work more efficiently.
- c. i. **Network analysis:** This is a project management technique. It involves identifying the different components of a project, how long each component will take to be completed, the earliest and latest start and finish times for each component and the order in which components can be completed. One of the main objectives of network analysis is to identify the critical path, that is, the series of components that sequentially represent the shortest potential duration of the project.

- ii. **Game theory:** This is an Operations Research (OR) technique used to solve problems involving conflict. It involves studying mathematical models of conflict and cooperation to help make strategic decisions. Rules are specified which represent the various choices of action available and help determine what the potential and likely outcomes of various courses of action will be. The zero-sum games and many-person (or non-zero-sum) are some of the different game theory styles.
- iii. **Queuing theory:** This theory describes the process using mathematical methods for analysing and predicting the delays and congestion of waiting and queuing. The objective is to identify ways to improve the process to make it quicker. It includes improving traffic flow, processing shipping orders more efficiently, reducing the average time per call in a service department or call centre and improving flow through shops, factories, and hospitals.
- iv. **Simulation:** This is one of the most widely used operational research techniques, which first became popular in the 1940s when “Monte Carlo” simulation was used to simulate atomic bomb raids. It is an imitation technique that involves building a model that represents a real system and then conducting experiments on the model. This allows researchers to understand the behaviour and evaluate different strategies for operating the system. Researchers can adjust input parameters to test different hypotheses and predict future behavior, prior to making informed strategic decisions.
- v. **Mathematical logic:** This is integral to most of the other OR techniques. It is used to reflect the relationships between the various components, variables and parameters within some things that are being modelled. The logic is constructed so as to include an objective function with which different solutions can be evaluated and constraints that restrict feasible values tested.
- vi. **Mathematical optimisation:** This is a technique used in management science, mathematics and computer science to select the optimal solution from a set of available alternatives. The solution is derived by either maximising profit or minimising cost in a objective function by systematically selecting input values from within a feasible range.
- vii. **Mathematical modelling:** A model is a simplified representation of a real-life system. Mathematical modelling is a way of describing a system using mathematical concepts and language. The use of mathematical modelling allows the researcher to better understand the contents and the effects of different components and make predictions about behaviour.

- viii. **Decision tree:** A decision tree is a graphical method of displaying the various parts of the decision-making process including the courses of action, risks involved and likely outcomes. A decision tree can also be defined as a diagrammatical representation of the various alternatives involved in problems requiring sequential decisions so that all the possible alternatives can be properly evaluated.
 - ix. **Linear programming:** Linear programming is a business decision technique that seeks to maximise an objective or goal, for example, maximisation of profit, or minimisation of an objective or goal, for example, cost. It is an aspect of mathematical programming. It is called “linear” because all the decision variables involved are raised to power one. It is called programming because it involves scheduling (mapping out) the activities.
 - x. **Transportation model:** This model is used in making decisions that involve the shipment of certain resources or outputs from one location to another.
 - xi. **Markov chain analysis:** This model was named after a Russian mathematician Andrei Andreyevich Markov, who first applied this technique to predict the movements of gas particles that were trapped in a container. The modelling tool involves a process of the operation of chance and so it is used to forecast a system's state in the future. It is a method used to predict the value of a variable whose projected value is influenced only by its current state, and not by any past activity. This implies that this tool predicts a random variable based solely on the current circumstances surrounding the variable. It is often used for predicting behaviours and decisions within large groups of people.
- d. **Safeguards created by the profession:**
- i. Educational, training, and experience requirements for entry into the profession.
 - ii. Continuing professional development requirements.
 - iii. Corporate governance regulations.
 - iv. Professional standards.
 - v. Professional or regulatory monitoring and disciplinary procedures.
 - vi. Effective and 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.
 - vii. An explicitly stated duty to report breaches of ethical requirements placed on members of a profession.

Examiner's report

Parts (a) and (b) test candidates' knowledge on the concept of economic stagnation and state the policy approaches used by governments to meet macroeconomic objectives. Parts (c) and (d) focus on operations research techniques and ethical threats.

Majority of the candidates attempted the question and performance was above average.

The candidates had difficulty in providing a proper explanation of what economic stagnation means also, some of the candidates confused operations research techniques with types of research.

Candidates are advised to have a mastery of all the contents of the syllabus and make use of ICAN Study Text and Pathfinder for future examinations.

Marking guide

	Marks	Marks
6.		
a.	Award a maximum of 2 marks for the correct explanation of the concept	2
b.	Award 1 mark each for any 3 policies stated (1x 3)	3
c. i.	Award ½ Mark each for any 4 techniques listed (½ x 4)	2
ii.	Award 1½ Marks each for any 4 techniques explained (1½ x 4)	6
d.	Award 1 Mark each for any 7 safeguards listed (1 x 7)	7
	Total	<u>7</u> <u>20</u>

THE INSTITUTE OF CHARTERED ACCOUNTANTS OF NIGERIA**FOUNDATION LEVEL EXAMINATION – NOVEMBER 2023****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 **RED INK** will not be marked.

THURSDAY, NOVEMBER 16, 2023**DO NOT TURN OVER UNTIL YOU ARE TOLD TO DO SO**

THE INSTITUTE OF CHARTERED ACCOUNTANTS OF NIGERIA
FOUNDATION LEVEL EXAMINATION – NOVEMBER 2023
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 a **NOT** a duty of a receiver in a company?
 - A Taking possession of company property
 - B Managing company business
 - C Discharging all outgoings
 - D Protecting company properties
 - E Realising securities for the benefit of shareholders

2. Which of the following is **NOT** a superior court?
 - A Customary Court of Appeal
 - B Sharia Court of Appeal
 - C Customary Court
 - D State High Court
 - E Federal High Court

3. Which of the following is **NOT** an aim of the Money Laundering (Prohibition) Act?
 - A Limiting the amount of cash payment and receipt
 - B Regulating over the counter transactions
 - C Prescribing foreign currencies that are acceptable in Nigeria
 - D Providing for proper identification of bank customers
 - E Empowering the NDLEA to place surveillance on certain bank accounts

4. Which of the following is an offence under the Cyber Security Act of 2015?
 - A Glitches
 - B Election rigging
 - C Cyberchosis
 - D Market rigging

- E Distribution to the public of racist and xenophobic materials, which attracts a fine of not less than ~~£~~10 million
5. What is the minimum number of partners in a Limited Liability Partnership?
- A 1
 - B 2
 - C 3
 - D 4
 - E 5
6. A means by which a company may hedge against business risk is called
- A Limitation of Liability
 - B Limitless liability
 - C Moderated liability
 - D Arbitraging
 - E Modulating
7. Administrative Committee of the Corporate Affairs Commission is chaired by the
- A Minister of State for Investment
 - B Business Name Registrar
 - C Registrar General of the Corporate Affairs Commission
 - D Administrative Secretary of the Corporate Affairs Commission
 - E Secretary to the Corporate Affairs Commission
8. Pre-incorporation contracts are
- A Binding on the company
 - B Not binding on the company at all
 - C Binding on the company after ratification
 - D Binding on the Board of Directors
 - E Binding on the third party involved
9. As an alternative to liquidation, where a company is in financial difficulty the secured creditors have a right to appoint a
- A Director to manage the assets
 - B Banker to manage the assets
 - C Chairman to manage the assets
 - D Receiver/manager to manage the assets
 - E Stockbroker to manage the assets

10. In employment law, the probationary period is to test an employee's
- A Skill and suitability
 - B Preliminary offer
 - C Background
 - D Emotions
 - E Obedience
11. Which of the following is **NOT** an element of contract?
- A Acceptance
 - B Capital gains
 - C Consideration
 - D Offer
 - E Intention to create legal relation
12. In Agency, an agent who concludes a contract on behalf of a principal is entitled to be paid a
- A Salary
 - B Wage
 - C Gratuity
 - D Commission
 - E Pension
13. The liability that is imposed on a person by the acts of another person that is under his control is called
- A Vicious liability
 - B Bilateral liability
 - C Vicarious liability
 - D Various liability
 - E Dual liability
14. A sale of goods transaction is completed on transfer of
- A Appurtenances
 - B Possession and title in the property
 - C Possession
 - D Property
 - E Title
15. Consideration in a hire purchase contract consists of
- A Instalments
 - B Purchase price
 - C Rentals
 - D Reversionary price
 - E Deposit and balance

16. Generally, an insurance contract is one of
- A Indenture
 - B Restoration
 - C Profit making
 - D Indemnity
 - E Security
17. When every right of action on a bill of exchange has been extinguished, the bill is said to be
- A Nullified
 - B Negotiated
 - C Discharged
 - D Activated
 - E Vanquished
18. Which of the following companies may hold a virtual general meeting?
- A. Commercial company
 - B. Mortgage company
 - C. Private company
 - D. Bank holding company
 - E. Hybrid company
19. Trust is a relationship in which a person is appointed to hold property for the benefit of another called
- A Inquisitor
 - B Administrator General
 - C Executor
 - D Administrator
 - E Beneficiary
20. In alternative dispute resolution, one of the procedures by which parties to a dispute seeks amicable resolution of the dispute is
- A Intermeddling
 - B Congruency
 - C Conciliation
 - D Intervention
 - E Intercession

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. Nigeria has a legal system that is complex and diverse in origin.

Required:

- i. State **THREE** sources of Nigerian law. (3 Marks)
ii. State **THREE** equitable remedies available to a claimant. (3 Marks)

- b. Ulokoagah, Etseosomi and Ulekhia who are farmers in Ilogboda, Edo State agreed to carry on business of buying palm oil fruits for milling, selling the product, and sharing whatever profits they make from the business. The three of them contributed ₦5,000 each as working capital. Etseosomi thereafter bought palm oil fruits with his own money, which he milled and sold at a profit. Ulokoagah and Ulekhia are demanding a share of Etseosomi's profits, which the latter has rejected. The farmers have come to you for advice.

Required:

State the legal position and advise the farmers. (6 Marks)

- c. The Companies and Allied Matters Act (CAMA) established the Corporate Affairs Commission and gave it specific functions.

Required:

State **FOUR** functions of Corporate Affairs Commission. (8 Marks)

(Total 20 Marks)

QUESTION 2

- a. Akampa is an accountant in the employment of Kampe Limited. At the end of last week, he found out that ₦50,000 was missing from the proceeds of sales in his custody. Casting his mind back, he remembered that he had expended the money in paying his son's school fees. He therefore destroyed the receipt book representing the money so as to balance his account. What Akampa did has come to your knowledge.

Required:

Explain briefly the offence that Akampa has committed. (3 Marks)

- b. Omokaro, a distributor entered into contract with Unique Pami Company Limited not to sell their products above ₦25,000 per carton. Umiena bought Unique Pami products from Omokaro below ₦25,000 and agreed with him not to sell the products above ₦25,000 per carton. In breach of the agreement, Umiena is selling Unique Pami products above the

₦25,000 price, and Unique Pami Company is threatening to sue Umiena for the breach of contract.

Required:

State the applicable law and advise the parties. (5 Marks)

- c. There are different types of companies with varying attributes.

Required:

i. State **FOUR** attributes of a public company. (4 Marks)

ii. State **FOUR** attributes of a small company. (4 Marks)

- d. As business became more complex, the concept of agency was developed to facilitate transactions.

Required:

i. Explain *del credere* agent. (2 Marks)

ii. State **TWO** duties of a principal to an agent. (2 Marks)

(Total 20 Marks)

QUESTION 3

- a. Tort is a civil wrong, the remedies for which generally include an action for damages.

Required:

Explain briefly **TWO** of the following in the law of torts:

i. Negligence

ii. Remoteness of damage

iii. Causation

(5 Marks)

- b. Sale of goods contract involves the seller transferring ownership of goods to the buyer for a price.

Required:

i. Explain property and possession in sale of goods contract.

(2 Marks)

ii. State **THREE** rights of a buyer in sale of goods contract.

(3 Marks)

- c. A hire purchase is a contract in which the owner of goods gives another person called hirer possession of the goods.

Required:

State **FIVE** elements of a hire purchase agreement.

(5 Marks)

- d. Business today is facilitated by financial instruments.

Required:

Explain briefly **TWO** of the following:

- i. Bearer Cheque
- ii. Order Cheque
- iii. Holder
- iv. Open Cheque

(5 Marks)

(Total 20 Marks)

QUESTION 4

- a. Contract of employment is the voluntary relationship between two parties for work and remuneration.

Required:

- i. State **TWO** grounds for dismissal of an employee. (2 Marks)
- ii. State **FOUR** duties of an employee. (4 Marks)

- b. Abokhasomi was told that he has kidney problem and lung infection, neither of which he disclosed to the insurer in the proposal form for health policy. Abokhasomi in the proposal form filled that no health issue, he is aware of, and the policy was issued after paying the premium. Three months later, he became sick and test revealed lung infection, and he wants the insurer to pay for the treatment, which was declined by the insurer on ground of non-disclosure.

Required:

State the applicable law and advise the parties. (5 Marks)

- c. The Banks and Other Financial Institutions Act (BOFIA) defined the role of Banks in Nigeria.

Required:

State **FIVE** Specialised Banks in Nigeria. (5 Marks)

- d. Winding up is a formal way of terminating the life of a company.

Required:

State **FOUR** categories of persons that may petition the court to wind up a company. (4 Marks)

(Total 20 Marks)

QUESTION 5

- a. The Companies and Allied Matters Act (CAMA) specifies persons that may occupy the office of a company secretary.

Required:

State **FOUR** qualifications of a person that may be appointed as the secretary of a public company. (6 Marks)

- b. The essence of Criminal Law is to control human behaviour in the society.

Required:

Explain briefly the offence of Forgery. (3 Marks)

- c. Oluwe family borrowed money to enable him (Oluwe) travel to Canada in 2014 to study Medicine. After graduation, he stayed back in Canada to work. He now wants to transfer bulk money equivalent of US\$15,000 to his family from Canada. One of the family members, Oghiei, has come to you to ask what he should do, considering the Money Laundering (Prevention and Prohibition) Act 2022.

Required:

State the legal position and advise Oghiei. (6 Marks)

- d. Corporate insolvency occurs when a company is unable to meet its financial obligations.

Required:

i. State **TWO** insolvency practitioners. (2 Marks)

ii. State **THREE** qualifications that an insolvency practitioner must possess. (3 Marks)

(Total 20 Marks)

QUESTION 6

- a. Umoru created a private trust of which he appointed Godwin and Tohib as trustees. Tohib wants to delegate his function as a trustee to his trusted friend, Mr. Murphy, a very conscientious person because of his busy schedule of work. Godwin has declined the appointment.

Required:

State the law and advise the parties. (5 Marks)

- b. The Companies and Allied Matters Act (CAMA) provides for the appointment of company auditors.

Required:

State **FIVE** persons disqualified from being company auditor. (5 Marks)

c. The deployment of Technology has greatly improved commerce.

Required:

Explain **TWO** types of the following e-commerce contract:

i. Click-through

ii. Shrink-wrap

iii. Browse-wrap

(5 Marks)

d. When a person dies intestate, the court may appoint persons to manage his estate.

Required:

State **FIVE** duties of personal representatives of a person who died without a will.

(5 Marks)

(Total 20 Marks)

SECTION A

MCQ - SOLUTIONS

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

Examiner's report

The questions achieved the spread stipulated by the syllabus.

All the candidates attempted the questions and their performance was very good.

SECTION B

SOLUTION 1

a. i. The sources of Nigerian Law are:

- The Received English Law;
- Nigeria Legislation;
- Customary Law;
- Judicial Precedents or Case Law;
- International Law or Treaties; and
- The Constitution.

ii. Equitable remedies include:

- Injunction;
- Specific performance;
- Rescission;
- Rectification; and
- Quantum meruit.

b. The three farmers agreed to carry out business of buying oil palm fruits for milling, selling the product, and sharing whatever profits as partners. This is because a partnership is an agreement between two or more persons for business, profit making, and profit sharing.

Etseosomi in buying palm oil fruits with his money is deemed to have acted on behalf of the other two partners. This is because in general partnership, the act of one partner done in course of the business binds other partners. Therefore, the other two partners, Ulokoaga and Ulekhia are deemed to be entitled to share in the profits of Etseosomi's additional investment in the partnership.

Except otherwise agreed, all the partners are deemed to have agreed to share the profits and losses of the business equally. Etseosomi's refusal to share profits with other two partners is a breach of the partnership agreement, which is actionable in court.

c. Section 8 of the Companies and Allied Matters Act (CAMA), 2020 provides for the functions of Corporate Affairs Commission (CAC) as follows:

i. Administering the CAMA, including the registration, regulation and supervision of:

- the formation, incorporation, management, striking off and winding up of companies,
- business names, management and removal of names from the register, and the formation, incorporation, management and dissolution of incorporated trustees;

ii. Establishing and maintaining company's registry and office in each State of the Federation, suitably and adequately equipped to perform

its functions under this Act or any other law;

- iii. Arranging or conducting an investigation into the affairs of any company, incorporated trustees, or business names where the interest of the shareholders, members, partners, or public so demands;
- iv. Ensuring compliance by companies, business names and incorporated trustees with the provisions of this Act and such other regulations as may be made by the (CAC);
- v. Performing such other functions as may be specified in this Act or any other law; and
- vi. Undertaking such other activities as are necessary or expedient to give full effect to the provisions of this Act.

Examiner's report

The question tests candidates' understanding of the sources of Nigeria Law; equitable remedies; sharing of profits as an element of partnership; and the functions of the Corporate Affairs Commission.

About 75% of the candidates attempted the question, and their performance was average.

The major pitfall was candidates' inadequate understanding of equitable remedies and the elements of partnership.

Candidates are advised to study the areas of deficiency more in the ICAN Study Text in future.

Marking guide

	Marks	Marks
a. i. Sources of law in Nigeria (1 mark for each source of law up to a maximum of 3 sources)	3	
ii. Equitable remedies (1 mark for each equitable remedy up to a maximum of 3 remedies)	<u>3</u>	6
b. Definition of partnership (2 marks for correct definition of partnership) State that partners bind each other Profit sharing is equally	2 2 <u>2</u>	6
c. Functions of Corporate Affairs Commission (2 marks for stating each function of CAC up to a maximum of 4 points).		<u>8</u>
Total		<u>20</u>

SOLUTION 2

- a. Akampa has committed the offence of fraudulent false accounting under section 438 of the criminal code. This is because being an account officer in the employment of Kampe Limited, he has destroyed a document belonging to his employer or received by him on account of his employer.
- b. The principle tested here is privity in the relationship between parties to a contract. A person who is not a party to contract cannot benefit or suffer from it.
In this case, there is no privity of contract between Unique Pami Company Limited and Umiena. The contractual relationship is between Omokaro and Umiena not to sell a carton of Unique Pami Products above ₦25,000.

Unique Pami Company Limited is a stranger to Umiena. There is no enforceable contractual relationship between them. If the company sues Umiena for breach of contract, the action is not likely to succeed in court on ground of privity of contract.

- c. i. A public company has the following attributes:
- Minimum issued share capital requirement of at least ₦2,000,000 (S. 27(2) (a), CAMA);
 - A minimum membership of 2 and an unlimited maximum membership;
 - A name ending with “Public Limited Company or “Plc.”;
 - The capacity to invite the members of the public to subscribe for its shares; and
 - It must hold a statutory meeting within six months of its incorporation;
 - It must advertise the notice of its Annual General Meeting in two national newspapers; and
 - One-third of its directors must be independent or non-executive directors.
- ii. A small company has the following attributes under section 394 of the CAMA:
- It is a private company;
 - Its turnover is not more than ₦120,000,000 or such sum of money as the CAC may fix from time to time;
 - Its net assets value is not more than ₦60,000,000 or such sum as the CAC may fix from time to time;
 - None of its members is an alien;
 - None of its members is a government, government corporation or agency or its nominee; and
 - Where the company has share capital, the directors must hold at least 51% of its equity share capital between themselves.
- c. i. A *del credere* agent is an agent who in return for a higher rate of commission promises to indemnify the principal against the liability of a

third party with whom he contracts in respect of goods if the third party fails to deliver under the contract.

ii. The duties of the principal in agency are:

- Duty to pay the agent's commission;
- Duty to indemnify the agent for all lawful acts carried out by the agent on his behalf;
- Duty to ratify the actions of the agent; and
- Duty to assume responsibility and liability for the authorised acts of the agent.

Examiner's report

The question tests candidates' understanding of fraudulent false accounting in criminal law; privity in the law of contract; attributes of a public company and a small company as well as types of agency and the duties of the principal.

Attempt rate was about 65% and performance was above average.

The major pitfall was candidates' insufficient understanding of all aspects of the question.

Candidates should study all aspects of this question in ICAN's Study Text in their future preparation.

Marking guide

	Marks	Marks
a. Fraudulent false accounting (Explaining that Akampa is guilty of fraudulent false accounting)		3
b. Privity of contract		
i. Principle tested is privity of contact	1	
ii. No privity between Unique and Umena	2	
iii. No enforceable contract	<u>2</u>	5
c. Attributes of public company and small company		
i. (1 mark for each attribute of a public company up to a maximum of 4 attributes)		4
ii. (1 mark for each attribute of a small company up to a maximum of 4 attributes)		4
d. Explanation of del credere agency and duties of a principal		
i. (Correct explanation of del credere agent)	2	
ii. (1 mark for each duty of agent up to a maximum of 2 duties)	<u>2</u>	<u>4</u>
Total		<u>20</u>

SOLUTION 3

- a.
 - i. Negligence in tort means carelessness, or an act or action where a person did not take necessary care to avoid the consequences of his action. In other words, it is a breach of legal duty by a person to take care, which results in an injury to another person. For an action to be declared negligent, there must be legal duty to take care, a breach of that legal duty, and a consequential injury.
 - ii. Remoteness of damage means that there is a limit to the extent of a person's liability for consequences of his negligence. The rule is that a person will be liable only for those consequences of his negligence that are not remote in law. Consequences are considered too remote if a reasonable person could not have reasonably foreseen them.
 - iii. Causation in fact in tort means that the defendant is only liable for the damage that is the direct consequence of his tort. There must be a link between the breach of duty and the damage complained about. In tort action, the defendant will only be liable for injury if it can be categorically stated that if not the breach of duty, the damage would not have occurred.
- b.
 - i. Property in goods means ownership of or title to the goods. On the other hand, possession is the physical control or custody of goods. The transfer of property in goods is not dependent on the transfer of possession. It is possible for one person to be in possession while another has ownership or title.
 - ii. The rights of a buyer in sales of goods are:
 - Right of action for damages for non delivery;
 - Right of specific performance;
 - Right in tort for detinue;
 - Right of repudiation or neglect of the goods; and
 - Right of action for breach of warranty.
- c. Elements of a hire purchase agreement are as follows:
 - i. A hire purchase agreement must be in writing;
 - ii. The price must be stated in writing;
 - iii. The amount of instalment must be stated in the agreement;
 - iv. The agreement must be signed by the parties;
 - v. Information on the hire purchase must be furnished by the parties in the agreement;
 - vi. Any agreement that entitles the owner to enter the premises and repossess the goods from the hirer is void; and
 - vii. The right of hirer to determine the agreement before final instalment and return the goods be in the agreement.
- d.
 - i. Bearer cheque is cheque drawn and made payable to the bearer, or endorsed in blank. A cheque payable to an unnamed person is a bearer

cheque. A bearer cheque is transferable by mere delivery without any endorsement.

- ii. Order cheque is a cheque made payable to a named person or to his nominee. An order cheque requires endorsement before it is transferred or payment on it is made.
- iii. A holder is the payee or the endorsee of a bill who is in possession of it or the bearer thereof. A person holding a forged bill or stolen bill is not a holder but a wrongful possessor.
- iv. Open Cheque is a cheque that neither bears across its face two transverse lines nor words such as “and company” or “not negotiable” are written on.

Examiner’s report

The question tests candidates’ knowledge of negligence, remoteness of damage, and causation in tort law; property, possession, and buyer’s rights in sale of goods; elements of a hire purchase agreement; and types of cheque.

About 70% of the candidates attempted the question, and their performance was above average.

The major pitfall was candidates’ lack of understanding of property and possession in the law of torts, and the aspects of torts examined.

Candidates would gain an insight to their areas of deficiency through a diligent study of the ICAN Study Text.

Marking guide

	Marks	Marks
a. Brief explanation of the following in torts law		
i. Negligence		
ii. Remoteness of damages		
iii. Causation		
(2½ marks for each principle explained up to a maximum of two principles)		5
b. i. Explanation of property and possession in sale of goods contract	2	
ii. Right of a buyer in sale of goods contract		
(1 mark for each right stated up to a maximum of 3 rights).	<u>3</u>	5
c. Elements of a hire purchase contract		
(1 mark for each element of hire purchase stated up to a maximum of 5 elements)		5
d. Types of cheque		
i. Bearer cheque	2½	
ii. Order cheque	2½	

iii. Holder	2½	
iv. Open cheque (2½ marks for each cheque explained up to a maximum of 2 types)	<u>2½</u>	
Total		<u>5</u> <u>20</u>

SOLUTION 4

- a. i. An employee may be dismissed for any of the following reasons:
- Act or conduct likely to bring the employer into disrepute;
 - When the servant's practices or conduct expose the master to loss of **public confidence**;
 - Gross immorality;
 - Absenteeism without leave or permission, amounting to an abandonment **of duties**; or
 - Gross misconduct, which may include insubordination, habitual drunkenness, gross negligence, wilful disobedience of lawful orders and soon.
- ii. The duties of an employee are as follows:
- Duty to obey the employer's lawful orders within the contract of employment;
 - Duty to exercise professed skill and diligence;
 - Duty to do that for which he is employed or other closely related things;
 - Duty to render personal service and not to delegate his duty without the employer's consent;
 - Duty to keep secret his employer's confidential information and trade secret; and
 - Duty to serve the employer faithfully and not to have conflicting interest with that of his employer.
- b. In Insurance contract, the insured is presumed to have knowledge of all relevant material facts, and he is required to disclose by law all such facts in good faith; what is material depends on the particular risk, in this case of health policy.
- The fact that Abokhasomi knew of his kidney trouble and lung infection and failed to disclose in the proposal form he filled amounts to non-disclosure. The insured is not to choose which facts are materials.
- The disclosure would have influenced the decision of the insurer, whether to accept or reject the insured or the premium to be paid. Non-disclosure of his lung infection is a breach of good faith. Therefore, Abokhasomi is not likely to succeed in an action against the insurer.
- c. By virtue of the Bank and Other Financial Institutions Act (BOFIA), specialised banks in Nigeria are:

- i. Bank of Industry;
 - ii. Nigerian Agricultural and Cooperative Bank;
 - iii. Nigeria Export-Import Bank;
 - iv. The Urban Development Bank;
 - v. Federal Mortgage Bank of Nigeria;
 - vi. People's Bank of Nigeria;
 - vii. Microfinance Bank; and
 - viii. Development Bank of Nigeria
- d. The following may petition the court for winding up of a company:
- i. The company or a director, following a special resolution;
 - ii. A creditor, including a contingent or prospective creditor of the company;
 - iii. A contributory, in the case of a company limited by guarantee;
 - iv. A trustee in bankruptcy to, or a personal representative of, a creditor or contributory;
 - v. The Corporate Affairs Commission if, considering the report of an inspector, it appears expedient in the interest of the public that the company be wound up; or
 - vi. A receiver, if authorized by the instrument of appointment;

Examiner's report

The question tests candidates' understanding of specialised banks; grounds for an employee's dismissal and duties of an employee; non-disclosure of material facts in insurance contract; and persons who may petition the court for company winding up.

About 70% of the candidates attempted the question, and their performance was above average.

It was obvious that many candidates did not prepare for disclosure in insurance, and categories of person that may petition the court for winding up of a company.

Candidates are advised to cover the syllabus adequately in their future preparation.

Marking guide

	Marks	Marks
a. i. State TWO reasons for dismissal	2	
ii. State FOUR duties of employee	<u>4</u>	6
b. i. Insured presumed to know and disclose material facts	1	
ii. Non disclosure by Abokhasomi	2	
iii. Non disclosure equals breach	<u>2</u>	5
c. Specialised banks in Nigeria (1 mark for each bank up to maximum of five banks)		5
d. Categories of persons that may petition for winding up (1 mark for each category up to 4 categories)		<u>4</u>
Total		<u>20</u>

SOLUTION 5

- a. A secretary of a public company must have any of the following professional qualifications:
- Membership of the Institute of Chartered Secretaries and Administrators of Nigeria (ICSAN); or
 - A legal practitioner within the meaning of the Legal Practitioners Act, Cap L11, LFN, 2004; or
 - Membership of any professional body of accountants established from time to time by an Act of the National Assembly; or
 - Any person who has held the office of the secretary of a public company for at least three years of the five years immediately preceding his appointment in a public company; or
 - A body corporate or firm consisting of the professionals in (a), (b), or (c).
- b. Forgery is the alteration of a document or knowingly making a false document in writing with intent that it may in any way be used, or acted upon as genuine, to the prejudice of any person who may believe that it is genuine and be induced to do or refuse to do an act.
- c. According to the Money Laundering (Prevention and Prohibition) Act, 2022, a transfer of funds to or from a foreign country by a person or body corporate which exceeds \$10,000 or its equivalent must be reported to the Special Control Unit Against Money Laundering (SCUML) of the EFCC, CBN and Securities and Exchange Commission (SEC) within one day of the transaction.

The US\$15,000 cash transfer by Oluwe falls in the category that must be reported.

Oghiei should advise Oluwe to make a declaration of the transfer to the SCUML, CBN and SEC within one day of the transfer.

d. i. Insolvency practitioners are:

- Liquidator;
- Provisional liquidator or Official Receiver;
- Administrator;
- Receiver manager; and
- Nominee.

ii. The following are the qualifications for insolvency practice and practitioners:

- A degree in Law;
- A degree in Accounting;
- A minimum of 5 years post qualification experience in matters of insolvency;
- Authorised by virtue of certification by Insolvency Practitioners Association; and
- Authorisation by CAC.

Examiner's report

The question tests candidates' understanding of the qualifications of a company secretary; forgery as an offence and limit to international cash transfer under criminal law; and insolvency practitioners and their qualifications.

Attempt rate was about 65%, and performance rate was above average.

Candidates' major pitfall was their inadequate understanding of insolvency.

Candidates are advised to study insolvency more intensely in their future preparation.

Marking guide

		Marks	Marks
a.	Duties of Company Secretary (1½ marks for each duty up to a maximum of 4 duties)		6
b.	Explain Forgery briefly		3
c.	i. US\$10,000 as maximum transfer	2	
	ii. US\$15,000 exceed the authorised	2	
	iii. US\$15,000 transfer requires reporting	<u>2</u>	6
d.	i. Types of insolvency practitioners in relation to company (1 mark for each practitioner stated up to a maximum of 2 types)		2

ii. Qualifications that insolvency practitioner must possess (1 mark for each qualification stated up to a maximum of 3 qualifications)	<u>3</u>	<u>5</u>
Total		<u>20</u>

SOLUTION 6

- a. The office of a trustee imposes legal duties that the trustee is obligated to carry out. No one could be compelled to accept the office of a trustee.

A person appointed as a trustee may reject or decline the appointment and thereby disclaim the trust. Godwin could disclaim the appointment in writing or refuse to act.

Tohib cannot delegate his duty or power to Murphy because confidence is reposed personally in him by the settlor. He is required to carry out trustee functions personally and cannot delegate the duties to Murphy.

- b. Persons disqualified from being company auditor under the CAMA are:
- i. An officer or servant of the company;
 - ii. A body corporate, except all the partners are qualified to be appointed as auditors of a company;
 - iii. A person disqualified from appointment as auditor of any other body corporate;
 - iv. A debtor in sum that exceeds ₦500,000 to the company or related company in share interest;
 - v. A shareholder or spouse of a shareholder of a company whose employee is an officer of the company;
 - vi. A person who is responsible for keeping the register of holders of the company's debentures; and
 - vii. An employee of the company for more than one year who maintains any of the company's financial records.
- c. E-Commerce contracts are:
- i. Click-through contracts which generally require a person to scroll through the terms and conditions of the agreement and indicate his acceptance to be bound by the enforceable contract by clicking on the button or ticking a box at the end of the agreement;
 - ii. Shrink-wrap agreement which refers to purchase agreements that are attached to shipped products usually bound by shrink wrap that contain its terms and conditions. Shrink wrap agreement may include terms such as licenses, right to fuse fees payments forum, warranties and limit liability; and

- iii. Browse-wrap agreements are contracts in which the terms of use are listed on a web site page. In such contracts, manufacturers presume to bind the user to the web site or downloading software from that site.
- d. Duties of personal representatives of a person who dies without a will are:
 - i. Gathering and realisation of assets;
 - ii. Payments of debts and liabilities;
 - iii. Keeping proper accounts and records;
 - iv. Duty not to profit from the administration of estate;
 - v. Distribution of the remainder of the assets to persons entitled;
 - vi. Duty to defend actions on the estate;
 - vii. Duty to pay estate tax; and
 - viii. Duty to sue in relation to the estate.

Examiner's report

The question tests candidates' understanding of delegation of trustees' duties; persons disqualified from being company auditors; types of e-contract; and the duties of personal representatives of a deceased intestate.

Attempt rate was about 50%, and performance was below average.

The major pitfall was candidates' poor understanding of all aspects of the question.

Candidates are advised to study the areas tested more diligently in the ICAN Study Text in their future preparation.

Marking guide

	Marks	Marks
a. i. Office of trustee is voluntary with duties	1	
ii. Appointed person may decline office	2	
iii. Tobi as trustee cannot delegate authority	<u>2</u>	5
b. Persons disqualified from being company auditor (1 mark for each disqualified person up to a maximum of five persons)		5
c. Explanation of any TWO of the following e-commerce contract		
i. Click-through	2½	
ii. Shrink-wrap	2½	
iii. Browse-wrap	<u>2½</u>	
(2½ marks for each point up to a maximum of 2 points)		5
d. Duties of personal representative of a person who died without a will (1 mark for each duty up to a maximum of 5 duties)		<u>5</u>
Total		<u>20</u>