



**THE INSTITUTE OF CHARTERED
ACCOUNTANTS OF NIGERIA**

PATHFINDER

**NOVEMBER 2024 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 2024****FINANCIAL ACCOUNTING****EXAMINATION INSTRUCTIONS****PLEASE READ THESE INSTRUCTIONS BEFORE THE COMMENCEMENT OF THE PAPER**

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

TUESDAY, NOVEMBER 19, 2024**DO NOT TURN OVER UNTIL YOU ARE TOLD TO DO SO**

THE INSTITUTE OF CHARTERED ACCOUNTANTS OF NIGERIA
FOUNDATION LEVEL EXAMINATION – NOVEMBER 2024
FINANCIAL ACCOUNTING

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

SECTION A: MULTIPLE-CHOICE QUESTIONS (20 MARKS)

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

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

1. 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 market campaigns and advertising strategies

2. What is the purpose of a chart of accounts in a business?
 - A. Organising financial transactions into identified categories of assets, liabilities, income and expenses
 - B. Generating instructions and policies for recording information in the financial statements
 - C. Designing a unique code and headings for each personal ledger account
 - D. Following the rules of accounting set by the government
 - E. Resulting in 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 in accordance with IAS 16 - Property, Plant and Equipment?
- A. The measurement bases used for determining the gross carrying 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?
- 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 not recognised in the period when they are paid, regardless of when they are incurred
 - E. Both revenue and expenses are recognised in the period when they are incurred, regardless of cash transactions.
11. The primary purpose of the 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?
- A. The fair value of the assets at the beginning and end of the period
 - B. The current market value of the assets at the end of the period
 - C. The gross carrying amounts and accumulated depreciation at the beginning and end of the period

- D. The expected useful lives of the assets and their residual values
 E. 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?
- A. Incomplete records occur when a company has lost important financial documents and cannot reconstruct them
 B. Incomplete records are accounting records that contain errors and discrepancies, leading to inaccurate financial statements
 C. 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
 D. Incomplete records occur when a company's financial statements do not include all the required disclosures and notes
 E. 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 data set?
- A. Using encryption methods to protect sensitive data
 B. Automating data entry processes to reduce human errors
 C. Applying statistical methods and modeling to identify trends, patterns, and insights
 D. Generating visualisations for data representation and presentation
 E. Providing cloud storage for secure data management.
15. The accounting equation of Kola Enterprises is ₦107,250 (Assets) = ₦55,500 (Equity) + ₦51,750 (Liabilities). Kola Enterprises 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 Enterprises after he takes ₦6,000 in cash and ₦3,000 worth of inventories for personal use?
- A. $₦98,250 = ₦46,500 + ₦51,750$
 B. $₦98,250 = ₦55,500 + ₦42,750$
 C. $₦107,250 = ₦58,500 + ₦54,750$
 D. $₦98,250 = ₦49,500 + ₦48,750$
 E. $₦98,250 = ₦52,500 + ₦45,750$
16. Which of the following statements correctly describes the treatment of bank accounts and cash balances from the perspective of both the company and the bank?
- A. Company - money in the bank is an asset. Bank - deposits are liabilities
 B. Company - money in the bank is a liability. Bank - deposits are assets

- C. Company - an overdraft balance is a liability. Bank - overdrafts are income
 - D. Company - an overdraft balance is an asset. Bank - overdrafts are liabilities
 - E. Company - money in the bank is an asset. Bank - deposits are expenses
17. When a non-current asset is disposed of, what is the effect in the asset and the accumulated depreciation accounts 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. The organisations always strive to maximise their revenue and minimise costs to generate a profit
 - B. These are businesses that focus solely on making a profit and do not have any other objectives
 - C. The organisations include clubs, societies, charities, hospitals, and government bodies
 - D. They operate at a level where their income exceeds their costs, similar to a profit-making entity
 - E. These organisations do not generate any income and solely rely on donations and grants
19. What is the cash paid for salaries and wages during the period, given the following information?
- Accrued salaries and wages at the beginning of the period: ₦6,500
 Accrued salaries and wages at the end of the period: ₦12,500
 Salaries and wages 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 differences 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

- a. List **SIX** documents used in the sales cycle of a business. (6 Marks)
- b. Discuss how each of these documents facilitates the accounting process and ensure effective management of sales transactions. (12 Marks)
- c. State **TWO** of the documents you listed in (a) that impact double entry. (2 Marks)

(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 balance. The total of the debit column exceeded the total of the credit column by ₦774,000. On investigation, the following errors were later discovered:
 - (i) Sales of ₦50,000 were not recorded in the sales account.
 - (ii) An expense of ₦25,000 was mistakenly debited as ₦250,000.

- (iii) Purchases of ₦70,000 were omitted from the purchases account.
- (iv) An error in calculating depreciation resulted in an understatement of expenses by ₦12,000.
- (v) A credit sale of ₦35,000 was mistakenly recorded as a debit in sales account.
- (vi) An expense of ₦8,000 was not recorded in the expense account.
- (vii) Liabilities of ₦100,000 were omitted from the books.
- (viii) An error in recording interest due resulted in an overstatement of Income by ₦6,000.
- (ix) Cash receipts of ₦45,000 were recorded as ₦450,000.
- (x) An error in inventory valuation resulted in an overstatement of inventories by ₦10,000.
- (xi) Dividends of ₦20,000 paid to shareholders were not recorded in the cash book.
- (xii) An error in tax calculation resulted in an underpayment of taxes by ₦35,000.
- (xiii) A payment of electricity bill of ₦12,000 was accidentally entered twice.
- (xiv) Loan repayments of ₦60,000 were omitted from the records.

You are required to prepare:

- i. The journal entries to correct all the observed 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: ₦850,000
 - (ii) Payments to suppliers: ₦1,350,000
 - (iii) Payment to employees: ₦525,000
 - (iv) Closing cash balance as at September 30, 2023: ₦1,112,000
 - (v) Receipts during the month of September: ₦2,300,000

Required:

Prepare the cash book for September 2023.

(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, 2022:

	₦
Cash	250,000
Accounts receivable	400,000
Inventories	200,000
Furniture and fittings (carrying amount)	250,000
Accounts payable	120,000
Loan notes payable	<u>300,000</u>

Additional Information:

During the year, the partnership earned a profit of ₦600,000.

Interest on the loan notes is 10% per annum.

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)

Partners' salaries are as follows:

Awka: ₦120,000

Bwari: ₦90,000

Owo: ₦90,000

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 at September 30, 2023. (6 Marks)
- d. Prepare partners' capital accounts for ABO Partnership as at September 30, 2023. (3 Marks)

(Total 20 Marks)

SECTION A

PART I - MULTIPLE CHOICE ANSWERS

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 MCQ

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

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

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

8. The weighted average method = $\frac{(250 \times 75) + (750 \times 90)}{1,000}$
 $= \frac{(18,750 + 67,500)}{1,000}$
 $= \text{₦}86.25$

15. The withdrawals will reduce assets by ₦9,000 and equity by ₦9,000
 Assets = ₦107,250 – 9,000 = ₦98,250

Equity = ₦55,500 – 9,000 = ₦46,500

New equation is ₦98,250 = ₦46,500 + ₦51,750

19.	Accrued wages and salaries at the beginning of the period	₦ 6,500
	Wages and salaries reported in the SOP/L	<u>114,000</u>
		120,500
	Accrued wages and salaries at the end of the period	<u>(12,500)</u>
	Cash paid wages and salaries during the period	<u>108,000</u>

OR

Wages account			
	₦		₦
Cash paid	108,000	Bal b/d	6,500
Bal c/d	<u>12,500</u>	Profit or loss	<u>114,000</u>
	<u>120,500</u>		<u>120,500</u>

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.

Marking guide

Award 1 mark for each of the correct options

1 x 20 = 20 Marks

SECTION B

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.
- 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 profit or loss 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 of comprehensive income and notes to the financial statements, which provide a comprehensive view of a company's financial performance.

- iv. **Auditing:** Some accountants perform audit and assurance 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, preparing and interpreting 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. **Public sector accounting:** Public sector accounting is a process of recording 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 purposes but disallowed for tax purposes. The adequate 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, such as, investors, management, employees, customers, suppliers, local community where the entity operates.
- ix. **Auditing:** An independent examination of the financial statements of an entity by a professional called an auditor. After gathering various forms of audit evidence, the professional accountant forms an opinion on the financial statements. The auditor expresses this opinion in a report, asserting the fairness of the financial statements and the scope of work carried out before arriving at this opinion.

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 average in part (a).

The candidates failed to provide a comprehensive overview of the differences between the roles of bookkeeper and accountant. They only touched on a few key points, leaving out important details of the tasks and responsibilities associated with each role.

In part (b), many candidates identified elements and components of financial statements. Those who did identify the types of accounting could not provide acceptable explanations, especially for public sector accounting, forensic accounting and cost accounting.

Candidates are advised to go back to the basics and review the different types of accounting, their roles, and their applications. Candidates should also read questions carefully to ensure they understand the requirements. They should develop a study plan, focusing on key concepts and practice applying them to different scenarios. The ICAN study text and Pathfinder will be of immense help to the candidates in this regard.

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>	<u>8</u>
(b) Explain the types and roles of accounting:		
Listing six (6) types of accounting at ½ mark each	3	
Explaining the primary focus and importance of each type identified at 1½ marks each	<u>9</u>	<u>12</u>
Total		<u><u>20</u></u>

SOLUTION 2

a. List of documents used in the sales cycle of a business

- i. Purchase order
- ii. Goods received note
- iii. Stores issue note
- iv. Debit memo
- v. Proforma invoice
- vi. Sales Invoice
- vii. Credit note
- viii. Payment receipt
- ix. Delivery note
- x. Cheque counterfoils
- xi. The teller

b. How each source document facilitates the accounting process and ensure effective management of sales transactions

i. Purchase order

A purchase order is an evidence of request to supply to the order of the bearer named. This is a document issued by the prospective purchaser to the supplier requesting the latter to supply according to specification on the order.

ii. Delivery note

When goods are dispatched, a document that usually accompanies the goods is known as delivery note. The importance of delivery note is summarised below;

- Protects the dispatch driver from police harassment on how he comes about the goods.
- Evidence of receipt by the purchaser or consignee after signing it.
- Evidence of dispatch by the supplier or consignor.
- Evidence of inventory reduction.

iv. **Sales invoice**

This is a document raised by the seller to the buyer informing him of the monetary effect of sales transaction that occurred between them and also to request the latter to pay for the goods or services supplied or rendered to him by the former. Usually where physical goods are sold, sales invoice is raised, whereas where services are rendered, bill is usually sent.

Sales invoice must contain the following:

- Name and address of the seller
- Name and address of the buyer
- Date of invoice
- Quantity and description of goods sold
- Price per unit and total account due
- Conditions or terms of sales
- Column for signatures of the two parties
- Invoice number
- Value added tax registration number and amount charged for VAT

The original copy is sent to the buyer while the duplicate copies are retained by the seller.

iv. **Goods received note (GRN)**

This is a document raised by the receiver of goods dispatched, usually the customer or his agent to show that goods ordered have been received. The document is raised after the inspection of the goods delivered.

Goods received note has the following advantages;

- It is used to update accounting records like bin - card or any inventory control card.
- Accurate inventory records keeping are maintained with the use of goods received notes.

Goods received notes are usually in quadruplicates which are distributed as shown below;

- Original goes to the supplier.
- Duplicate goes to the purchasing department
- Triplicate goes to the accounts department
- The fourth copy is sent to store.

v. **Credit note**

A credit note is issued to the purchaser otherwise referred to as debtor in order to reduce his indebtedness because of returns he has made. The total amount of goods sent to the customer has been debited to his account, but it is quite possible that the customer returns part of goods due to the following reasons:

- Damage to the goods before reaching the customer
- Wrong specification from the one ordered by the customer
- Any other genuine reason.

A credit note is to reduce the customer's liability on the earlier invoice note sent to him with the value of the amount of goods returned.

vi. **Payment receipt**

This is the document issued by the person or organisation to whom cash is paid. It is an acknowledgement of payment received. It describes the amount received, what for, date, serial number, etc.

vii. **Debit memo**

A document issue to a customer for additional charges such as supplying and handling fees.

viii. **Profoma invoice**

A document provided to customers outlining the products or services offered, price and terms.

ix. **Inventory issue note**

An inventory issue note is made out whenever inventory items are to be issued out of the store. In a small shop this procedure is not usually carried out. A customer usually requests on the counter for what he wants to buy and if the items are in inventory, they are brought out and after the necessary sales invoice is made out, he is requested to make payment and use a copy of the invoice already stamped "PAID" by the cashier to collect the items purchased.

x. **Cheque counterfoils or payment mandate**

It serves as evidence of payment made to creditors through the bank and withdrawals made for personal use or office use.

xi. **The teller**

It serves as evidence of cheque and cash paid into bank. It contains information about name of bank customers', bank account number, the persons paying the cash or lodging-in the cheque.

x. **The documents that impact double entry**

- Cash Invoices
- Credit notes
- Debit notes
- Payment mandate

Examiner's report

The question tests candidates' ability to identify and explain the various documents used in sales cycle and their impact in accounting process, particularly in relation to double-entry bookkeeping.

Most candidates attempted the question and their performance was above average.

However, some candidates failed the question because they identified books of prime entry instead of the documents.

Candidates are advised to pay attention to details while studying, so that they could understand different accounting concepts, records and documents, including their impacts to bookkeeping and accounting.

Marking guide

	Marks
Documents in sales cycle:	
(a) Stating six (6) types of documents	6
(b) Explaining the significance of the six (6) types of documents identified at 2 marks each	12
(c) Identifying two(2) documents that impact double entry	<u>2</u>
Total	<u><u>20</u></u>

SOLUTION 3

- a. (i) **Types of errors that can be revealed by the trial balance**
- Casting error
 - Partial reversal of entry
 - Error of transposition
 - Over or understatement of opening or closing balances
 - Mis-statement error on the trial balance
- (ii) **Explanation of the types of errors**
- **Casting error**
This error occurs when adding up entries in the accounts resulting in under-casting or over-casting.
 - **Partial reversal of entry**
This is an error whereby the double entry for a transaction is posted to the same side of the respective accounts. For example, salaries paid may be debited to salaries account but wrongly debited to the cash book.
 - **Error of transposition**
Where an error of transposition affects only one side of the account, it will affect the trial balance. For example, a

cheque of ₦6,661 received from a debtor may be correctly debited to the bank account but wrongly credited to the debtor's account as ₦6,616

- **Over or under- statement of opening or closing balances**
This is an error in which the debit or credit entry for a transaction is posted without posting the corresponding opposite entry. It could also be as a result of omission or mis-statement of the balance on an account when extracting the trial balance.

b. (i)

Niger Limited
Correcting journal entries

Details	DR ₦	CR ₦
i. Suspense account	5,000	
Sales account		5,000
Being omission of sales on the sales account, not recorded		
ii. Suspense account	225,000	
Sales account		225,500
Being an expense of ₦25,000, but recorded as ₦250,000, now corrected		
iii. Purchases account	70,000	
Suspense account		70,000
Being omission of purchases on the purchases account, now recorded		
iv. Depreciation account	12,000	
Suspense account		12,000
Being error in the calculation of depreciation, which resulted in understatement of depreciation expense, now corrected		
v. Suspense account	70,000	
Sales account		70,000
Being credit sales of ₦35,000 debited to sales account in error, now corrected		
vi. Expenses account	8,000	
Suspense account		8,000
Being omission of an expense on expense account, now recorded		
vii. Suspense account	100,000	
Liabilities account		100,000
Being omission of liabilities from the account, now corrected		

viii.	Interest expense	6,000	
	Suspense account		6,000
	Being overstatement on income, arising from the error in recording interest, now corrected		
ix.	Suspense account	405,000	
	Cash account		405,000
	Being cash receipts of ₦45,000 but recorded as ₦450,000, now corrected		
x.	Cost of sales	10,000	
	Inventories account		10,000
	Being overstatement of inventories, now corrected		
xi.	Suspense account	20,000	
	Bank account		20,000
	Being omission of dividends payment on the cash book, now recorded		
xii.	Income tax expense	35,000	
	Tax payable		35,000
	Being error in tax calculation, which resulted to tax underpayment now corrected		
xiii.	Bank account	12,000	
	Electricity account		12,000
	Being payment of electricity bill, which was recorded twice, now reversed		
xiv.	Loan account	60,000	
	Bank account		60,000
	Being omission of loan repayments from the records, now recorded		

ii)	Suspense account		
	₦	₦	
Sales (i)	50,000	Bal b/f	774,000
Expense (ii)	225,000	Purchases (iii)	70,000
Sales (v) (35, 000 x 2)	70,000	Expense (vi)	8,000
Liabilities (vii)	100,000	Interest received (viii)	6,000
Cash (ix)	405,000	Depreciation (iv)	12,000
Bank (xi)	<u>20,000</u>		
	<u>870,000</u>		<u>870,000</u>

Examiner's report

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

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

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 and to prepare appropriate journal entries 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.

Marking guide

	Marks	Marks
(a) Types of errors that can be revealed by the trial balance:		
• Stating three types of errors	3	
• Explaining two (2) of the errors identified	<u>2</u>	5
(b) Journal entries and suspense account		
(i) 14 correct journal entries at ½ mark each	7	
(ii) Suspense account:		
• Title of the account	1	
• Correct total	½	
• 13 correct postings in the suspense account at ½ mark each	<u>6½</u>	<u>15</u>
Total		<u>20</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:

- i. **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.
- ii. **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 cost and installation cost.
- iii. **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.

- iv. **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.
- v. **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. Caleb Limited

The initial measurement of motor vehicle at cost:

	N'000
Purchase price of motor vehicle	5,000
Transportation costs to the company location	50
Installation costs for specialised equipment	150
License and registration fees	80
Legal fees for acquisition	<u>100</u>
	<u><u>5,380</u></u>

c.

**Igba Enterprises
Cash account for the month of September 2023**

	N'000		N'000
Bal b/f	850	Payments to suppliers	1,350
Receipts from customers	2,300	Payments to employees	525
		Drawings (Difference)	163
	<u> </u>	Bal c/d	<u>1,112</u>
	<u><u>3,150</u></u>		<u><u>3,150</u></u>
	1,112		

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 of cash book for a particular month.

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

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

Marking guide

	Marks	Marks
(a) Elements of cost of PPE:		
(i) Listing four (4) elements of cost of PPE at ½ mark each	2	
(ii) Explaining elements of cost of PPE:		
Explaining the purchase price of a cost element	1½	
Explaining how transportation cost incurred are accounted for	1½	
Explaining the importance of installation costs and how they are capitalised	1½	
Discussing how other elements are other elements such as testing and commissioning costs are accounted for	<u>1½</u>	8
(b) Calculating initial cost of motor vehicle:		
• Identifying and including the five(5) relevant items	5	
• Calculating the total initial cost of PPE	<u>1</u>	6
(c) Preparation of cash account to determine missing figures		<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

The question tests candidates' ability to explore the relationships among the components of financial statements.

Candidates' pitfalls include the following:

- Instead of explaining the relationships among the components of financial statements, they only focused on describing the content of these components;
- Candidates who could highlight the components failed to discuss how the components are interrelated;
- 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. Some candidates confused changes in accounting policies with changes in accounting estimates; and
- Some candidates interchanged the retrospective or prospective application of changes in accounting policies and estimates.

To improve, candidates are advised to focus on developing a deeper understanding of financial statements and their interrelationships. This includes recognising how elements such as assets, liabilities, equity, revenues and expenses interact and impact the components.

They should study ICAN study pack and Pathfinder to gain a deeper understanding of accounting policies, changes in accounting estimates and error.

Marking guide

	Marks	Marks
(a) Identifying and explaining the relationship between the following:		
• Statement of financial position and statement of comprehensive income	3	
• Statement of financial position and statement of cash flows	3	
• Statement of comprehensive income and statement of cash flows	3	
• Statement of comprehensive income and statement of changes in equity	<u>3</u>	12
(b) Accounting policies and accounting estimates:		
• 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>20</u>

SOLUTION 6

a.

Abo Partnership		
Statement of profit or loss and appropriation		
	₦	₦
Net profit		600,000
Interest on loan (10% x 300,000)	(30,000)	
Partners' salaries:		
- Akwa (120,000)		
- Bwari (90,000)		
- Owo (90,000)	<u>(300,000)</u>	<u>(330,000)</u>
Distributable profit		270,000
Share of profit:		
- Akwa (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		
Statement of financial position as at September 30, 2023		
	₦	₦
Non-current assets:		
Furniture & fittings		250,000
Current assets:		
Inventories	200,000	
Account receivables	400,000	
Cash	<u>250,000</u>	<u>850,000</u>
		<u>1,100,000</u>
Liabilities:		
Loan notes payable	300,000	
Account payables	<u>120,000</u>	420,000
Capital account:		
- Akwa (40% x 680,000)	272,000	
- Bwari (30% x 680,000)	204,000	
- Owo (30% x 680,000)	<u>204,000</u>	<u>680,000</u>
		<u>1,100,000</u>

c.

Abo Partnership

Partners' current account as at September 30, 2023

	Akwa	Bwari	Owo		Akwa	Bwari	Owo
	₦	₦	₦		₦	₦	₦
Balance b/f Capital Account	68,000	100,000	26,000	Balance b/f Profit	150,000	81,000	50,000
Bal. c/d	<u>310,000</u>	<u>45,000</u>	<u>195,000</u>	Salaries	<u>120,000</u>	<u>90,000</u>	<u>90,000</u>
	<u>378,000</u>	<u>171,000</u>	<u>221,000</u>	Balance b/d	310,000	45,000	195,000

d.

Abo Partnership

Partners' capital account as at September 30, 2023

	Akwa	Bwari	Owo		Akwa	Bwari	Owo
	₦	₦	₦		₦	₦	₦
Balance c/f	340,000	230,000	230,000	Balance b/f Capital account	272,000	204,000	204,000
	<u>340,000</u>	<u>230,000</u>	<u>230,000</u>		<u>68,000</u>	<u>26,000</u>	<u>26,000</u>
				Balance b/f	340,000	230,000	230,000

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><u>20</u></u>

THE INSTITUTE OF CHARTERED ACCOUNTANTS OF NIGERIA**FOUNDATION LEVEL EXAMINATION – NOVEMBER 2024****MANAGEMENT INFORMATION****EXAMINATION INSTRUCTIONS****PLEASE READ THESE INSTRUCTIONS BEFORE THE COMMENCEMENT OF THE PAPER**

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

TUESDAY, NOVEMBER 19, 2024**DO NOT TURN OVER UNTIL YOU ARE TOLD TO DO SO**

**THE INSTITUTE OF CHARTERED ACCOUNTANTS OF NIGERIA
FOUNDATION LEVEL EXAMINATION – NOVEMBER 2024**

MANAGEMENT INFORMATION

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

SECTION A: MULTIPLE-CHOICE QUESTIONS (20 MARKS)

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

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

1. Which of the following is **NOT** a likely problem commonly encountered when companies increase the amount of automation without updating their costing systems?
 - A. Incorrect product cost
 - B. Incorrect selling price
 - C. Company may incur loss
 - D. Incorrect new system
 - E. Incorrect overhead rates

2. Which of the following is **NOT** a common feature of process costing systems?
 - A. Clearly defined process cost centres
 - B. Maintenance of accurate records of units and part units produced
 - C. Maintenance of cost for each process and not transferring to other processes
 - D. Averaging the total cost of each process over the total production of that process
 - E. Clearly defined procedures for separating costs where two or more products are produced

3. Which of the following affects the balance on a cash budget?
 - A. Changes in credit policies
 - B. Depreciation
 - C. Imputed Charges
 - D. Impairment of assets
 - E. Accrued expenses

4. Which of the following best describes the difference between budgeted and actual profit?
- Sum of sales variances
 - Sum of cost variances
 - Sum of overhead variances
 - Sum of variable cost variances
 - Sum of all variances
5. A unit of product or service in relation to which costs are ascertained is called
- Cost Ascertainment
 - Product cost
 - Cost apportionment
 - Cost unit
 - Cost price
6. 'In implementing coding systems which are useful, various practical matters need to be considered'. Which of the following is **NOT** a matter to be considered?
- Open notation
 - Block coding
 - Indexing
 - Centralised control
 - Check digit verification
7. The following information was extracted from the records of a manufacturing company.

Average Usage	6,000 kgs
Minimum Usage	3,600 kgs
Maximum Usage	9,600 kgs
Lead time	8 -10 days

What is the minimum level?

- 96,000 kgs
 - 63,600 kgs
 - 48,000 kgs
 - 42,000 kgs
 - 36,000 kgs
8. Wages determination is a complex area where innumerable factors are involved. Which of the following is **NOT** a factor in wages determination?
- General economic climate of industry
 - Government policy

- C. Profitability of the firm
 - D. Extent of employment in the society you belong to
 - E. Availability of workers with appropriate skills
9. Which of the following is **NOT** a cause of labour efficiency variance?
- A. Payment of unplanned overtime or bonus
 - B. Use of incorrect grade of labour
 - C. Poor workshop organisation
 - D. Incorrect materials
 - E. Unexpectedly favourable conditions
10. A contract value of ₦5,000,000 has an architect valuation of work done of ₦2,750,000, out of which ₦950,000 has been paid and the agreed retention percentage is 15%. What is the amount of the current progress payment due?
- A. ₦2,000,000
 - B. ₦1,800,000
 - C. ₦1,387,500
 - D. ₦1,300,000
 - E. ₦1,050,000
11. What is a system called when the inputs, process and the outputs are known with certainty?
- A. Probabilistic
 - B. Deterministic
 - C. Open
 - D. Close
 - E. Conclusive
12. In which type of network is application processing shared between clients and one or more servers?
- A. Client-server computing
 - B. Cloud computing
 - C. Mobile computing
 - D. Data computing
 - E. Peer-to-Peer
13. The attempts by individuals to obtain confidential information from you by falsifying their identity is known as
- A. Spying
 - B. Computer viruses
 - C. Phishing scams
 - D. Spyware scams
 - E. Trojan

14. A set of processes and procedures that transforms data into information and knowledge is called?
- A. Information system
 - B. Knowledge system
 - C. Database system
 - D. Computer system
 - E. Decision system
15. Which of the following is a popular programming language for developing web pages?
- A. HTML
 - B. COBOL
 - C. BASIC
 - D. ASSEMBLER
 - E. FORTRAN
16. The smallest unit in a digital system is a
- A. Bit
 - B. Byte
 - C. Character
 - D. Kilobyte
 - E. Field
17. Vendor-created program modifications are called
- A. Patches
 - B. Bugs
 - C. Fixes
 - D. Holes
 - E. Virus
18. Which of the following is an example of an optical disk?
- A. Digital versatile disks
 - B. Magnetic disks
 - C. Memory disks
 - D. Data bus disks
 - E. Flash drive

19. The following are needed to connect to the internet, **EXCEPT**
- A. Computer
 - B. Internet Service Provider
 - C. Modem
 - D. Communication software
 - E. CD
20. A specific procedure for solving a well-defined computational problem is called
- A. A compiler
 - B. A code
 - C. An algorithm
 - D. A description
 - E. An Instruction

SECTION B: OPEN-ENDED QUESTIONS (80 MARKS)

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

QUESTION 1

ME & YOU Limited operates two processes for the production of a single product. The output of the product ME is used as the input of process YOU. Five percent of each of the input is declared as normal loss with no value in process ME and ₦2.00/litre in process YOU. The following data was extracted from the company's record for the period just ended.

ME	
	₦
Raw material 200,000 litres @ ₦5/litre	1,000,000
Labour	400,000
Overheads	310,000
Output	195,000 litres
YOU	
Input from ME	195,000 litres
	₦
Additional Materials	275,000
Additional Labour	269,500
Additional Overhead	220,875
Output	185,000 units

Prepare the process account for ME and YOU showing all workings.

(Total 20 Marks)

QUESTION 2

In the first quarter of the year, the following data was given in respect of a product.

Selling price	₦750 per unit
Variable production cost	₦420 per unit
Other variable expenses	₦75 per unit
Production for first quarter	24,000 units
Closing inventory	4,000 units
Fixed production expenses	₦4,320,000

Required:

- Prepare the statement of profit or loss using both absorption and marginal costing bases in a columnar format. (18 Marks)
 - Reconcile the profits in (i) above. (2 Marks)
- (Total 20 Marks)**

QUESTION 3

- List **SIX** characteristics of Just-In-Time system. (6 Marks)
 - Describe briefly, the practical implication of Just-In-Time production. (5 Marks)
 - Describe briefly, Just-In-Time purchasing. (5 Marks)
 - Discuss briefly, the problems with Just-In-Time system. (4 Marks)
- (Total 20 Marks)**

QUESTION 4

- Identify **EIGHT** ways business organisations can take advantage of the internet technology to achieve its set goals and objectives. (8 Marks)
 - Identify **SIX** features of a well-designed website (6 Marks)
 - State **SIX** benefits of a well-designed website. (6 Marks)
- (Total 20 Marks)**

QUESTION 5

- What is authentication? (3 Marks)
 - Identify and explain **FOUR** components of information systems. (8 Marks)
 - State **FIVE** types of business information systems. (5 Marks)
 - Define URL and state TWO examples. (4 Marks)
- (Total 20 Marks)**

QUESTION 6

- What is m-commerce? (3 Marks)
 - Identify and explain **FIVE** areas of applications of m-commerce. (10 Marks)
 - State **FIVE** examples of technologies used in e-commerce. (5 Marks)
 - Identify **FOUR** hardware components of a computer system. (2 Marks)
- (Total 20 Marks)**

SECTION A

MULTIPLE-CHOICE QUESTIONS

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

Examiner's report

This section comprises 20 questions, each with 5 suggested solutions for the candidates to choose from. The questions are drawn from topics across the syllabus and were attempted by all candidates.

Performance was above average. Some candidates narrowed their preparations to their favourite topics whereas the questions covered virtually all sections of the syllabus. This was revealed by some elements of guesswork in their answers.

Candidates are advised to be guided by the ICAN study text in their preparations in the future.

Section A**Marks**

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

20**SECTION B****SOLUTION 1**

ME and YOU

PROCESS ME

	Litres	₦		Litres	₦
Material	200,000	1,000,000	Good Production	195,000	1,755,000
Labour		400,000	Normal Loss	10,000	-
Overhead		310,000			
Abnormal gain	5,000	45,000			
	205,000	1,755,000		205,000	1,755,000

$$\begin{aligned} \text{Valuation of Good Units} &= 1,000,000 + 400,000 + 310,000 / 190,000 \\ &= 1,710,000 / 190,000 \\ &= \text{₦}9.00 \end{aligned}$$

$$\text{Good production} = 195,000 \times 9 = \underline{1,755,000}$$

PROCESS YOU

	Litres	₦		Litres	₦
Transfer from ME	195,000	1,755,000	Good Production	185,000	2,497,500
Materials		275,000	Normal Loss	9750	19,500
Labour		269,500	Abnormal loss	250	3,375
Overhead		220,875			
	195,000	2,520,375		195,000	2,520,375

$$\text{Valuation of Good Units} = \frac{2,520,375 - 19,500}{185,250} = 13.50$$

Examiner's report

This question tests candidates' knowledge of process costing. It was attempted by about 70% of the candidates and performance was good as about 75% of them scored 50% and above of the marks allocated.

The major pitfall was in determining the values of abnormal gain and abnormal loss.

Candidates should recognise the differences in the formulae for computing each of the abnormal results.

Marking guide

	Marks
PROCESS ME	
1 mark each for correct figure under value	5
½ mark each for correct figure under litres	2
2 marks for computation of valuation of good units	2
 PROCESS YOU	
1 mark each for correct figure under value	7
½ mark each for correct figure under litres	2
2 marks for computation of valuation of good units	<u>2</u>
	<u><u>20</u></u>

SOLUTION 2

	Absorption basis		Marginal Basis	
	₦	₦	₦	₦
Revenue		15,000,000		15,000,000
<u>Less cost of production</u>				
Variable cost of sales	10,080,000		10,080,000	
Other Variable Expenses	1,800,000		1,800,000	
Fixed Production Expenses	<u>4,320,000</u>		<u> </u>	
	16,200,000		11,880,000	
Less: closing inventory	(2,700,000)	<u>(13,500,00)</u>	(1,980,000)	(9,900,000)
		1,500,000		5,100,000
Less: Fixed Production Expenses				<u>4,320,000</u>
Net Profit		<u><u>1,500,000</u></u>		<u><u>780,000</u></u>

Reconciliation of Profit

Profit as per absorption basis	₦ 1,500,000
Fixed cost included in closing inventory (2,700,000 – 1,980,000)	(720,000)
Profit as per Marginal basis	780,000

Workings

Closing inventory: Absorption basis
 $4000 \times (420 + (4,320,000/24,000) + 75)$
 $4000 \times 675 = \text{₦}2,700,000$

Marginal basis

$4000 \times (420 + 75) = \text{₦}1,980,000$

Examiner's report

This question tests candidates' knowledge of preparing statements of profit or loss under absorption costing and marginal costing; and reconciling the results under both methods.

About 80% of the candidates attempted the question and performance was good, as about 70% of them scored 50% and above of the marks allocated. However, some candidates had challenges determining what should constitute direct expenses and the value of closing inventory.

Candidates should endeavour to distinguish between fixed and variable, direct and indirect expenses.

Marking guide

	Marks
(a) 1 mark each for every correct figure as per solution	16
(b) 1 mark each for absorption and marginal profit	2
1 mark for stock difference	1
(c) 1 mark for columnar arrangement	<u>1</u>
	<u>20</u>

SOLUTION 3

- a. A Just-In-Time system is characterised by:
- i. A move towards zero inventory;
 - ii. Elimination of non-value-added activities;
 - iii. An emphasis on perfect quality i.e., zero defects;
 - iv. Short set-ups;
 - v. A move towards a batch size of one;
 - vi. 100% on time deliveries;
 - vii. Constant drive for improvement; and
 - viii. Demand-pull manufacture.
- b. **Practical implication of JIT production**
1. Increased productivity – Production times must be very fast in order to meet new customer orders quickly.
 2. Improve quality – Production must be reliable and there must not be poor quality production. Smaller and frequent deliveries make it easier to maintain quality.
 3. Eliminate waste – There must not be hold-ups, stoppages or bottlenecks leading to rejected items and scraps.
 4. Reduced obsolete inventory – Finished goods must be available when customers order them and raw materials and components must be supplied when they are needed for production.
 5. Reduced cost – the improved efficiency provides substantial cost savings thereby reducing cost.

6. Improved supplier relationships – JIT can improve relationship with suppliers.
- c. JIT Purchasing
1. JIT depends for its success not only on highly efficient and high-quality production, but also on efficient and reliable supply arrangements with key suppliers.
 2. Reduce or eliminate inventory and work in progress.
 3. It enhances performance as this leads to improved operational flow.
 4. JIT purchasing policy is based on consistency and quality rather than looking for the lowest purchase price available.
 5. Ensure deliveries arrive in the factory exactly at the time that they are needed.
 6. Improved cash flow – making purchases when required helps the organisations cash flow.
- d. Problems with JIT
1. Zero inventories cannot be achieved in some industries because of unpredictable demand.
 2. It might be difficult to arrange a reliable supply system with key suppliers.
 3. JIT purchasing system will increase ordering costs.
 4. Over dependence on automation – JIT system can become overly dependence on automation.

Examiner's report

This question tests candidates' knowledge of Just-In-Time system including its practical applications. It was attempted by about 50% of the candidates, performance was just fair as only about 45% of them scored 50% and above of the marks obtainable.

Several candidates did not prepare for this topic, and this reflected in their poor performance.

It is recommended that candidates should not ignore any part of the syllabus as they are all examinable.

Marking guide

	Marks
(a) 1 mark each for six correct characteristics	6
(b) 1 mark each for five practical implications of JIT	5
(c) 1 mark each five points on JIT purchasing	5
(d) 1 mark each for four points on the problem of JIT	<u>4</u>
Total	<u>20</u>

SOLUTION 4

a. Ways business organisations can take advantage of internet to achieve its set goals and objectives include:

- i. Sales and marketing;
- ii. Research and data mining;
- iii. Access to clients for products and services around the world;
- iv. Tools to track business performance and growth;
- v. Cloud computing (computing, networking, storage) etc.;
- vi. Text, audio, and video conferencing tools for instant business communication;
- vii. Business automation applications to reduce human interface or intervention;
- viii. Online accounting and bookkeeping software and apps;
- ix. Social media networks to build relationships with important people and for character development;
- x. Payment gateways and online payment systems to accept and send money;
- xi. E-commerce: Buying and selling products and services online, expanding market reach and customer base;
- xii. Digital marketing using social media, e-mail and search engine optimisation to promote products services and brand awareness;
- xiii. Online customer service by providing 24/7 customer support via chat bots, email and social media enhancing customer experience and loyalty;
- xiv. Remote work and collaboration by enabling employees to work from anywhere, fostering flexibility, productivity and team collaboration;
- xv. Data analysis and insights by leveraging big data analytics tools and business intelligence to inform data-driven decisions and optimize operations;
- xvi. Online training and development by offering webinars, e-learning platforms and online resources to upskill employees and enhance professional development;
- xvii. Encourage knowledge sharing;
- xviii. Encourage better business opportunities;
- xix. Benefits of internet of things (IoT); and
- xx. Increased communication between devices.

b. **Features of a well-designed website include;**

- i. Clear, user-friendly navigation;
- ii. Simple and professional web design;
- iii. Search engine optimization;
- iv. Web compatibility for variety of browsers and platforms;
- v. Optimised for mobile devices;
- vi. Readily accessible contact and location;

- vii. Online–real time interactive channels e.g. chat;
 - viii. High security;
 - ix. Attractive homepage;
 - x. Fast loading speed;
 - xi. Search functionality;
 - xii. Ease of usage;
 - xiii. Clear purpose of the website.
- c. The benefits of a well-designed website include;
1. **Improved User Experience:** A well-designed website provides a positive and intuitive experience for visitors, making it easy for them to find what they are looking for and achieving their goals.
 2. **Increased Credibility and Trust:** A professional and modern website design conveys a sense of credibility and trustworthiness, helping to establish your brand as a leader in the industry.
 3. **Enhanced Brand Awareness:** A well-designed website effectively communicates your brand's message, values, and unique value proposition, helping to build awareness and recognition.
 4. **Increased Conversions and Sales:** A well-designed website is optimised for conversions, with clear calls-to-action, intuitive navigation, and a focus on driving sales, leads, or other desired actions.
 5. **Better Search Engine Optimisation (SEO):** A well-designed website is optimized for search engines, improving visibility, driving organic traffic, and increasing the likelihood of appearing on the first page of search results.
 6. **Competitive Advantage:** A well-designed website differentiates your business from competitors, establishing a unique online presence that sets you apart and helps you stand out in a crowded market.
 7. Improved website performance and speed.
 8. Increased engagement and time on site.
 9. Enhanced accessibility and usability.
 10. Better integration with social media and other channels.
 11. Improved analytics and insights.
 12. Increased customer satisfaction and loyalty.
 13. Effective online presence management.
 14. Enhanced marketing and advertisement.
 15. Increased sales and services.

16. Information exchange.
17. Make it simpler to add future website functionality.
18. Provides a better first impression.
19. Provides quick feedback.

Examiner's report

This question tests candidates' understanding of the impact of the internet on businesses.

It was attempted by about 65% of the candidates and performance was good as about 75% of them scored 50% and above of the marks allotted. However, some candidates had just a shallow knowledge of the features and benefits of a well designed website.

Candidates are advised to study to gain a deeper knowledge of this topic for future preparations.

Marking guide

	Marks
(a) 1 mark for each of 8 correct answers	8
(b) 1 mark for each of 6 correct answers	6
(c) 1 mark for each of 6 correct answers	<u>6</u>
Total	<u>20</u>

SOLUTION 5

- a. Authentication is the process of recognizing a user's identity. It is the mechanism of associating an incoming request with a set of identifying credentials. Authentication is a process of identifying a user through a valid username and password. It is a method for verifying the identity of a user before providing network access or facilities to the user.

OR

Authentication is a process that verifies a user's identity or device before granting access to a system/ network/ computer resources.

OR

It is the process of verifying the identity of a user, process or device, often as a prerequisite to allowing access to resources in an information system.

b. The following are the components of information systems:

1. Hardware
2. Software
3. Data
4. Human ware /people resources
5. Telecommunication and Network.

1. Hardware: This refers to the physical components of the system, such as:

- Computers (servers, workstations, laptops)
- Storage devices (hard drives, solid-state drives)
- Networking equipment (routers, switches, firewalls)
- Input/output devices (keyboards, mice, printers, monitors)

2. Software: This includes the programs and operating systems that run on the hardware, such as:

- Application software (Microsoft Office, Google Docs)
- System software (Windows, macOS, Linux)
- Programming languages (Java, Python, C++)
- Database management systems (MySQL, Oracle)

3. Data: This component refers to the information and knowledge that the system processes and stores, including:

- Text documents
- Images and multimedia
- Database records
- Reports and analytics

4. People (or Human Resources): This component includes the individuals who interact with and manage the system, such as:

- Users (end-users, customers)
- IT professionals (developers, administrators, support staff)
- Managers (project managers, department heads)
- Stakeholders (executives, customers, suppliers)

5. Telecommunication and Network: Telecommunication unit connects the hardware together through the use of cables (either wet cables or fibre optics) or wireless such as microwaves and Wi-Fi to form a network (intranet, Extranet and internet)

- c. Types of business information systems include:
- i. Executive support systems (ESS) Designed to help senior management make strategic decisions;
 - ii. Management information systems (MIS) Primarily concerned with internal sources of information;
 - iii. Decision support systems (DSS);
 - iv. Knowledge management systems (KMS);
 - v. Transaction processing systems (TPS);
 - vi. Office automation systems;
 - vii. Customer Relationship systems/management (CRM);
 - viii. Business Intelligence systems;
 - ix. Enterprise Collaboration systems;
 - x. Export systems; and
 - xi. Process Control systems.
- d. URL stands for Uniform Resource Locator standardised naming convention for addressing documents accessible over the Internet and Intranet.
OR
A URL is a web address that identifies a specific resource on the internet such as a webpage, image, video or document.
Examples of a URL include:
- i. <https://www.ifac.org>;
 - ii. <https://www.icanig.org>;
 - iii. <https://unilag.edu.ng>; and
 - iv. <https://www.channelstv.com>.

Examiner's report

This question tests candidates' understanding of authentication and business information systems.

It was attempted by about 40% of the candidates and performance was below average as only about 30% of them scored 50% and above of the marks obtainable.

It was obvious that these topics are not popular with the candidates from the performance recorded.

Candidates are enjoined to cover all topics in the syllabus in the future.

Marking guide

	Marks
(a) 1 mark for any correct definition	3
(b) 2 marks for any 4 correct answers with explanation	6
(c) 1 mark for any 5 correct answers	5
(d) 2 marks for correct definition and one mark each for two correct examples	<u>4</u>
	<u>20</u>

SOLUTION 6

- a. m-commerce (mobile commerce) is the buying and selling of goods and services through wireless handheld devices such as smart phones and tablets. As a form of e-commerce, m-commerce enables users to access online shopping platforms without needing to use a desktop computer. It is an advancement of e-commerce, enabling people to buy and sell goods or services from almost anywhere, simply using a mobile phone or tablet device.
- b. Areas of applications of m-commerce are:
- i. **Mobile Banking:** Using a mobile website or application to perform all banking functions/ transactions such as bill payment, fund transfer etc.
 - ii. **Mobile Ticketing and Booking:** Making bookings and receiving tickets on a mobile device. The digital ticket or boarding pass is sent directly to your phone after you make the payment from it; e.g Travel (flights, hotels, rented cars), Events (concerts, sports, movies), etc.
 - iii. **E-bills:** This includes mobile vouchers, mobile coupons to be redeemed and even loyalty points or cards system;
 - iv. **Online auctions:** involving buying and selling goods/services by offering them for bids, taking bids and selling the item to highest bidder;
 - v. **Stock Market Reports and even stock market trading over mobile applications;**
 - vi. **Digital Marketing:** Using phone to promote a brand of goods/services and connect with potential customers;
 - vii. **Mobile shopping through mobile apps and websites, allowing users to browse, select and purchase products or services remotely;**
 - viii. **Mobile Healthcare and fitness:** By using mobile healthcare and fitness applications, which include:- Telemedicine and consultations, fitness tracking and monitoring, health monitoring and diagnostic, etc.;

- ix. Financial services: Using mobile phones for economic services, which encompass a broad range of business that manages money, including credit unions, banks, etc.;
 - x. Mobile money transfer: is a way to store and manage money in an account linked to a mobile phone, similar to a bank account;
 - xi. Chatbots: are conversational AI tools that engages with customers on the custom mobile application interface of a company; and
 - xii. Augmented reality: is an enhanced version of the real world, achieved through the use of mobile devices generated digital information.
- c. Examples of technologies used in e-commerce include:
- i. Mobile commerce;
 - ii. Electronic Funds Transfer;
 - iii. Supply Chain Management;
 - iv. Artificial Intelligence (AI);
 - v. Chatbots;
 - vi. Voice assistants;
 - vii. Internet marketing;
 - viii. Online transaction processing;
 - ix. Electronic Data Interchange (EDI);
 - x. Inventory Management Systems;
 - xi. Block chain Technology;
 - xii. E-commerce security technology;
 - xiii. Mobile shopping;
 - xiv. Social media integration;
 - xv. Email marketing system;
 - xvi. Analytics and performance monitoring tools;
 - xvii. Virtual and augmented reality technologies;
 - xviii. Payment gateway systems; and
 - xix. Database Management systems.
- d. Hardware components of a computer system include:
- i. Monitor;
 - ii. Motherboard;
 - iii. CPU(Microprocessor);
 - iv. Main memory(RAM);
 - v. Expansion cards;
 - vi. Power supply unit;
 - vii. Optical disc drive; ;
 - viii. Hard disk drive (HDD);
 - ix. Keyboard;
 - x. Mouse;
 - xi. Speakers;
 - xii. Printer;
 - xiii. Graphic card;
 - xiv. Sound card; and
 - xv. Network card.

Examiner's report

This question tests candidates' knowledge of m-commerce, e-commerce and hardware. It was attempted by about 75% of the candidates and performance was a bit above average as about 60% of them scored 50% and above of the marks allocated.

Several candidates had issues differentiating e-commerce from m-commerce and some actually believed that they were one and the same.

Candidates are advised to add the ICAN study text to their study materials, especially on terms that are similar.

Marking guide

	Marks
(a) 1 mark for definition and 2 marks for explanation	3
(b) 2 marks each for 5 correct answers	10
(c) 1 mark each for 5 correct answers	5
(d) ½ mark each for 4 correct answer	<u>2</u>
Total	<u>20</u>

THE INSTITUTE OF CHARTERED ACCOUNTANTS OF NIGERIA**FOUNDATION LEVEL EXAMINATION – NOVEMBER 2024****BUSINESS, MANAGEMENT & FINANCE****EXAMINATION INSTRUCTIONS****PLEASE READ THESE INSTRUCTIONS BEFORE THE COMMENCEMENT OF THE PAPER**

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

WEDNESDAY, NOVEMBER 20, 2024**DO NOT TURN OVER UNTIL YOU ARE TOLD TO DO SO**

THE INSTITUTE OF CHARTERED ACCOUNTANTS OF NIGERIA
FOUNDATION LEVEL EXAMINATION – NOVEMBER 2024
BUSINESS, MANAGEMENT & FINANCE

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

SECTION A: MULTIPLE-CHOICE QUESTIONS (20 MARKS)

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

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

1. Which of the following is a disadvantage of a flat organisation?
 - A. Possibility of poor communication between the top and bottom of the organisation
 - B. Senior management can be far-removed from the business activities
 - C. The cost of the middle levels managers might exceed the benefits they provide
 - D. Empowering employees may be problematic
 - E. Attracting and retaining talented managers may be difficult

2. Which of the following is associated with senior managers and top managers in an organisation?
 - A. Decide strategy
 - B. Functional responsibilities
 - C. Monitoring and control
 - D. Short-term planning
 - E. Employee discipline and morale

3. Which of the following is an advantage of a centralised decision-making?
 - A. Facilitates quick response to changes in business conditions and events
 - B. Encourages innovation
 - C. Effective at applying standardisation of products in the organisation
 - D. Aids the development of the initiative and talent of junior managers
 - E. Reduces the workload of central management at head office

4. Which of the following best describes the viability of a proposed undertaking from its technical, commercial and economic standpoints?
 - A. Operational report
 - B. Marketing report

- C. Feasibility report
 - D. Appraisal report
 - E. Sales report
5. Which of the following elements of a report is of top priority?
- A. Objective
 - B. Structure
 - C. Subject
 - D. Reader
 - E. Writer
6. Which of the following phenomena **WOULD NOT** be explained by emotional intelligence?
- A. Job performance
 - B. Social cognition
 - C. Leadership
 - D. Bullying
 - E. Health
7. Which of the following is an advantage of electronic communication?
- A. Over-dependence on technology
 - B. Rapid changes in technology
 - C. Information overload
 - D. Cost of development
 - E. Online real time
8. A collection of Web pages is called
- A. Web addresses
 - B. Web browser
 - C. Web hosting
 - D. Hyperlinks
 - E. Websites
9. When the basis for making an investment decision is for the reason of the time it will take to recover the cash invested in the project, which of the following investment appraisal techniques will be considered the most appropriate?
- A. Accounting rate of return
 - B. Internal rate of return
 - C. Net present value
 - D. Profitability index
 - E. Payback period

10. Which of the following is **NOT** a feature of payback period 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
11. Laniya planned to deposit ₦1,000 annually in her savings account for a period of 6 years. The annual interest rate is 8 percent. What will be the sum of money in her account at the end of the period?
- A. ₦7,036
 - B. ₦7,136
 - C. ₦7,236
 - D. ₦7,336
 - E. ₦7,436
12. From the point of view of investors, which of the following features of convertibles is **FALSE**?
- A. Investors are expected to accept a lower interest rate in return for the option to convert the bonds into equities in the future
 - B. Investors receive no annual income up to the conversion date
 - C. Convertibles combine some fixed annual income and the opportunity to benefit from a rising share price
 - D. Investors hope to make an immediate capital gain on conversion
 - E. Investors will benefit from a rise in the company's share price
13. The threat that a professional accountant will promote a client's or employer's position to the point that the professional accountant's objectivity is compromised is known as a/an
- A. Advocacy threat
 - B. Self review threat
 - C. Self interest threat
 - D. Familiarity threat
 - E. Intimidation threat
14. Which of the following is specifically designed to govern organisations that enjoy incentives like shared profits or benefits apart from the fact that such is jointly owned and administered by its members?
- A. Agricultural Credit Guarantee Scheme Fund (Amendment) *Act*, 2019
 - B. The National Office of Technology Acquisition and Promotion Act

- C. The Nigerian Co-operative Societies Act
 - D. The *Nigeria* Data Protection Regulation
 - E. The Correctional Service *Act*
15. Which of the following presents a summarised description of the historical financial performance of the organisation, its achievements and problems experienced during the period under review?
- A. Chairman's performance report
 - B. Chairman's appraisal report
 - C. Chairman's progress report
 - D. Chairman's annual report
 - E. Chairman's project report
16. Performance can be measured and evaluated in relation to the key performance objectives. Which of the following is **NOT** a performance measure of quality?
- A. Average time between receiving an order and completing the work
 - B. Average number of defects per unit produced
 - C. Percentage of items rejected or scrapped
 - D. Number or cost of warranty claims
 - E. Number of customer complaints
17. Which of the following features 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 can claim the tax depreciation allowances
 - E. The lessee is the legal owner of the asset
18. Which of the following features of the net present value method of investment appraisal is **NOT CORRECT**?
- A. Decision rule is not consistent with the objective of maximising shareholders' wealth
 - B. Uncertainty about what the appropriate cost of capital or discount rate should be
 - C. The time value of money is a concept that is used
 - D. It takes account of the timing of the cash flows
 - E. It evaluates all cash flows from the project
19. From the point of view of companies, which of the following features of convertibles is **FALSE**?

- A. Whenever there is a strong demand for convertibles, companies can respond to investors' demand by issuing convertibles in order to raise new capital
 - B. Convertibles combine some fixed annual income and the opportunity to benefit from a rising share price
 - C. The interest rate on convertibles is lower than the interest rate on similar straight bonds
 - D. The company can issue bonds now and receive tax relief on the interest charges
 - E. The company hopes to convert the debt capital into equity in the future
20. Which of the following features of a finance lease is **FALSE**?
- A. For financial reporting purposes, lease finance is actually reported in the statement of financial position as a debt obligation
 - B. For tax purposes, the lessee can claim the full amount of each lease payment as an allowable expense
 - C. For financial reporting purposes, the principle of 'substance over form' applies
 - D. For practical purposes, the lessee treats the asset as if it is the owner
 - E. In law, the lessee is the owner of the asset

SECTION B: OPEN-ENDED QUESTIONS (80 MARKS)

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

QUESTION 1

- a. Describe the term 'group cohesion' (2½ Marks)
- b. Briefly explain **FIVE** characteristics of an effective team (7½ Marks)
- c. Briefly explain the following concepts:
 - i. Formal organisation
 - ii. Organisation structure
 - iii. Flat organisation
 - iv. Outsourcing
 - v. Shared services

(10 Marks)
(Total 20 Marks)

QUESTION 2

- a. A financial objective can be expressed in a number of different ways and there are advantages and weaknesses or limitations with each. List the **THREE** commonly-used ways of expressing financial objectives and explain **TWO** problems identified with each. (12 Marks)
- b. Uhuru Limited wants to buy a new item of equipment which will be used to provide better services to its customers. The expected after-tax cash inflows are as stated below:

Year	1	2	3	4
	₦	₦	₦	₦
Cash flow	200,000	220,000	240,000	260,000

The cost of capital to the company is 8 percent (expressed in 4 significant figures). Assuming the NPV of the investment is ₦70,000, what was the initial investment? (8 Marks)

(Total 20 Marks)

QUESTION 3

- a. Describe cash budget and explain **THREE** of its uses. (5 Marks)
- b. Describe the objectives of a good cash management and explain 3 objectives of cash flow forecasting. (4 Marks)
- c. State **TWO** reasons why investors usually avoid investing in the equity of private companies. (2 Marks)
- d. Explain the concepts of relevant cost and opportunity cost. (3 Marks)
- e. With the aid of an example in each case, explain **THREE** ways by which you will be able to identify relevant costs in investment analysis.

(6 Marks)

(Total 20 Marks)

QUESTION 4

- 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 one example, **TWO** non-financial benefits from outsourcing work to an external supplier. (4 Marks)
- b. Sustainable development has been described 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 5

- a. According to Goleman, emotional intelligence has **FIVE** components. State **FOUR** of the components of emotional intelligence. (2 Marks)
 - b. Explain **THREE** methods of reducing agency problem in an organisation? (6 Marks)
 - c. The theoretical objective of a private sector company is to maximise the wealth of its owners, nonetheless, many individuals and groups are also interested in what a company does. State **SIX** other categories of stakeholders in a company with their interests and concerns. (12 Marks)
- (Total 20 Marks)**

QUESTION 6

- a. Different stakeholders have differing interests in a company which may be incompatible and in conflict with one another. How may a company resolve conflicts between different stakeholders' objectives? (5 Marks)
- b. Biggie and Baggie Venture Limited is considering investing in a project costing ₦6.8 million. The project would yield cash inflows of ₦1.3 million per annum in perpetuity. The cost of capital to the business venture is 20%.

Required:

Assess whether the project should be undertaken if:

- i. The cash inflow starts from year 0 to perpetuity
- ii. The cash inflow starts from year 1 to perpetuity
- iii. The cash inflow starts from year 5 to perpetuity

(15 Marks)

(Total 20 Marks)

SECTION A

MULTIPLE-CHOICE QUESTIONS

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

Workings:

MCQ 11

The future value of an annual sum at 8% for 6 years is 7.336.

Therefore, $S_n = 1000 (7.336) = 7336$

Examiner's report

Section A of the paper comprises twenty mandatory multiple-choice questions. The questions tests candidates' comprehension of the various aspects of the syllabus.

All the candidates attempted the question and their performance was average

The common pitfalls were the inability of some candidates to correctly answer the computational questions of the multiple choice.

Candidates are advised to cover all sections of the syllabus and also make use of the Pathfinder and the Study Text of the Institute for better performance in Institute's future examinations.

Section A

MCQs 1-20

Award 1 mark each for any correct option stated, up to a maximum of 20 marks

Marks

20

SECTION B

OPEN-ENDED QUESTION

SOLUTION 1

- a. Group cohesion describes the strength of the bond uniting the group. It refers to the degree of unity and cooperation within a group. It involves the emotional bond, trust and shared goals among members which contributes to the group's togetherness. When cohesion is strong, the group will remain strong, stable and continue to exist. Conversely, when cohesion is weak the group may ultimately disband. Group cohesion often leads to increased productivity and satisfaction of members of the group.
- b. **Characteristics of an effective team:**
- i. **Success:** An effective team successfully achieves its goals or objectives.
 - ii. **Focus:** An effective team is aware of its goals and objectives, and always keeps these in mind. 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 and 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 the 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.
- c. **Explain briefly of the following concepts:**
- i. **Formal organisation:** A formal organisation is a structure created and maintained by its leaders. It is a structured group where there are stated rules and regulations, with a defined hierarchy of duties and obligations that are expected to be carried out by each individual. It is often shown as an organisation chart, with job descriptions.

- ii. **Organisation structure:** It is the framework within which the activities of people in the organisation are coordinated and managed. It is a system that defines how certain activities are directed to achieve the goals of an organisation. Common organisational structure includes entrepreneurial structure, functional structure, divisional structure, matrix structure and boundary-less structure.
- iii. **Flat organisation:** A flat organisation is one in which the scalar chain is short, (minimal number of levels in its hierarchy) with only a few layers between top management and employees.
- iv. **Outsourcing:** Outsourcing is the practice of contracting work, 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:** It refers to 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. It involves the consolidation of support functions in an organisation into a centralised unit, the unit then provides such service to different departments within the organisation rather than duplicating such service across the organisation. Thus, the funding and resourcing of the service are shared and the providing department effectively becomes an internal service provider.

Examiner's report

The question is in three parts. Part (a) of the question requires the candidates to describe the term 'group cohesion', while part (b) requires the candidates to explain briefly the characteristics of an effective team. Part (c) also requires the candidates to explain the concepts of formal organisation, organisation structure, flat organisation, outsourcing, and shared services.

Few candidates attempted the question and their performance was below average. Some candidates could not correctly explain the concept of formal organisation and shared services in part (c) of the question.

Candidates are advised to make use of ICAN Pathfinders and the Study Text for better performance in the Institute's future examinations.

Marking guide

	Marks
(a) Award a maximum of 2½ marks for stating the correct definition of 'Group Cohesion'	2 ½
(b) Award a maximum of 1½ Marks each for correctly stating any 5 characteristics of an effective team (1½ x 5).	7½
(c) Award a maximum of 2 marks each for the correct explanation of the specified concepts.(2 x 5).	10
Total	20

SOLUTION 2

- a. i. Ways of expressing financial objectives
- Maximising the wealth of shareholders;
 - Profit maximisation; and
 - Growth in earnings per share (EPS).
- ii. Problems with the financial objective of a company

Maximising the wealth of shareholders

- What should be the period for setting targets for wealth maximisation?
- How will the created wealth be measured?
- How to determine the targets for dividend payments and targets for share price growth?
- How to determine the real causes of share price fall seeing that share prices may be affected by general stock market sentiment and not just the company's performance. Short-term increases or falls in a share price might be caused by investor attitudes rather than any real success or failure of the company itself.

Profit maximisation objective

- What should be the period over which profit performance should be measured?
- Profits can be increased by raising and investing more capital. When share capital is increased, total profits might increase due to the bigger investment, but the profit per share might fall.
- Short-term gains may be prioritised over long-term sustainability
- It may lead to cost-cutting or cost reduction, especially in essential areas, harming long-term health
- Long-term investments may be neglected to boost short-term profits which can harm future profitability
- Managers might focus on short-term results to meet annual performance targets

Growth in EPS as a financial objective

- It might be possible to increase EPS through borrowing and debt capital.
- Increased debt can expose shareholders to greater financial risk.
- As a consequence of higher gearing (the ratio of debt capital to total capital), the share price might fall even when EPS increases.

b.

Year	Cash flow ₦	Df @ 8%	Present Value ₦
0	x	1.0000	x
1	200,000	0.9259	185,180
2	220,000	0.8573	188,606
3	240,000	0.7938	190,512
4	260,000	0.7350	191,100
		Total PV from years 1 to 4	755,398
		NPV	70,000
		Initial Outlay= Total PV + NPV	825,398

ALTERNATIVE SOLUTION

Year	Cash Flow (₦)	DCF @ 8%	Present Value (₦)
1	200,000	0.9259	185,180
2	220,000	0.8573	188,606
3	240,000	0.7938	190,512
4	260,000	0.7350	191,100
	Total present value		755,398

Net Present Value (NPV) = Total Present Value – Initial investment

Initial investment = Total Present Value + NPV

Initial investment = ₦755,398 + ₦70,000

Initial investment = ₦825,398

Examiner's report

The question is in two parts. Part (a) of the question requires the candidates' knowledge of a firm's financial objectives, while part (b) requires the candidates to calculate initial investment using Net Present Value (NPV) method of investment appraisal.

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

The commonest pitfall was the inability of the candidates to correctly calculate initial investment of the project using Net Present Value (NPV) method of investment appraisal technique.

Candidates are advised to pay more attention to the capital budgeting aspects of the syllabus and other related areas for better performance in future examination of the institute.

Marking guide

	Marks	Marks
(a) Award a maximum of 1 mark each for correctly listing the 3 commonly used ways of expressing financial objectives (1 x 3).	3	
Award a maximum of 1½ marks each for any 2 problems identified with using maximisation of shareholders' wealth as the financial objective of a company (1½ x 2).	3	
Award a maximum of 1½ marks each for any 2 problems identified with using maximisation of profit as a financial objective of a company. (1½ x 2).	3	
Award a maximum of 1½ marks each for any 2 problems identified with using growth in EPS as a financial objective of a company. (1½ x 2).	3	12
(b) Award a maximum of 1 mark each for the ticks as shown in the marking scheme (1 x 8 ticks).		<u>8</u>
Total		20

SOLUTION 3

- a. i) A cash budget is a detailed plan that outlines the expected cash inflows (cash receipts) and cash outflows (cash payments) over a specific planning period. This planning period is further broken down into shorter intervals, such as weeks, months or quarters. The cash receipts and payments are forecast or planned for each of the sub-divisions of time.
- ii) **Uses of a cash budget are as follows:**
- To estimate the expected cash receipts and payments over the planning period;
 - To determine whether there will be a cash shortage or surplus at any point during the period;
 - In the event of a projected cash shortage, the budget helps in planning corrective measures, for example, by planning to defer some purchases of non-current assets or approaching the bank for a larger bank overdraft facility; and
 - To track actual cash flows during the planning period by comparing actual cash flows with the budgeted cash flows.

- b. i) The objective of good cash management is to maintain a sufficient cash balance to meet liabilities as they fall due while avoiding holding excessive cash that could otherwise be invested in the organisation's wealth-creating assets.
- ii) The objectives of cash flow forecasting, like the purposes of a cash budget, are to:
- confirm that the entity has adequate cash to meet its immediate payment obligations as they fall due;
 - identify periods of potential cash shortages so that financing can be arranged;
 - identify whether there will be a surplus of cash in a given period so that arrangements can be made to have the surplus cash invested; and
 - assess whether operating activities are generating the expected level of cash inflows.
- c. Reasons why investors usually avoid investing in the equity of private companies include the fact that the shares are:
- i. Not traded on a stock exchange;
 - ii. Difficult to value; and
 - iii. Difficult to sell when the shareholder wants to cash in the investment.
- d. i. **Concepts of relevant cost and opportunity cost**
Relevant costs are future cash flows that will arise as a direct consequence of the decision under consideration. It excludes sunk costs, non-cash expenses, or costs that will be incurred regardless of the decision.
- ii. **Opportunity costs**
Opportunity costs are the benefits forgone by using assets or resources for one purpose, instead of using them in the most profitable alternative way. Opportunity costs are commonly measured as contribution forgone but might also be measured as a present value in DCF analysis. When resources have more than one alternative use and are in limited supply, their opportunity cost is the contribution forgone by using them for one purpose and so being unable to use them for another purpose.
- e. **How to identify relevant costs**
- i. Relevant costs are cash flows. Any items of cost that are not cash flows must be ignored for decision-making. For example, depreciation expenses are not cash flows and must always be ignored.
 - ii. Relevant costs or benefits are future cash inflow or outflows. Costs that have already been incurred are not relevant to a decision that is being made now. For example, a company might incur costs on an initial investigation. The investigation costs are irrelevant because they have already been spent. The cost should not affect the decision to proceed with or abandon the project.

- iii. Relevant costs are also costs that will arise as a direct consequence of the decision, even if they are future cash flows. If the costs will be incurred whatever decision is taken, they are not relevant to the decision. For example, in a "make-or-buy" decision, the cost of raw materials is relevant if it arises only in the "make" option. However, the salary of the procurement manager, which will be paid regardless of whether the company makes or buys, is not relevant.

Examiner's report

The question is in five parts. Part (a) of the question examines candidates' knowledge of cash budgets and their uses. Part (b) requests a description of good cash management and objectives of cash forecasting. Part (c) delves into the factors that discourage investors from investing in the equity of private companies. Part (d) tests the candidates' knowledge of relevant costs and opportunity costs, while part (e) of the question expects candidates to provide answers with illustrative examples of how relevant costs may be identified when analysing investment proposals.

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

The commonest pitfall was the inability of the candidates to identify and describe relevant costs and opportunity costs.

Candidates are advised to make use of ICAN Pathfinders and the Study Text for better performance in the Institute's future examinations.

Marking guide

	Marks	Marks
(a) Award 2 marks for a correct description of the cash budget Award 1 mark each for the correct explanation of three of its uses (1 x 3).	2 <u>3</u>	 5
(b) Award 1 mark for a correct description of the objective of a good cash budget Award 1 mark each for explaining 3 objectives of cash flow forecasting (1 x 3).	1 <u>3</u>	 4
(c) Award a maximum of 1 mark each for stating 2 reasons why investors usually avoid investing in the equity of private companies. (1 x 2).		2
(d) Award a maximum of 1½ marks for correctly describing the relevant cost concept Award a maximum of 1½ marks for correctly describing the opportunity cost concept	1½ <u>1½</u>	 3
(e) Award a maximum of 2 marks each for correctly explaining 3 ways of identifying relevant costs in investment analysis (2 x 3).		6
Total		<u>20</u>

SOLUTION 4

- a. i) **Non-financial considerations that will be relevant to a make-or-buy decision.**
- The company relies on an external supplier to produce and supply the outsourced items. Implying that there is a degree of some loss of control over the work.
 - The company is exposed to a risk that the external supplier will produce the outsourced items to a lower standard of quality.
 - The company takes the risk that the external supplier will fail to meet delivery dates on schedule, so that production of the end product may be held up by a lack of components.
 - There is a loss of some flexibility. For instance, if the company needs to increase or reduce the supply of the outsourced item at short notice, it may be unable to do so, because of the terms of the agreement with the external supplier.
 - The decision to increase or reduce the supply of the outsourced item at short notice may be frustrated by the external supplier.
 - The arrangement has implications for employment within the entity, with the consequence of making some employees redundant.
 - It will attract some cost implications that could also adversely affect the relationship between management and other employees especially in the case of redundancy.
 - In case 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 cooperative in helping with the removal of its work.
 - Outsourcing the work will enable management to focus their efforts on those aspects of operations that the entity does best.
 - The external supplier may have specialist expertise which enables it to provide the outsourced products or services more efficiently and effectively.
- ii) **Non-financial benefits from outsourcing work to an external supplier**
- 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.
 - The external supplier, on the other hand, may have specialist 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 IT specialists.

- b. **Identification of the practical difficulties with sustainability definition**
- i. Inability 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. Inability to identify the needs of future generations
inability 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. Inability to identify the period 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. Inability to know if the needs being referred to in the definition are describing 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

The question is in two parts. Part (a) of the question requires candidates to assess the comprehension of both financial and non-financial considerations when making decisions on outsourcing work or products while, part (b) requires the candidates to identify the practical difficulties with the definition of sustainable development.

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

The main pitfall was the inability of the candidates to identify the practical difficulties as it relates to sustainable development.

Candidates are advised to make use of ICAN Pathfinders and the Study Text for better performance in the Institute's future examinations.

Marking guide

	Marks	Marks
(a) i Award a maximum of 1 mark each for correctly explaining 6 non-financial considerations that will be relevant to a make-or-buy decision. (1 x 6).	6	
ii Award a maximum of 1½ marks each for correctly describing 2 non-financial benefits from outsourcing work to an external supplier. (2 x 1½) = 3		
Award 1 mark for the identified example 1 mark = 4	<u>4</u>	10
(b) Award a maximum of 2½ marks each for correct identification of 4 practical difficulties with the definition of sustainable development (2½ x 4)		<u>10</u>
Total		<u>20</u>

SOLUTION 5

- a. Components of emotional intelligence
- Self-awareness
 - Self-regulation
 - Motivation
 - Empathy
 - Social skills
- b. **Methods of reducing agency problem**
- Devising a remuneration package for executive directors and senior managers that give them an incentive to act in the best interests of the shareholders.
 - Fama and Jensen (1983) argued that an effective board must consist largely of independent non-executive directors. Independent non-executive directors have no executive role in the company and are not full-time employees. They can act in the best interests of the shareholders.
 - Independent non-executive directors should also make decisions where there is (or could be) a conflict of interest between executive directors and the best interests of the company. For example, non-executive directors should be responsible for the remuneration packages for executive directors and other senior managers.
- c. **The main categories of stakeholder groups in a company are usually the following:**
- Directors and senior managers:
An organisation is led by its board of directors and senior executive management. These individuals have significant personal stakes in the company's success, as their careers, income and personal wealth are often directly linked to the organisation's performance.

- ii. **Other employees:**
Other employees in a company have personal interests in what the company does. They rely on the organisation for their salaries or wages and often benefit from job security and career prospects. However, unlike directors and senior executives, their influence on decision-making is usually limited, unless they have strong trade union representation or possess specialised skills critical to the company's success.
- iii. **Lenders:**
When a company borrows money, the lender or lenders become stakeholders. Lenders might be banks or bondholders. The primary concern of lenders is the security of their investments, especially concerning the prompt payment of the interest and repayment of principal. For companies with significant debt, lenders may focus on managing credit risk and may seek to prevent further borrowing to avoid escalating the risk.
- iv. **Government:**
The government has multiple interests in businesses, particularly larger companies. The government has vested interest in businesses as a regulators, tax collectors, employers, advocates and customers. It regulates commercial activities to ensure compliance, relies on businesses for tax revenue, views them as key drivers of employment and often procures goods and services from them.
- v. **Customers:**
The customers are critical stakeholders, as they purchase the goods or services offered by the company. Their interests include receiving high-quality products at fair prices. Additionally, they may influence company behaviour by favouring ethical and sustainable business practices.
- vi. **Suppliers:**
The suppliers play a vital role in supporting a company's operations by providing necessary goods and services. They are interested in maintaining stable relationships, timely payments and consistent demand for their products or services. In some cases, major suppliers may have significant influence over a company's actions.
- vii. **Society:**
The society at large is an important stakeholder, with interests encompassing ethical conduct, human rights, environmental protection and sustainable resource management. A company must consider its public reputation, as societal concerns can lead to legislative changes or a decline in consumer support, affecting long-term success.

Examiner's report

The question is in three parts. Part (a) tests the candidates' abilities to explain the components of emotional intelligence, while part (b) tests candidates' abilities to explain the methods of reducing agency problems in an organisation. Part (c) requires candidates to scrutinise various categories of stakeholders within a company, taking into account their respective interests and concerns.

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

The commonest pitfall was the inability of the candidates to explain the components of emotional intelligence.

Candidates are advised to read widely and ensure they have adequate knowledge of relevant regulations relating to public sector accounting for better performance in the Institute's future examinations.

Marking guide

	Marks
(a) Award a maximum of $\frac{1}{2}$ mark each for correctly stating 4 components of emotional intelligence ($\frac{1}{2} \times 4$)	2
(b) Award 2 marks each for any 3 methods of reducing agency problems correctly stated (2×3)	6
(c) Award 2 marks each for correctly stating 6 other categories of stakeholders in a company with their interests and concerns (2×6)	12
Total	<u>20</u>

SOLUTION 6

a. How a company can resolve conflicts between different stakeholders' objectives

- i. A compromise will be found so that the interests of each stakeholder group are satisfied partially, but not in full.
- ii. The company will act in the interests of the most powerful stakeholder group so that the interests of the other stakeholder groups are ignored.
- iii. A company might make small concessions to some stakeholder groups, but act mainly in the interests of its most powerful stakeholder group (or groups)

b. Biggie and Baggie Venture Ltd

Year	Cashflow ₦	Present Value ₦
0	-6,800,000	-6,800,000
0	+1,300,000	+1,300,000
1 to ∞ @ 20% df	1,300,000	₦1,300,000/.20
	NPV	1,000,000

i. The project should be undertaken because it gave an NPV of **₦1,000,000**

Year	Cashflow ₦	Present value ₦
0	6,800,000	-6,800,000
1 to ∞ @ 20% df	1,300,000	₦1,300,000/.20 6,500,000
	NPV	-300,000

ii. The project should not be undertaken because it gave a negative NPV of **₦300,000**

Year	Cashflow ₦	Present value ₦
0	6,800,000	-6,800,000
5 to ∞ @ 20% df	1,300,000	3,134,300
	NPV	-3,665,700

iii. The project should not be undertaken because it gave a negative NPV of **₦3,665,700**

Workings

PV of 1,300,000 from year 1 to ∞ @ 20% df	₦ 1,300,000	₦ 1,300,000/.20	₦ 6,500,000
Less PV of 1,300,000 for years 1-4 @ 20% df	₦ 1,300,000	@ Annuity factor of 2.589	-3,365,700
PV of 1,300,000 from 5 to ∞ @ 20% df			3,134,300

ALTERNATIVE SOLUTION

a. Biggie and Baggie Venture Limited

i) The PV of cash inflow of **₦1,300,000** to perpetuity if the cash inflow starts from year 0

$$\text{PV of annual cash inflow to perpetuity} = A + (1/r \times A)$$

Note: A = Annual cash inflow

$$\begin{aligned} &= \text{₦}1,300,000 + (1/0.2 \times 1,300,000) \\ &= \text{₦}1,300,000 + \text{₦}6,500,000 \\ &= \text{₦}7,800,000 \end{aligned}$$

NPV of annual cash inflow of **₦1,300,000** to perpetuity if the cash inflow starts from year 0

$$\begin{aligned} \text{NPV} &= \text{PV of annual cash inflow to perpetuity} - \text{Investment} \\ &= \text{₦}7,800,000 - \text{₦}6,800,000 = \text{₦}1,000,000 \end{aligned}$$

The decision rule of NPV is to accept the project with a positive NPV, therefore, the company should undertake the project since the NPV is positive.

- ii) The PV of annual cash inflow of ₦1,300,000 to perpetuity if cash inflow starts from year 1

$$\begin{aligned} \text{PV of annual cash inflow to perpetuity} &= 1/r \times A \\ &= 1/0.2 \times 1,300,000 = \text{₦6,500,000} \end{aligned}$$

$$\begin{aligned} \text{NPV} &= \text{PV of annual cash inflow to perpetuity} - \text{Investment} \\ &= \text{₦6,500,000} - \text{₦6,800,000} = - \text{₦300,000} \end{aligned}$$

The decision rule of NPV is to reject a project with a negative NPV; therefore, the company should not undertake the project since the NPV is negative.

- iii) The PV of annual cash inflow of ₦1,300,000 to perpetuity if cash inflow starts from year 5

$$\begin{aligned} \text{PV of annual cash inflow from year 1 to perpetuity} \\ \text{₦6,500,000} \end{aligned}$$

Less:

$$\begin{aligned} \text{PV of annual cash inflow from years 1- 4} \\ \text{₦3,356,310 (₦1,300,000 x factor 2.5887)} \end{aligned}$$

$$\begin{aligned} \text{PV of annual cash inflow from year 5 to perpetuity} \\ \text{₦3,134,690} \end{aligned}$$

$$\begin{aligned} \text{NPV} &= \text{PV from year 5 to perpetuity} - \text{Investment} \\ &= \text{₦3,134,690} - \text{₦6,800,000} = - \text{₦3,665,310} \end{aligned}$$

The decision rule of NPV is to reject a project with a negative NPV, therefore, the company should not undertake the project since the NPV is negative.

Examiner's report

The question is in two parts. Part (a) of the question requires the candidates to state the ways to resolve conflicts between different stakeholder objectives, while part (b) requires the candidates to assess the comprehension of the calculation of present values in perpetuity across three distinct scenarios.

Few of the candidates attempted the question and their performance was below average.

The commonest pitfall was the inability of the candidates to correctly calculate present values in the perpetuity across the three distinct scenarios.

Candidates are advised to make use of Pathfinders and the Study Text of the Institute for better performance in the Institute's future examinations.

Marking guide

	Marks	Marks
(a) Award a maximum of 2½ marks each for stating any 2 ways a company might resolve conflicts between different stakeholders' objectives (2½ x 2)		5
(b) i Award 1 Mark each for the 5 ticks in the marking guide	5	
ii Award 1 Mark each for the 4 ticks in the marking guide	4	
iii Award 1 Mark each for the 6 ticks in the marking guide		15
Total	<u>6</u>	<u>20</u>

THE INSTITUTE OF CHARTERED ACCOUNTANTS OF NIGERIA**FOUNDATION LEVEL EXAMINATION – NOVEMBER 2024****BUSINESS LAW****EXAMINATION INSTRUCTIONS****PLEASE READ THESE INSTRUCTIONS BEFORE THE COMMENCEMENT OF THE PAPER**

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

THURSDAY, NOVEMBER 21, 2024**DO NOT TURN OVER UNTIL YOU ARE TOLD TO DO SO**

THE INSTITUTE OF CHARTERED ACCOUNTANTS OF NIGERIA
FOUNDATION LEVEL EXAMINATION – NOVEMBER 2024
BUSINESS LAW

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. Within how many months from date of incorporation must a company that is incorporated newly hold its first Annual General Meeting?
 - A. 18 months
 - B. 17 months
 - C. 15 months
 - D. 13 months
 - E. 12 months

2. Who/Which of the following may appoint an administrator for a company out of Court?
 - A. The Corporate Affairs Commission
 - B. The directors of the company
 - C. An interested person
 - D. The creditors of the company
 - E. The Official Receiver

3. What is the minimum membership of a private company?
 - A. 1
 - B. 2
 - C. 3
 - D. 5
 - E. 7

4. Judicial precedent is the application of the principle of
 - A. Distinguishing
 - B. *Obiter dictum*

- C. Original precedent
 - D. *Per incuriam*
 - E. *Stare decisis*
5. Which of the following is **NOT** required to appoint an auditor at the general meeting to audit its financial records?
- A. A two-member company
 - B. A private company
 - C. A holding company
 - D. A company limited by guarantee
 - E. A small company
6. A Receiver appointed by the Court obtains directions on how to distribute the proceeds of his receivership from
- A. The Corporate Affairs Commission
 - B. The shareholders at general meeting
 - C. The board of directors
 - D. An emergency general meeting
 - E. The Court
7. In the law of torts, a company that brands its product with the logo of another company's fast selling product is liable for
- A. The personal safety of an individual
 - B. Passing off
 - C. Detinue
 - D. Negligence
 - E. Impersonation
8. For an offender to be convicted for the offence of bribery under Section 98 of the Criminal Code the offender must be
- A. A policeman
 - B. A Nigerian
 - C. A public servant
 - D. Anybody resident in Nigeria
 - E. Anyone who commits the offence within Nigeria

9. Which of the following is true of director's duty of care?
- A. The same standard applies to executive and non-executive directors
 - B. The duty is of intermittent nature
 - C. The nature of the company determines the duty
 - D. Public companies have a more stringent duty of care
 - E. The duties are not statutory
10. The roles of an accountant in a criminal investigation involving electronic fraud include the following, **EXCEPT**
- A. Litigation support
 - B. Provision of support for the investigations
 - C. Detection of fraud
 - D. Supply of evidence of forensic findings
 - E. Filing judicial processes
11. A contract formed and concluded using a software system is a/an
- A. Software contract
 - B. Systemic contract
 - C. Unenforceable contract
 - D. Specialised contract
 - E. E-contract
12. Which of the following does **NOT** give rise to agency relationship?
- A. Agreement
 - B. Ratification
 - C. Operation of law
 - D. Voluntarism
 - E. Doctrine of necessity
13. To sustain an action for negligence in court, the plaintiff must prove
- A. Dangerous act, negligent conduct, and damage
 - B. Specific damage, causation *ab initio*, and duty
 - C. Existence of a legal duty of care, breach of the legal duty, and damage due to the breach
 - D. General duty, general damages, and compensation
 - E. Breach, duty and compensation
14. The deposit of goods with a person by another person as security for repayment of a debt is a/an

- A. Bailment
 - B. Pledge
 - C. Assignment
 - D. Sale
 - E. Warehousing
15. Where a buyer discloses the purpose for which he requires goods and relies on the skill of the seller to get the goods, there is an implied condition of the contract that the goods must
- A. Be of merchantable quality
 - B. Be fit for purpose
 - C. Correspond to description
 - D. Correspond with sample
 - E. Be of good quality
16. How may rights under an insurance policy be transferred to a third party?
- A. Policy holder may set off his rights
 - B. By mere delivery of the policy instrument
 - C. By execution of the policy
 - D. By conveyance
 - E. By an assignment
17. A limited liability partnership has the following features, EXCEPT
- A. Corporate personality
 - B. Separate legal personality
 - C. Perpetual succession
 - D. Minimum of four partners limited liability
 - E. A change in the number of partners does not dissolve the partnership
18. For a person to be a party to a contract of employment, he must be at least
- A. 16 years old
 - B. 17 years old
 - C. 18 years old
 - D. 19 years old
 - E. 21 years old

19. An executor of an estate is appointed by
- A. The testator in his Will
 - B. The court
 - C. The personal representatives
 - D. The trustees
 - E. The beneficiaries
20. When an arbitral award is filed in court, it
- A. Acquires the same authority as a judgement of the court
 - B. Brings the dispute to an end
 - C. Becomes unappealable
 - D. Operates as an appeal against the award
 - E. Begins the litigation process

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. The Constitution of the Federal Republic of Nigeria has key features/ characteristics.
- Required:**
State **THREE** features/characteristics of the Constitution. (3 Marks)
- b. In the cyber security space, persons entrusted with personal data have key duties.
- Required:**
State **THREE** duties of a person that is entrusted with personal data. (3 Marks)
- c. The distinctions between a fixed charge and a floating charge underscore the advantages of each.
- Required:**
Explain **FOUR** advantages of a floating charge. (8 Marks)
- d. The Companies and Allied Matters Act 2020 specifies business names that must be registered with the Corporate Affairs Commission (CAC).
- Required:**
State the business names that must be registered with the CAC. (6 Marks)

(Total 20 Marks)

QUESTION 2

- a. Under the Companies and Allied Matters Act 2020, a company may be placed in receivership in certain situations.

Required:

State **FIVE** situations in which a company would go into receivership.

(10 Marks)

- b. The rules on maintenance of capital regulate acquisition by a company of its own shares.

Required:

State **FIVE** conditions for the acquisition of its own shares by a company.

(10 Marks)

(Total 20 Marks)

QUESTION 3

- a. Certain rules determine whether a partnership exists or not.

Required:

State the elements of a valid partnership.

(6 Marks)

- b. "The Criminal Code ... has not created a single general offence known as fraud but has created a number of offences that are fraud related".

Required:

State **FOUR** fraud related offences.

(4 Marks)

- c. E-contract enhances the ease of doing business.

Required:

Explain the following:

- i. e-contract;
- ii. Digital signature.

(2 Marks)

- d. A seller of goods has rights not only against the buyer but the goods also.

Required:

Explain **TWO** rights of a seller against his goods.

(6 Marks)

(Total 20 Marks)

QUESTION 4

- a. A cheque is a bill of exchange drawn, on a bank, payable on demand.

Required:

Explain the following:

- i. Bearer cheque
- ii. Crossed cheque

(4 Marks)

- b. Ayodele has created intentionally a false West African School Certificate to facilitate her admission into a university.

Required:

- i. Explain the offence, if any, that Ayodele has committed. (2 Marks)

- iii. State the offence that Ayodele would be charged for if she were employed as an accounting clerk and she made a false entry in the accounting books of her employer. (2 Marks)

- c. In the law of agency, ratification is said to be equal to an antecedent authority.

Required:

State **FOUR** conditions precedent for the act of a purported agent to be ratified by the principal. (6 Marks)

- d. Vicarious liability is the subjection of a person to liability for the tort committed by another person, and it occurs in master/servant relationship.

Required:

State **FOUR** tests for determining if a relationship is that of master/servant to which vicarious liability may apply. (6 Marks)

(Total 20 Marks)

QUESTION 5

- a. Alternative Dispute Resolution (ADR) as a mode of resolving commercial disputes enjoys an edge over court litigation.

Required:

State **SIX** advantages of ADR. (6 Marks)

- b. A trust is an equitable relationship for the benefits of persons or objects.

Required:

- i. State **THREE** essential elements or certainties of a trust.

(3 Marks)

- ii. State **THREE** types of charitable trust.

(3 Marks)

- c. Hire purchase is a contract of possession with an option to the hirer to purchase the goods in due course.

Required:

State **FIVE** ways of terminating a hire purchase contract. (5 Marks)

- d. Ethics and ethical codes differ from legal rules.

Required:

Explain ethics and ethical codes.

(3 Marks)

(Total 20 Marks)

QUESTION 6

- a. Where an insurer has settled a claim on behalf of another insurer, certain insurable interests apply.

Required:

State **FOUR** conditions for contribution to take place. (6 Marks)

- b. The validity of a contract may be vitiated by some factors known to law.

Required:

State **TWO** factors that may vitiate a contract. (2 Marks)

- c. An employee may be dismissed for justifiable reasons.

Required:

State **FOUR** grounds upon which an employee may be dismissed. (6 Marks)

- d. The Trustee Investments Act stipulates securities in which trustees may invest.

Required:

State **THREE** categories of securities in which trust funds may be invested. (6 Marks)

(Total 20 Marks)

SECTION A

MULTIPLE-CHOICE QUESTIONS

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

Examiner's report

The questions in this section test topics across the syllabus over which they had a good coverage.

All the candidates attempted the questions, and about 40% of them scored above average marks.

Candidates' major pitfall was inadequate coverage of the syllabus in their preparation, especially the areas covered by the amendments to the Companies and Allied Matters Act.

The advice to the candidates who performed poorly is study ICAN Study Text, which covers the syllabus systematically.

SECTION B

OPEN-ENDED QUESTION

SOLUTION 1

- a. **The characteristics of the Constitution of the Federal Republic of Nigeria are as follows:**
- i. Written form and rigidity;
 - ii. Federalism;
 - iii. Separation of powers;
 - iv. It enshrines Fundamental rights enshrining; and
 - v. Supremacy.
- b. **The duties of a person entrusted with personal data are as follows:**
- i. Duty not to disclose the data to another person without the consent of the data controller;
 - ii. Duty of care over the data; and
 - iii. Duty of accountability for his acts and omissions in respect of the data.
- c. **The advantages of a floating charge are as follows:**
- i. It is a valuable means by which a company operating as a going concern could raise money on the security of its assets while preserving the power of the company to deal with the assets in the ordinary course of business;
 - ii. It offers the most convenient way of creating security over a company's assets where the company has little or no fixed assets, but carries a large and valuable stock in trade. This is significant

- because the stock in trade on the assets to be turned over in the course of business has made the creation of a fixed charge impracticable, since the consent of the fixed chargee would have to be sought and obtained for the company to be able to sell any asset;
- iii. A floating charge enables stocks to be turned over in the ordinary course of the company's business and "attaches to whatever it is converted into and to whatever new stock is acquired" without any difficulty;
 - iv. A floating charge affords an unsecured creditor some protection upon crystallisation. It gives the floating chargee a measure of control over the company. It enables the company to report regularly to the chargee if the company gets into financial difficulties and enables the chargee to be privy to management decisions; and
 - v. A floating charge is also an incentive to creditors to give larger credit to a going concern as it expands with the consequent accrued profits from interest to the creditor. The facts that the company can deal with the charged property that are due in the ordinary course of business makes it possible to create a subsequent fixed legal or equitable charge over the floating charge unless the latter provides otherwise.

Under the Companies and Allied Matters Act, the following are the business names that must be registered:

- i. A name that is not the true surname and forenames or initials of all the partners;
- ii. In the case of an individual, a name that does not consist of her true surname and forenames or initials; or
- iii. In the case of a company, a name that does not consist of its corporate name without an addition.

However, registration shall not be required if the addition to the names simply indicates that the business is carried on in succession to a former owner of the business.

Examiner's report

The question tests candidates' knowledge of the characteristics of the Constitution of the Federal Republic of Nigeria; the duties that bind a possessor of personal data in cyber security law; the advantages of floating charge in company law; and the law on registration of business names with the Corporate Affairs Commission.

About 80% of the candidates attempted the questions, and 40% of them scored above average marks.

Candidates' major pitfall was inadequate understanding of charges in company law, and the duties that are attached to possession of personal data in cyber security law.

The advice to candidates who performed below expectations is to factor those areas into their future preparation.

Marking guide

	Marks
(a) Characteristics of the Constitution 1 mark for each point, subject to maximum of 3 points	3
(b) Duty of person entrusted with personal data 1 mark for each point, subject to a maximum of 3 points	3
(c) Advantages of floating charge 2 marks each for any 4 points	8
(d) Business names that must be registered 2 marks for each point subject to a maximum of 3 points	<u>6</u>
Total	<u>20</u>

SOLUTION 2

- a. Depending on the terms of the agreement between the company and its debenture holder, a company may be placed into receivership when:
- i. The principal sum borrowed by the company or the interest is in arrears;
 - ii. The security or property of the company is in jeopardy and the security of the debenture holder shall be in jeopardy if the court is satisfied that events have occurred or is about to occur which renders it unreasonable in the interest of the debenture holder that the company should retain the power to dispose of its assets;
 - iii. The company fails to fulfill any of the obligations imposed on it by the debentures or debentures trust deed;
 - iv. Any circumstance occurs which by the terms of the debentures or debenture to realise his security;
 - v. The company is being wound up;
 - vi. Any creditor of the company issues a process of execution against any of its assets;
 - vii. The company ceases to carry on business; or
 - viii. The creditors amounting to more than one-half of the total amount owing in respect of a class of outstanding

debentures apply to court for receivership.

- b. **The Companies and Allied Matters Act allows a company to acquire its own shares, including redeemable shares on the following conditions:**
- i. If it so permitted by its articles of association;
 - ii. If the purchase is authorised by the shareholder's special resolution;
 - iii. The company shall within seven days of the special resolution cause to be published in two national newspapers;
 - iv. The purchase must be only of fully paid up shares of the company;
 - v. The terms of purchase must provide for payment of the shares (and the payment must be from the company's distributable profits);
 - vi. Within 15 days after the publication in two national newspapers, the directors of the company shall file a statutory declaration of solvency with the Corporate Affairs Commission to the effect that the company is able to pay its debts as they fall due after the purchase;
 - vii. Within six weeks of the publications, company creditors and dissenting shareholders may apply to court for an order to cancel the resolution; and
 - viii. The company may proceed with the share buyback only on the order of the court, where applicable.

Examiner's report

The question tests candidates' understanding of the factors for corporate receivership, and the conditions under which a company may acquire its own shares.

About 20% of the candidates attempted the question, and about 30% of them scored above average marks.

Candidates' major pitfall was inadequate understanding of both sub-questions within the question.

The advice to candidates who performed below expectations is to study the two segments of the question in ICAN Study Text and Pathfinder.

Marking guide

	Marks
(a) Situations for company insolvency 2 marks for each point subject to a maximum of 5 points	<u>10</u>
(b) FIVE conditions for a company to acquire own shares 2 marks for each point, subject to a maximum of 5 points	<u>10</u>
Total	<u>20</u>

SOLUTION 3

- a. **The elements for determining the existence of a partnership are as follows:**
- i. There must be a business: The Partnership Act/Laws define 'business' to include "trade, vocation and profession";
 - ii. The business must be carried on by or on behalf of the partners;
 - iii. There must be profit making and profit sharing; and
 - iv. There must be a minimum of two members and not more than a maximum of twenty members of full contractual capacity, except otherwise required by law.
- b. **The fraud related offences in the Criminal Code are:**
- i. False pretences;
 - ii. Cheating;
 - iii. Obtaining credit by fraud;
 - iv. Forgery; and
 - v. Fraudulent false accounting.
- c. i. E-contract is a contract in which the parties employ electronic devices such as computers, telephones, and other digital devices in the course of its negotiation and execution.
- iii. A digital signature is an electronic authentication by the maker of an electronic document or creator of data.
- d. **A seller has the following rights against his goods:**
- i. **Right of lien:** A seller's right of lien is a right in equity to withhold goods until the price is paid. This right only exists when the seller has actual possession of the goods either as principal or as agent. This right could be exercised when the goods are sold without any stipulation as to credit, the terms of credit have expired or the buyer has become insolvent. This right is lost where the goods have been delivered to a carrier for onward transmission to the buyer. The same thing applies if the buyer or his lawful agent is in possession of the goods as well as when there is a waiver of the right by the seller;
 - ii. **Right of withholding delivery:** A seller may withhold delivery of the goods where neither ownership nor possession has passed to the buyer; and
 - iii. **Stoppage of goods in transit:** An unpaid seller has the right to stop goods in transit before they are received by the buyer. The seller may exercise this right where the consideration remains unpaid or the buyer is insolvent, and the goods are actually in the course of transit. This right is, however defeated if any person to whom a document of title to goods has been lawfully transferred, transfers the goods further to a third party.

Examiner's report

The question tests candidates' understanding of business by at least two persons as well as profit making and profit sharing as the elements of a valid partnership; types of fraud-related offences in criminal law; the conditions for ratification in the law of agency; meaning and import of e-contract as well as digital signature; and the rights of a seller on his goods.

Attempt rate was about 60%, and pass rate was about 50%.

Candidates' major pitfall was their insufficient understanding of the rights of a seller on his goods.

The advice to candidates who performed poorly is to study the rights of a seller on his goods in the ICAN Study Text and other texts on sale of goods.

Marking guide

	Marks
(a) Elements of a partnership 2 marks for each point, subject to a maximum of 3 points	6
(b) FOUR fraud related offences 1 mark for each point, subject to a maximum of 4 points	4
(c) i. Definition of e-contract 2 marks for each correct answer	2
ii. Definition of digital signature 2 marks for correct answer	2
(d) Sellers' rights against goods 3 marks for each point, subject to a maximum of 2 points	
Total	<u><u>20</u></u>

SOLUTION 4

- a.
 - i. A bearer cheque is a cheque made payable to whoever is in possession of the cheque. It is also a cheque that is endorsed in blank or a cheque made payable to an unnamed person.
 - ii. A crossed cheque is a cheque with two parallel transverse lines across its face with or without the words 'and company' or 'not negotiable' which cannot be cashed over the counter.
- b.
 - i. The offence which Ayodele has committed by creating a false West African School Certificate with the intent that it could be relied upon granting her admission to a university is the offence of forgery. This is defined as knowingly making a false document or writing with intent that it may in any way be used or acted upon as genuine.

- ii. Ayodele would be charged for the offence of fraudulent false accounting if she had made false entry in the accounting books of her employer, being employed as an accounting clerk.
- c. For a principal to ratify the act of a purported agent, the following conditions must be satisfied:
- i. At the time of making the contract, the agent must purport to be acting on behalf of his projected principal;
 - ii. The principal must have been in existence and have contractual capacity at the time the agent purported to act for him;
 - iii. The principal must be competent to act at both the date of the contract and the date of the ratification;
 - iv. The principal must have had full knowledge of all the material facts at the time of ratification or else be shown to manifest an intention to ratify the act, notwithstanding his ignorance of all the facts;
 - v. The contract must be a valid one, and not void *ab initio*, and
 - vi. Time is of essence for an agency to be created by ratification, so the principal must ratify the act within a reasonable time of the act.
- d. **The tests for determining if a relationship is that of master/servant to which vicarious liability applies include the following:**
- i. If the employer who shows the employee what to do and how to do it. In this situation, it is a master/servant relationship that distinguishes the servant from an independent contractor who is trained in his trade or profession and works without supervision;
 - ii. if one person pays the other wages and salaries, it is a master/servant relationship;
 - iii. If one person has power to hire and fire another, the relationship is a master/servant relationship;
 - iv. If the employee is an integral part of the organisation, that makes him a servant; and
 - v. If the employee was acting within the scope of his employment and in lawful capacity that is incidental to his work, he is observant.

Examiner's report

The question tests candidates' understanding of bearer and crossed cheques; forgery and its elements as well as fraudulent accounting in criminal law; the conditions for ratification in the law of agency; and the elements of a master/servant relationship.

Attempt rate was about 85%, and pass rate was about 55%.

Candidates' major pitfall was inadequate understanding of fraudulent accounting and the conditions for ratification in agency relationships.

The advice to the candidates who performed poorly is to study the areas of deficiency more in ICAN Study Text in their future preparation.

Marking guide

		Marks
(a) i.	Definition of bearer cheque 2 marks for correct answer	2
ii.	Definition of crossed cheque 2 marks for correct answer	
(b) i.	Offence committed 2 marks for the correct answer	2
ii.	Offence to be charged for 2 marks for the correct answer	2
(c)	Conditions precedent for ratification 1½ marks for each point subject to a maximum of 4 points	6
(d)	Tests for determining a master/servant relationship 1½ marks for each point, subject to a maximum of 4 points	<u>6</u>
	Total	<u>20</u>

SOLUTION 5

- a. The advantages of Alternative Disputes Resolution (ADR) over litigation include the following:
- i. It is faster;
 - ii. It is cheaper;
 - iii. It is flexible;
 - iv. It makes parties feel freer and more relaxed;
 - v. It is informal;
 - vi. It is confidential; and
 - vii. It encourages goodwill and friendliness of the parties towards each other.
- b. i. **The essential elements or certainties of a trust are:**
- Certainty of intention or word;
 - Certainty of object; and

- Certainty of subject matter.
- ii. **The types of charitable trusts are:**
- Trust for advancement of education;
 - Trust for advancement of religion;
 - Trust for relief of poverty; and
 - Trust for other purposes beneficial to the community.
- c. **A hire purchase agreement may be terminated by:**
- i. A mutual agreement of the parties to rescind the agreement;
 - ii. The performance of all the obligations under the agreement;
 - iii. A provision in the agreement which allows the hirer to terminate the contract at any stage of the agreement without prejudice to his option to purchase the goods;
 - iv. Supervening circumstances like fire, destruction, act of God and other similar circumstances outside the control of the parties;
 - v. Repudiation by an aggrieved party since the aggrieved party may sue for the breach of an express or implied term and may in addition repudiate such agreement; or
 - vi. An order or judgment of court for conversion or detinue, which may in effect bring the agreement to an end.
- d. Ethics consists of commonly acceptable mode of conduct or behavior in a given society. It is a moral persuasion against wrongdoings or unacceptable conducts.

Ethical codes regulate the conduct of professionals such as chartered accountants, legal practitioners, doctors, and engineers in their dealings with their clients.

Examiner's report

The question tests candidates' understanding of the advantages of Alternative Dispute Resolution; certainties in trusts and types of charitable trusts; termination of a hire purchase contract; and the meanings of ethics and ethical codes respectively.

Attempt rate was about 70%, and pass rate was about 65%.

Candidates' major pitfall was inadequate understanding of the trusts segment of the question.

The advice to candidates who performed below pass mark is to study the law of trusts more in ICAN Study Text as they prepare for the future.

Marking guide

	Marks
(a) Advantages of ADR 1 mark for each point, subject to a maximum of 6 points	6
(b) i. Essential elements of certainties of trust 1 mark for each point, subject to a maximum of 3 points	3
ii. Types of charitable trusts 1 mark for each point, subject to a maximum of 3 points	3
(c) Ways of terminating a hire purchase contract 1 mark for each point, subject to a maximum of 5 points	5
(d) Explanation of ethics and ethical code 1½ marks for definition of ethics	<u>3</u>
Total	<u>20</u>

SOLUTION 6

- a. **In insurance claims, the following are the conditions for contribution:**
- i. The risk which occurred must be common to all the policies;
 - ii. The insurances must have a common subject matter;
 - iii. The policies must cover the same interest, that is, all the policies must be in protection of the same interest of the insured;
 - iv. Each policy must be enforceable as at the date of loss because an Invalid policy as at time of the loss would not give rise to a claim of contribution; and
 - v. The policies must not exclude contribution.
- b. **The factors that vitiate a contract include:**
- i. Mistake;
 - ii. Misrepresentation;
 - iii. Duress; and
 - iv. Undue influence.
- c. **An employee may be dismissed for any of the following:**
- i. Act or conduct likely to bring the employer in to disrepute;
 - ii. When the servant's practices or conducts expose the master to loss of public confidence;
 - iii. Gross immorality;
 - iv. Absenteeism without leave or permission, amounting to an abandonment of duties; or
 - v. Gross misconduct, which may include insubordination, habitual drunkenness, gross negligence, willful disobedience of lawful orders.

- d. **By virtue of the Trustee Investment Act, trust funds may be invested in the following categories of securities:**
- i. Securities created or issued by or on behalf of the Government of the Federation of Nigeria;
 - ii. Securities of a State government declared to be securities in which a trustee can invest by the President of the Federation by notice published in the Federal Gazette;
 - iii. Securities created or issued by public corporations such as are listed in the schedule to the Act and which are by notice published from time to time in the federal gazette by the President of the federation to be securities in which trustees may invest; and
 - iv. Debentures and fully paid up shares of any company incorporated and registered under the Companies and Allied Matters Act provided that the company is not a private company. In other words, a trustee may only invest in the debentures and paid up shares of a public limited liability company. In addition the shares and debentures must be quoted on the Nigerian Exchange Limited.

Examiner's report

The question tests candidates' understanding of the conditions for contribution by multiple insurers to an insurance claim by a single insured; the factors that vitiate a contract; grounds upon which an employer may dismiss an employee; and the securities in which a trustee may invest a trust fund.

Attempt rate was about 65%, and pass rate was about 55%.

Candidates' major pitfall was their inadequate understanding of the securities in which a trustee may invest a trust fund.

An advice to candidates who scored below pass mark is to study trustee investment more in the ICAN Study Text and Trustee Investments Act.

Marking guide

	Marks
(a) Conditions for contribution to take place	
1½ marks for each point subject to a maximum of 4 points	6
(b) Factors that may vitiate a contract	
1 mark for each point subject to a maximum of 2 points	2
(c) Grounds upon which an employee may be dismissed	
1½ marks for each point subject to a maximum of 4 points	6
(d) Categories of securities in which trust funds may be invested	
1½ marks for each point subject to a maximum of 4 points	<u>6</u>
Total	<u>20</u>