



**THE INSTITUTE OF CHARTERED
ACCOUNTANTS OF NIGERIA**

PATHFINDER

MAY 2026 DIET

FOUNDATION LEVEL EXAMINATIONS

Question Papers

Suggested Solutions

Examiners' Reports and

Marking Guides

FOREWORD

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 of 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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5. Which of the following are capital expenditures?
- I. Cost incurred on a motor car for resale
 - II. Cost incurred which improves production quality of an asset
 - III. Cost incurred which reduces future operating expenses
 - IV. Cost incurred on annual painting of factory building
- A. I and II
 - B. II and III
 - C. II and IV
 - D. II, III and IV
6. Determine the gross profit of an entity that does not keep proper accounting records, from the following information
- | | |
|-------------------|------------|
| Opening inventory | ₦670,000 |
| Purchases | ₦8,400,000 |
| Closing inventory | ₦570,000 |
- All sales are made at a mark-up of 20%
- A. ₦1,417,000
 - B. ₦1,654,000
 - C. ₦1,700,000
 - D. ₦2,125,000
7. A company produces tables for sale. A table that cost the company ₦165,000 got damaged in a flood. This type of table usually sells for ₦250,000 but it is now expected to be sold for ₦171,000. At what amount should the table be valued?
- A. ₦79,000
 - B. ₦85,000
 - C. ₦165,000
 - D. ₦171,000
8. What accounting entry is passed for dissolution expenses during the winding up of a partnership?
- A. Debit realisation account and credit cash account
 - B. Debit payables account and credit cash account
 - C. Debit cash account and credit realisation account
 - D. Debit realisation account and credit payables account

9. What type of error is committed when a payment is recorded to the wrong supplier's account?
- A. Error of principle
 - B. Error of compensation
 - C. Error of commission
 - D. Error of original entry
10. What is a key responsibility of directors regarding financial statements?
- A. Preparing and analysing financial statements
 - B. Ensuring compliance with accounting frameworks
 - C. Providing direction to management on daily operations of the entity
 - D. Managing cash flows
11. When an accountant evaluates their own prior judgments or conclusions, which ethical principle is compromised?
- A. Familiarity threat
 - B. Self-interest threat
 - C. Intimidation threat
 - D. Self-review threat
12. A recognised intangible asset is amortised over its useful life, **EXCEPT**
- A. The pattern of consumption of the economic benefit of the asset is not reliably determinable
 - B. The life of the asset is determined to be finite
 - C. The precise length of the asset's life is not known
 - D. The life of the asset is indefinite
13. What is the primary purpose of an impairment test?
- A. To determine the asset's recoverable value
 - B. To ensure that the asset's fair value less costs to sell does not exceed its value in use
 - C. To recognise the asset at its recoverable amount when it exceeds its carrying amount
 - D. To assess whether the asset's carrying amount exceeds its recoverable amount

14. According to IAS 37 *“Accounting for Provisions, Contingent Liabilities and Contingent Assets”*, which of the following is **NOT** a criterion for recognising a provision?
- Presence of a constructive obligation
 - Presence of a current obligation
 - Expectation of future operating losses
 - Ability to make a reliable estimate
15. How should a bank classify interest receivable on loans and a hospitality company classify interest receivable on a bond investment, under IFRS 18 *“Presentation and Disclosures in Financial Statements”*?
- | | Bank | Hospitality company |
|----|-------------|----------------------------|
| A. | Operating | Financing |
| B. | Operating | Investing |
| C. | Financing | Operating |
| D. | Investing | Operating |
16. An entity purchased goods on credit, during the last month of its reporting period for ₦750,000. During the month, the entity sold 50% of the goods for ₦450,000 cash and 35% of the goods on credit for ₦490,000.
- Determine the current assets to be recognised at the reporting date.
- ₦562,500
 - ₦602,500
 - ₦940,000
 - ₦1,052,500
17. What are the primary distinctions between revenue/expense and gain/loss in financial reporting?
- Revenue and expenses relate to primary business activities, while gains and losses relate to incidental transactions
 - Revenue and expenses are reported on gross basis, while gains and losses are reported on net basis
 - Revenue and expenses are accounted for using accrual basis, while gains and losses are accounted for using cash basis
 - Revenue and expenses are reported on the statement of profit or loss, while gains and losses are reported on the other comprehensive income

- A. I and II
 - B. I and III
 - C. II and IV
 - D. I and IV
18. Which of the following is **NOT** a transaction with owners of a company in their capacity as owners?
- A. Issue of ordinary shares
 - B. Issue of redeemable preference shares
 - C. Scrip issue
 - D. Payment of dividends
19. Which of the following is **NOT** true about the accounting process?
- A. The financial accounting system follows standards and regulations that do not permit estimations
 - B. Business activities can be classified into operating activities, investing activities and financing activities
 - C. Companies classify financial transactions to five elements
 - D. The core accounting process revolves around the basic accounting equation
20. Goods that cost ₦706,490, VAT inclusive, were returned by an entity to the supplier. VAT is at the rate of 7.5%
- What is the double entry for the transaction in the books of the buyer?
- A. Debit purchases returns ₦657,200 and VAT ₦49,290; credit supplier's account ₦706,490
 - B. Debit purchases returns ₦657,200 and VAT ₦53,987; credit supplier's account ₦706,490
 - C. Debit supplier's account ₦706,490; credit purchases returns ₦657,200 and VAT ₦49,290
 - D. Debit supplier's account ₦706,490; credit purchases returns ₦653,503 and VAT ₦53,987

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. Ayedara Limited is a medium-sized manufacturing company in Nigeria. The company's management is preparing the financial statements for the year ended September 30, 2025.

Required:

- i. Explain the primary objective of the general-purpose financial statements? (2 Marks)
 - ii. What is the nature of the reporting entity in this scenario and what are its implications for financial reporting? (4 Marks)
 - iii. Briefly explain how the financial statements achieve the objective of providing useful financial information to stakeholders. (4 Marks)
- b. Bright Enterprises is a growing retail business that currently uses manual accounting systems to record its financial transactions. However, the management is considering switching to a computerised accounting system to improve efficiency and accuracy.

Required:

- i. Explain how computer tools can be used to process business transactions, including entering and editing accounting information for Bright Enterprises. (4 Marks)
- ii. State **THREE** advantages of adopting a computerised accounting system by Bright Enterprises. (3 Marks)
- iii. State **THREE** potential disadvantages of adopting a computerised accounting system that Bright Enterprises should consider. (3 Marks)

(Total 20 Marks)

QUESTION 2

- a. State **THREE** benefits an entity would derive by maintaining a petty cash-system. (3 Marks)
- b. Abajeri Enterprises has a departmental store. The balances brought forward from October 26, 2025, in relation to the cash book are as follows:

	₦
Cash balance-debit	91,000
Bank balance-debit	997,000
Discount allowed	9,000
Discount received	7,000

The following cash transactions took place during the last week in October:

October 27: A cheque for ₦77,700 was received from Ladi & Co, being full settlement of an invoice for ₦78,000. An online transfer of ₦39,000 was made to Ime Limited in full settlement of an outstanding balance of ₦40,000.

October 28: Cash amount of ₦80,000 was received into the cash till in respect of retail sales. An online payment of ₦15,000 was made for rates due to the Kowope Local Government Authority (KLGA).

October 29: Goods were purchased for ₦50,000 cash. Cash sales were made for ₦37,000.

October 30: Owoh settled his account for ₦195,000 in full settlement of ₦200,000 owed via online banking. A motorcycle for dispatching goods was bought for ₦675,000 through online bank transfer. Cash sales of ₦81,000 were made and paid to the bank.

October 31: A cheque for ₦100,000 received for sales was paid to the bank. Salaries amounting to ₦92,000 were paid through online bank transfer. ₦75,000 was paid from the cash till to the bank.

Required:

Prepare the three-columnar cash book of Abajeri Enterprises. (7 Marks)

- c. A business is expanding its financial operations and needs to understand the implications of different payment methods.

Required:

i. Explain **THREE** advantages and **THREE** disadvantages of using digital payments system for business transactions. (6 Marks)

ii. State the security measures that can be taken to minimise risks associated with the method. (4 Marks)

(Total: 20 Marks)

QUESTION 3

- a. Ambito Limited is facing financial difficulties and wants to improve its financial performance. The management decided to:

Revalue its land from ₦80,000,000 to ₦125,000,000.

Change the depreciation method for plant and equipment from straight-line to reducing balance.

Required:

i. Identify and explain the ethical accounting practices employed by Ambito Limited. (4 Marks)

ii. State **THREE** consequences of these practices on the financial statements. (3 Marks)

iii. Suggest alternative accounting treatments or disclosures that Ambito Limited should adopt. (3 Marks)

- b. Monsura Limited has the following information regarding its non-current assets: Balance at October 1, 2024:

i. **Cost:**

Freehold land and building: ₦5,000 million (land element: ₦2,000 million)

Plant and equipment: ₦260 million

Furniture and fittings: ₦160 million

ii. **Accumulated depreciation:**

Building: ₦900 million
Plant and equipment: ₦104 million
Furniture and fittings: ₦60 million

The following movements took place during the year ended September 30, 2025:

A new plant was purchased on December 31, 2024, at a cost of ₦75 million. An old plant that originally cost ₦51 million on March 1, 2021 was used in part exchange for the new plant, at a fair value of ₦21.6 million.

A leasehold building was acquired for ₦120 million on December 1, 2024.

Non-current assets are depreciated on a straight-line basis using the following rates:

Freehold land and building: 2%
Leasehold building: 5%
Plant and machinery: 20%
Furniture and fittings: 25%

Depreciation is charged from the date of acquisition to the date of disposal.

Required:

- i. Calculate the gain or loss on the disposal of the old plant. (3 Marks)
- ii. Prepare the non-current assets schedule for the period ended September 30, 2025, in accordance with IAS 16. (7 Marks)

(Total 20 Marks)

QUESTION 4

- a. Owambe Limited, a fashion house, needs to purchase 1,000 metres of fabric, on credit, from their supplier, Fabrics Plus. The fabric costs ₦500 per metre and Owambe Limited wants to ensure timely delivery. To fulfill their fabric requirements, Owambe Limited initiates a series of interactions with Fabrics Plus.

Required:

In relation to bookkeeping, explain briefly the sequence of events between Owambe Limited and Fabrics Plus. (5 Marks)

- b. A control account is a summary of a customer's or supplier's ledger in total. The balance on the control account, under a normal circumstance must equal the addition in individual suppliers' account at a particular date.

Required:

Explain **FOUR** possible reasons for discrepancies and suggest steps to reconcile the control account with the individual supplier accounts. (9 Marks)

- c. AJK Limited is a company selling electronic goods in Ekiti State. The accountant is carrying out a reconciliation of the payables ledger control account and individual accounts for September 2025.

As at September 30, 2025, the total of the balances on the individual accounts in the payable ledger is ₦3,002,888 and the payables control account balance is ₦3,318,000. Further investigation reveals the following errors:

- The purchases day book total for September has been understated by ₦303,992.
- A cash payment of ₦10,736 to a supplier has been correctly treated in the control account but no entry has been made in the individual ledger accounts.
- A set-off of ₦304,600 with the receivables ledger, has been correctly treated in the individual ledger accounts but no entry has been made in the control account.
- An individual credit balance of ₦32,320 has been incorrectly treated as debit.
- The total discount received of ₦260,600, has been treated correctly in the individual ledger accounts but has not been recorded in the control account.

Required:

- i. Correct the payables ledger control account. (3 Marks)
- ii. Reconcile the total of the individual balances with the corrected balance in the control account. (3 Marks)

(Total 20 Marks)

QUESTION 5

Tunde, Edem and Iorzua are in partnership sharing profits equally; on October 1, 2025 Iorzua retired and Akaa was admitted.

The statement of financial position as at September 30, 2025 was as follows:

	₦'000
Assets:	
Non-current at carrying amount:	
Plant	18,000
Motor vehicles	<u>13,800</u>
	<u>31,800</u>
Current assets:	
Inventory	9,200
Receivables	6,300
Cash and cash equivalents	<u>2,600</u>
	<u>18,100</u>
Total assets	<u>49,900</u>
Equity and liabilities	
Capital:	
Tunde	16,300
Edem	14,700
Iorzua	<u>11,800</u>
	<u>42,800</u>
Current accounts:	
Tunde	1,300
Edem	1,900
Iorzua	<u>1,400</u>
	<u>4,600</u>
Current liabilities:	
Payables	<u>2,500</u>
Total equity and liabilities	<u>49,900</u>

Additional information:

- i. Iorzua should take a car with a carrying amount of ₦2,600,000 at a valuation of ₦3,700,000. Iorzua agreed to leave the amount owing to him in the business as a loan, for two years, at 6% interest per annum. Akaa was to contribute ₦6,000,000 as fixed capital but will not introduce any payment for goodwill. Profits are now to be shared in ratio 2:1:1 to Tunde, Edem and Akaa respectively.

- ii. Goodwill was valued at ₦3,000,000 but was not to be kept in the books.
- iii. It was decided to value inventory at ₦8,000,000 and the remaining vehicles at ₦19,385,000. ₦900,000 of receivables was considered doubtful.

Required:

- a. Prepare the revaluation account. (4 Marks)
- b. Compute the amount due to Iorzuwa on his retirement. (2 Marks)
- c. Prepare the opening capital accounts of Tunde, Edem and Akaa. (7 Marks)
- d. Prepare the statement of financial position as at October 1, 2025. (7 Marks)

(Total 20 Marks)

QUESTION 6

Gombi Delights Limited, a private company based in Yola, Adamawa State, Nigeria, wants to increase production capacity and explore new distribution channels in Nigeria's growing food market.

Management is reviewing the company's financial performance and position using ratio analysis to take informed decisions.

You are presented with the following financial statements for the year ended September 30, 2025 and comparative statements for 2024.

Statement of profit or loss for the year ended September 30, 2025

	2025	2024
	₦'m	₦'m
Revenue	846	630
Cost of sales	<u>(740)</u>	<u>(525)</u>
Gross profit	106	105
Operating expenses	(60)	(50)
Loan interest	<u>(10)</u>	<u>Nil</u>
Profit before tax	36	55
Income tax expense	<u>(11)</u>	<u>(8)</u>
Profit for the year	<u>25</u>	<u>47</u>

Statement of financial position as at September 30, 2025

	2025	2024
	₦'m	₦'m
Assets:		
Non-current assets	<u>164</u>	<u>132</u>
Current assets:		
Inventory	100	50
Receivables	240	105
Cash	<u>Nil</u>	<u>5</u>
Total current assets	<u>340</u>	<u>160</u>
Total assets	<u>504</u>	<u>292</u>
Equity and liabilities		
Equity:		
Ordinary shares	141	118
Retained profit	<u>87</u>	<u>62</u>
Total equity	<u>228</u>	<u>180</u>
Liabilities:		
Non-current: Loan notes	<u>100</u>	<u>Nil</u>
Current liabilities:		
Payables	155	104
Overdraft	10	-
Taxation	<u>11</u>	<u>8</u>
Total current liabilities	<u>176</u>	<u>112</u>
Total equity and liabilities	<u>504</u>	<u>292</u>

Required:

- a. Compute the following ratios for the year's ended September 30, 2025 and 2024.

(8 Marks)

- i. Gross profit percentage
- ii. Inventory turnover
- iii. Return on capital employed
- iv. Current ratio
- v. Quick ratio
- vi. Receivables collection period
- vii. Debt equity ratio
- viii. Interest cover

b. Comment briefly on the performance of the business over the past two years using the ratios you have computed. (9 Marks)

c. State **THREE** benefits of ratio analysis. (3 Marks)

(Total 20 Marks)

SECTION A

MULTIPLE CHOICE SOLUTIONS

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

Workings

6.

	₦
Opening inventory	670,000
Purchases	8,400,000
Closing inventory	<u>(570,000)</u>
Cost of sales (CoS)	<u>8,500,000</u>
Gross profit 20% x CoS	1,700,000

7. The table is valued at the lower of cost and net realisable value (NRV). Its cost of ₦165,000 is still lower than the NRV of ₦175,000 in this case, even though the table is expected to be sold at less than the normal price of ₦250,000

16. $\text{₦}450,000$ (cash) + $\text{₦}940,000$ (receivables) + $\text{₦}112,500$ (inventory) = $\text{₦}1,052,500$
Inventory = $\text{₦}750,000 - 85\%$ of $\text{₦}750,000 = \text{₦}112,500$

20. $VAT = 7.5\% \times ₦706,490 = ₦49,290$; will be excluded from purchases returns and The supplier's account will be debited with ₦706,490 while VAT account and purchases returns account will be credited with ₦49,290 and ₦657,200 respectfully.

Examiner's report

The question tests candidates' knowledge of core bookkeeping and accounting principles and their ability to apply basic calculations to real transactions. It examined cost of sales computation using opening or closing inventory, application of IAS 2 "lower of cost and NRV", summation of current assets, and VAT-inclusive calculations with treatment of purchase returns.

All the candidates attempted the questions. Their performance was mixed, with good performance from some of them and poor performance from others.

The main pitfalls were weak understanding of double entry principles, poor knowledge of regulatory frameworks and their application.

Candidates should cover the entire syllabus and practice MCQs under timed conditions, using the ICAN study text and past question papers. After each practice set, they should review all options using the examiner's report, note why wrong options were chosen, and keep an error log to correct recurring misconceptions before the exam.

SECTION B

Solution 1

a. Ayedara Ltd

- i. The primary objective of general-purpose financial statements (GPFS) is to provide financial information about the entity's financial position, performance and cash flows that is useful for decision-making by existing and potential investors, lenders and other creditors.

ii. **Nature of the reporting entity and its implications**

Nature:

- Ayedara Limited is a private limited liability company; thus it is a legal entity distinct from its owners and can sue and be sued.

Implications:

The key implications of Ayedara Limited for its financial reporting include:

- The entity's financial statements should be prepared in accordance with relevant financial reporting standards and regulations;

- All the components of the financial statements must be presented in accordance with IAS 1 Presentation of Financial Statements; that is, the statement of financial position, the statement of comprehensive income, the statement of changes in equity, the statement of cash flows and the explanatory notes;
- The financial statements should provide information that is relevant, reliable and comparable, thus presenting a true and fair view of the company's financial position and performance; and
- As a single entity, stand-alone financial statements are required.

iii. **How financial statements achieve the objective stated in (i) above.**

Financial statements provide the following useful information about the entity's:

- **Financial performance:** Revenue, expenses and profit are used to assess its ability to generate earnings and sustain itself.
- **Financial position:** Assets, liabilities and equity are used to assess its resources, obligations and net worth.
- **Cash flows:** Assess its ability to meet financial obligations and invest in growth opportunities.
- Changes in economic conditions that may impact its financial position and performance.

b. **Bright Enterprises**

i. Computer tools can be used to process business transactions for Bright Enterprises in the following ways:

- **Entering accounting information:** Using accounting software to streamline transaction entry through direct input, automatic updates and automated recurring transactions instead of manual ledgers.
- **Editing accounting information:** Applying accounting software to modify or correct existing financial transactions or records.
- **Automated posting to ledger accounts:** Applying accounting software to automatically post transactions to the relevant ledger accounts.
- **Processing and generating - invoices, receipts and other business documents:** Applying accounting software to create and manage business documents such as invoices and receipts.
- **Generating financial reports:** Using accounting software to generate financial reports, such as statement of financial position, statement of comprehensive income and statement of cash flows;

- **Processing transactions and reconciliations:** Applying accounting software to process transactions, such as payroll, accounts payables and receivables account, and to perform reconciliations.

ii. **Advantages of computerised accounting systems**

Some of the advantages of adopting a computerised accounting system for Bright Enterprises include:

- Increased accuracy and reduced errors;
- Improved efficiency and productivity;
- Enhanced reporting and analysis capabilities;
- Better control and security over financial data;
- Faster financial reporting and analysis; and
- Improved budgeting and forecasting capabilities.

iii. **Disadvantages of computerised accounting systems**

Some of the potential disadvantages of adopting a computerised accounting system that Bright Enterprises could consider include:

- High initial setup costs;
- Dependence on technology and potential system failures;
- Security risks and potential data breaches;
- Dependence on skilled personnel to operate and maintain the system;
- Potential for system downtime or technical issues;
- Cost of software updates and maintenance; and
- The need for staff training and technical expertise.

Examiner's report

The question tests candidates' understanding of fundamental financial accounting principles and their application to practical business scenarios and their knowledge on the usefulness, merits and limitation of computerised accounting.

Majority of the candidates attempted the question and performance was above average. Part a(i) and b were well answered but candidates demonstrated poor understanding of a(ii) and (iii).

Many candidates failed to identify Ayedara Ltd as a company and wrongly treated it as a sole trader, which led to incorrect implications on legal personality and regulatory requirements. Also, for part a(iii), most candidates discussed users of financial statements and functions of notes instead of explaining how main statements and comparatives show the impact of economic conditions.

Candidates should link the four things financial statements show- (performance, position, cash flows and economic changes) to the actual components of the financial

statements. Candidates are also advised to use the ICAN study text as a guide to learn the different types of business entities and their key features, so that they do not mix them up in the examination. They should also practice past questions, mark them using examiner's reports, note where they went wrong and correct those mistakes.

Marking guide

	Marks	Marks
ai. Primary objective of GPFS Stating the primary objective of GPFS		2
ii. Nature of reporting entity and implications Stating the nature of the entity Correctly identifying three implications	1 <u>3</u>	4
iii. How GPFS achieve their objective Correctly identifying four ways by which GPFS achieve its objective.		4
b. Computerised accounting system		
i. Uses of computer to process business transactions Identifying four uses		4
ii. Advantages of computerised accounting system Stating three advantages	3	
iii. Disadvantages of computerised accounting system Stating three disadvantages	<u>3</u>	<u>6</u>
Total		<u><u>20</u></u>

Solution 2

a. **Benefits of maintaining a petty cash book:**

Some of the benefits of maintaining a petty cash book are:

- A petty cash book helps in organising and recording small and routine expenses, making it easier to track and manage them;
- By maintaining a petty cash book, businesses can ensure that small expenses are properly authorised, recorded and accounted for, thus reducing the risk of misappropriation or errors;
- A petty cash book helps to segregate small transactions from the main cash book, reducing clutter and making it easier to focus on larger and more significant transactions; and
- It improves control over minor expenses by setting limits through the imprest system.

b.

**Abaser Enterprise
Three Column Cash Book**

	Folio	Discount ₦	Cash ₦	Bank ₦		Folio	Discount ₦'000	Cash ₦	Bank ₦
Oct. 27 Bal b/f		9,000	91,000	997,000	Bal b/f	7,000			
Ladi & Co		300		77,700	-lme	1,000			39,000
Oct 28: Bank			80,000		KLGA				15,000
Oct 29: Sales			37,000		Purchases			50,000	
Oct 30:Owoh		5,000		195,000	Motorcycle				675,000
-Sales			81,000		Bank			81,000	
-Cash				81,000					
Oct 31-Sales				100,000	Salaries				92,000
Cash				75,000	Bank			75,000	
					Balance c/f			83,000	704,700
		<u>17,000</u>	<u>289,000</u>	<u>1,525,700</u>		<u>8,000</u>	<u>213,000</u>	<u>1,525,700</u>	
Bal. b/f			83,000	704,700					

c. **Digital payment systems:**

i. **Advantages and disadvantages**

The advantages of digital payments system:

- Payments are processed in real-time, which can improve cash flow and reduce payment delays;
- Payments can be made from anywhere, at any time, using a computer or mobile device;
- Payments can be secured with encryption, two-factor authentication and other security measures;
- Businesses avoid the risks associated with carrying or storing large amount of physical cash;
- It promotes financial inclusion, especially in regions with limited traditional banking systems; and
- It reduces transaction and operational costs, especially for cross-border payments, allowing businesses to allocate resources more efficiently.

Disadvantages:

The disadvantages of digital payments system:

- Businesses and customers face constant threats of cyber attacks, including phishing, hacking and data breaches;
- Some digital payments system may charge transaction fees, which can add up quickly;

- Poor internet connectivity may interrupt digital payments and business operations, leading to potential business losses;
- Digital payments system require collecting and storing large amounts of data, which exposes entities to contingent liabilities and legal issues if not properly protected; and
- Businesses may incur costs for software, hardware, internet services and system maintenance.

ii. **Security measures to minimise risks in digital payments system**

The following are some of the measures required to minimise risks in digital payments system.

- Use strong passwords and two-factor authentication to secure digital payments system;
- Implement encryption to protect sensitive data;
- Restrict system access to authorised personnel only and regularly monitor transactions;
- Use secure networks and avoid public Wi-Fi when making digital payments;
- Install updated antivirus software and firewalls to protect systems from malware and cyber attacks;
- Regularly back up financial data to prevent loss of information in case of system failure or attack;
- Conduct regular training to help employees identify social engineering and phishing attacks, which are common ways attackers gain initial access to business accounts; and
- Enable real-time alerts for all accounting activity, allowing the businesses to detect and freeze fraudulent transactions immediately.

Examiner's report

The question tests candidates' understanding of control over small cash transactions and their ability to maintain a 3-column cash book with contra entries. It also examines candidates' awareness of modern payment methods by testing the advantages, disadvantages and security measures required to minimise risks in digital payment systems.

Most candidates answer the question and their performance was average with a better one on the petty cash benefits and digital payments system.

Candidates lost marks on the three-column cash book for the following reasons

- Omission of contra entries;
- Posting discount allowed and discount received to the wrong side of the cash book; and
- Failure to bring down balance at the end of the period, to the beginning of the next period.

Candidates are advised to study the format of a 3-column cash book thoroughly and practice posting with contra entries using past questions. They should always check which side discount allowed and discount received belong to, and remember to bring down the closing balances as the opening balances for the next period.

Marking guide

	Marks	Marks
a. Benefits of maintaining a petty cash book Stating three benefits		3
b. Preparation of the three-column cash book Award marks for the following correct entries		
Balance b/d	1/2	
Discount allowed	3/4	
Discount received	1/2	
Contra	1 1/4	
Cash received	1/4	
Cash received through bank transfers	1/2	
Cash purchases	1/4	
Cash paid through bank	1	
Balance c/f	1/2	
Nov 1, 2026 Balance b/d	<u>1/2</u>	7
c. Digital payment methods		
i. Advantages and disadvantages of digital payment system		
Stating three advantages	3	
Stating three disadvantages	<u>3</u>	6
ii. Security measures required to minimise risks of digital payment system		
Stating four security measures		<u>4</u>
Total		<u>20</u>

Solution 3

ai. Ethical accounting practice

The accounting practices adopted by Ambito Limited raise ethical concerns because they may be aimed at improving the appearance of the company's financial position and performance rather than presenting a true and fair view. Relating this to the given scenarios, the following unethical issues are highlighted.

- **Asset revaluation:** IAS 16 permits revaluation to be carried out, at regular intervals, on a class of non-current assets on the assessed fair value of the asset at the date of revaluation. In this case, revaluation is being carried out by the management, in order to improve performance rather than presenting a true and fair view.
- **Change in depreciation method:** IAS 8 requires that accounting policies adopted for a transaction should be applied consistently and IAS 16 also reiterate that there should be consistency in the use of the depreciation method adopted unless there is evidence that another method will present a true and fair position. In this case it is done merely to manipulate reported profit hence it violates the consistency rule and is considered as unethical earnings management.

ii. Potential consequences of the actions

The following are the likely consequences of the actions:

- Misleading financial performance;
- Overstated assets and profits;
- Lack of meaningful comparison of financial statements of the year with the previous periods;
- Potential legal and regulatory issue;
- The integrity of the financial report would be undermined, which may damage the company's reputation and credibility in the stock market; and
- May mislead potential investors.

iii. Alternative accounting treatment and disclosures

Some of the alternative accounting treatments and disclosures that may be adopted are:

- Engage independent experts to revalue the land based on its assessed fair value and properly disclosed this in the notes to the financial statement;
- Use depreciation method that is consistent with assets' usage; and
- Fully disclose the nature, reason and financial effect of the accounting changes in the financial statements to ensure transparency.

b.

Monsura Limited

Non-current assets for the period ended September 30, 2025

i. **Gain or loss on disposal of plant**

	₦'000	₦'000
Proceed		21,600
Cost	51,000	
Accumulated depreciation (46\12 x ₦51m x 20%)	<u>39,100</u>	
Carrying amount		<u>(11,900)</u>
Gain		<u>9,700</u>

ii. **Non-current assets schedule**

	Freehold property	Leasehold building	Plant and machinery	Furniture and fittings	Total
	₦'000	₦'000	₦'000	₦'000	₦'000
Cost\fair value:					
Balance Oct. 1, 2024	5,000,000		260,000	160,000	5,420,000
Addition during the year		120,000	75,000		195,000
Disposal	<u>-</u>	<u>-</u>	<u>(51,000)</u>	<u>-</u>	<u>(51,000)</u>
Balance Sept. 30, 2025	<u>5,000,000</u>	<u>120,000</u>	<u>284,000</u>	<u>160,000</u>	<u>5,564,000</u>
Depreciation:					
Balance Oct. 1, 2024	900,000		104,000	60,000	1,064,000
Disposal			(39,100)		(39,100)
Charge for the year	<u>60,000</u>	<u>5,000</u>	<u>53,050</u>	<u>40,000</u>	<u>158,050</u>
Balance Sept. 30, 2025	<u>960,000</u>	<u>5,000</u>	<u>117,950</u>	<u>100,000</u>	<u>1,182,950</u>
Carrying amount 30\09\2025	<u>4,040,000</u>	<u>115,000</u>	<u>166,050</u>	<u>60,000</u>	<u>4,381,050</u>
Carrying amount 30\09\2024	<u>4,100.00</u>	<u>-</u>	<u>156,000</u>	<u>100,000</u>	<u>4,356,000</u>

Workings

Depreciation-charge for the year

- Freehold property (~~₦~~ 5,000m - ~~₦~~2000m) x 2% = ~~₦~~60m
- Leasehold property ~~₦~~120m x 5% x 10\12 = ~~₦~~5m
- Plant and equipment

- Old plant (~~₦260m~~ - ₦51m) x 20% = ~~₦41.8m~~
- New plant 9/12 x ~~₦75m~~ x 20% = ₦11.25
₦53.05
- Furniture and fittings ~~₦160m~~ x 25% = ~~₦40m~~

Examiner's report

The question tests candidates' understanding of professional ethics and integrity in financial reporting. It examines recognition of unethical earnings management through improper revaluation and depreciation policy changes, consequences of such actions and correct alternative treatments per IAS 16 and IAS 8. It also tests technical competence in preparing a non-current asset schedule including additions, disposals and depreciation.

Some of the candidates attempted the question and their performance was below average though the ethics part was handled well.

The ethics part was better handled by many candidates but a few others could not link the answers to the relevant IFRS and the Conceptual Framework.

Some candidates did not know the correct format of the non-current asset (NCA) schedule. They charged incorrect depreciation on part-year assets, failed to remove disposals from both cost and accumulated depreciation, and did not show the carrying amount for the current and prior year.

When studying and answering questions on ethical practices, candidates should always link their answers to specific IAS/IFRS and Conceptual Framework (qualitative characteristics) Candidates should study the standard format of the NCA schedule from the ICAN study text and memorise the rules: calculate depreciation pro-rata for additions and disposals on part year assets' acquisition and disposal, deduct disposals from both cost and accumulated depreciation and always show current year and prior year carrying amounts. They should also practice past question on NCA schedules, mark them using examiner's reports and keep a format checklist to review before the exams.

Marking guide

- | | | | |
|------|--|----------|---|
| a. | Ethical accounting practices | | |
| i. | Identifying fraudulent asset revaluation by management | 2 | |
| | Identifying change in depreciation method to manipulate profit | <u>2</u> | 4 |
| ii. | Stating three consequences of the unethical practice | | 3 |
| iii. | Suggesting three alternative treatments and disclosures | | 3 |

b.	Property, plant and equipment		
i.	Gain or loss on disposal of plant		
	• Correct transfer of disposal value	1/2	
	• Calculating the carrying amount at date of disposal	2	
	• Determination of gain on disposal	1/2	3
ii	Preparation of non-current assets schedule		
	Cost/fair value correctly recorded		
	• Balance b/f	1	
	• Addition during the year	3/4	
	• Disposal	1/2	
	Depreciation correctly recorded		
	• Balance b/f	1	
	• Disposal	1/2	
	• Charge for the year	1	
	• Closing carrying amount	1 1/4	
	• Opening carrying amount	1	7
Total			<u>20</u>

Solution 4

- a. Sequence of events between Owanbe Limited and Fabrics Plus in relation to bookkeeping (5 Marks)

The following sequence of events would normally occur when Owanbe Limited purchases 1,000 metres of fabric on credit from Fabrics Plus:

i. **Purchase requisition or order**

Owanbe Limited identifies the need for fabric and prepares a purchase order requesting 1,000 metres of fabric from Fabrics Plus. The purchase order specifies the quantity, price, delivery requirements and credit terms;

ii. **Supply and delivery of goods**

Fabrics Plus processes the order and delivers the fabric together with a delivery note indicating the quantity supplied;

iii. **Receipt and inspection of goods**

Owanbe Limited receives and inspects the fabric to ensure that the quantity and quality conform to the purchase order. A goods received note (GRN) may be prepared as evidence of receipt;

iv. **Issue and receipt of invoice**

Fabrics Plus issues a sales invoice for the fabrics supplied. Owanbe, Limited receives the invoice and records the transaction in its purchases day book as a credit purchase; and

v. **Recording and settlement of liability**

Owanbe Limited posts the transaction to the supplier's account in the purchases ledger and recognises a trade payable. When payment is eventually made, the cash book and supplier's account are updated to reflect settlement of the debt.

b.

i. **Possible reasons for discrepancy**

- **Error in recording transactions:** Mistakes in recording sales, receipts, or returns in either the control account or individual customer accounts.
- **Omission of transactions:** Transactions recorded in individual accounts but not in the control account, or vice versa.
- **Incorrect posting:** Transactions posted to the wrong customer account or control account.
- **Unrecorded transactions:** Transactions not recorded in either the control account or individual customer accounts.

ii. **Steps to reconcile**

- **Review transactions:** Check all transactions recorded in the control account and individual customer accounts for errors or omissions.
- **Verify postings:** Ensure all transactions are correctly posted to both the control account and individual customer accounts.
- **Reconcile transactions:** Match transactions in the control account with those in individual customer accounts to identify discrepancies.
- **Correct errors:** Make necessary adjustments to correct errors or omissions in the control account or individual customer accounts.
- **Verify balances:** Confirm that the balance on the control account equals the total of individual customer account balances after corrections.

c.

AJK Limited

i. **Payables ledger control account (Adjusted) for September 2025**

	N		N
Receivables control set-off	304,600	Balance b/f	3,318,000
Discount received	260,600	Purchase	303,992
Balance c/f	<u>3,056,792</u>		
	<u>3,621,990</u>	Balance b/f	<u>3,621,990</u>

- ii. Reconciliation of individual accounts total with the payables control account balance

	₦
Total balance of individual accounts b/f	3,002,888
Credit balance incorrectly debited ₦32,320 x2	64,640
Cash payment not recorded	<u>(10,736)</u>
Balance	<u>3,058,336</u>

Examiner's report

The question tests candidates' knowledge of the normal bookkeeping cycle for credit purchases and the purpose of control accounts. It examines their ability to identify causes of discrepancies between control accounts and subsidiary ledgers, outline reconciliation steps and prepare an adjusted payables ledger control account to arrive at an accurate balance.

A greater percentage of the candidates attempted the question and their performance was average. Candidates performed well on stating causes of discrepancies between control accounts and subsidiary ledgers and on outlining reconciliation steps.

Many candidates performed poorly on explaining the sequence of events between an entity and its supplier, and linking each stage to the correct source documents. They also showed poor understanding of which adjustments belong in the control account, rather than in the individual payables' accounts.

Candidates are advised to learn the full credit purchase cycle in sequential order and learn the source document for each stage. They should also note the key rule: timing errors and totals go into the control account while errors relating to one supplier's balance are corrected in the subsidiary ledger. They should also practice past questions on payables control accounts and mark them using examiner's solution and marking guide.

Marking guide

	Marks	Marks
a. Sequence of events , in bookkeeping , between an entity and its suppliers		
Award marks for highlighting the following:		
Purchase order with quantity, price and terms	1	
Supply and delivery of goods plus delivery note	1	
Receipt and inspection of goods with GRN prepared	1	
Receipt of invoice and recording in purchases day book	1	
Settlement of liability and update cash book	1	5
b. Reasons for variation between control account balance and supplier accounts and steps for reconciliation.		

Possible reasons for discrepancy; award marks for highlighting:			
	Error in recording purchases and returns	1	
	Omission of transactions in control or individual accounts	1	
	Incorrect posting to wrong account	1	
	Unrecorded transactions in both records	1	
Steps required for reconciliation; award marks for the following:			
	Review transactions in control and individual accounts	1	
	Verify postings to both control and individual accounts	1	
	Match transactions to identify discrepancies	1	
	Correct errors or omissions by adjustments	1	
	Verify that balances agree after corrections	<u>1</u>	9
c.	Correct payable control accounts and reconcile balance with individual payable balances		
i.	Correct payables control account; award marks for the following entries:		
	Balance b/f	1/2	
	Receivables control set-off	1/2	
	Discount received	1/2	
	Purchases	1/2	
	Balance c/f	1/2	
	Closing balance b/d	<u>1/2</u>	3
ii.	Reconciliation; award marks for the following entries:		
	• Title	1/2	
	• Total balance of individual accounts b/f	1/2	
	• Credit balance wrongly debited, now corrected	1	
	• Deducting cash payment not recorded	1/2	
	• Balance as per control account	<u>1/2</u>	3
Total			<u><u>20</u></u>

Solution 5

a.	Tunde, Edem and Iorsia & Co			
	Revaluation account			
	₦'000		₦'000	
	Inventory	1,200	Motor vehicle- Taken over by Iorzua	1,100
	Receivables	900	Motor vehicle- Remaining	8,185
	Capital (gain)		Goodwill	3,000
	Tunde	3,395		
	Edem	3,395		

Iorzua	<u>3,395</u>	
	<u>12,285</u>	<u>12,285</u>

b. **Amount due to Iorzua**

	₦'000
Capital b/f	11,800
Current account b/f	1,400
Revaluation gain	3,395
Motor vehicle taken over	<u>(3,700)</u>
6% Loan	<u>12,895</u>

c. **Capital accounts**

	Tunde ₦'000	Edem ₦'000	Akaa ₦'000		Tunde ₦'000	Edem ₦'000	Akaa ₦'000
Goodwill	1,500	750	750	Balance b/f	16,300	14,700	
Balance c/f	18,195	17,345	5,250	Cash			6,000
				Revaluation gain	<u>3,395</u>	<u>3,395</u>	
	<u>19,695</u>	<u>18,095</u>	<u>6,000</u>	Balance b/f	<u>18,195</u>	<u>17,345</u>	<u>5,250</u>

d. **Tunde, Edem and Akaa & Co**
Statement of financial position as at October 1, 2025

	₦'000
Non-current assets	
Plant	18,000
Motor vehicle	<u>19,385</u>
Total non-current assets	37,385
Current assets:	
Inventory	8,000
Receivables	5,400
Cash (2,600 + 6,000)	8,600
Total current assets	<u>22,000</u>
Total assets	<u>59,385</u>
Capital accounts	
Tunde	18,195
Edem	17,345
Akaa	<u>5,250</u>
	<u>40,790</u>
Current accounts	
Tunde	1,300
Edem	<u>1,900</u>
	<u>3,200</u>

Non-current liabilities	
6% Loan from Iorzua	<u>12,895</u>
Current liabilities	
Payables	<u>2,500</u>
Total equity and liabilities	<u>59,385</u>

Examiner's report

The question tests candidates' ability to account for changes in partnership structure. It examines preparation of a revaluation account on admission of a partner, computation of amount due to a retiring partner, maintenance of capital accounts with goodwill treatment and presentation of a statement of financial position (SFP) reflecting the new partnership.

There was a low attempt rate, though performance among those who tried was average.

Candidates avoided fair value adjustments on motor vehicles, likely confused by the car being taken over by the retiring partner and by SFP preparation. Some posted fair value adjustments to the wrong side of the revaluation account, while others failed to reflect the new fair values in the statement of financial position.

Candidates should treat partnership revaluation and admission topics fully. They should work through past questions on revaluation accounts, retiring partner settlements, and new partner capital to build confidence

Marking guide

	Marks	Marks
a. Preparation of revaluation account		
Award marks for determination of the following:		
• Fair value loss on inventory	1/2	
• Fair value loss on receivables	1/2	
• Fair value gain on motor vehicles	1	
• Recognition of goodwill	1/2	
• Share of revaluation gain	<u>1 1/2</u>	4
b. Determination of amount due to Iorzua		
• Capital account b/f	1/2	
• Current account b/f	1/2	
• Revaluation gain	1/2	
• Motor vehicle taken over	<u>1/2</u>	2
c. Preparation of capital accounts		
• Balances b/f	1	
• Goodwill written off	1 1/2	

• Revaluation gain transferred	1	
• Cash introduced by Akaa	$\frac{1}{2}$	
• Balances c/f	$1\frac{1}{2}$	
• Closing balances b/d	<u>$1\frac{1}{2}$</u>	<u>7</u>
d. Preparation of statement of financial position		
Award marks for correct entries as follows:		
• Non-current assets	1	
• Current assets	$2\frac{1}{2}$	
• Capital accounts	$1\frac{1}{2}$	
• Current accounts	1	
• Non-current liabilities	$\frac{1}{2}$	
• Current liabilities	<u>$\frac{1}{2}$</u>	<u>7</u>
Total		<u>20</u>

Solution 6

a. Computation of ratios

- i. Gross profit percentage
 - 2025: $106/846 \times 100\% = 12.53\%$
 - 2024: $105/630 \times 100\% = 16.67\%$
- ii. Inventory turnover
 - 2025: $740/100 = 7.4$ times
 - 2024: $525/50 = 10.5$ times
- iii. Return on capital employed (ROCE)
 - 2025: $46/328 \times 100\% = 14.02\%$
 - 2024: $55/180 \times 100\% = 30.56\%$
- iv. Current ratio
 - 2025: $340/176 = 1.93$
 - 2024: $160/112 = 1.43$
- v. Quick ratio
 - 2025: $240/176 = 1.36$
 - 2024: $110/112 = 0.98$
- vi. Receivables collection period
 - 2025: $240/846 \times 365 = 104$ days
 - 2024: $105/630 \times 365 = 60.86$ days
- vii. Debt equity ratio
 - 2025: $276/228 = 1.21$
 - 2024: $112/180 = 0.62$

- viii. Interest Cover
 - 2025: $46/10 = 4.6$ times
 - Not applicable (no interest paid)
- b. **Comments on the performance of the business**
 - i. Gross profit margin declined from 16.67% to 12.53%, suggesting increased production or purchasing costs.
 - ii. Return on capital employed (ROCE) fell sharply from 30.56% to 14.02%, indicating less efficient use of capital.
 - iii. Current ratio improved from 1.43 to 1.93, indicating stronger short-term liquidity.
 - iv. Quick ratio improved from 0.98 to 1.36, showing improved ability to meet current obligations without selling inventory.
 - v. The inventory turnover ratio declined from 10.50 times in 2024 to 7.40 times in 2025 indicating slower movement of inventory over previous year.
 - vi. Receivables collection period increased from 61 days to 104 days, suggesting weaker credit control and slower debt collection.
 - vii. Interest cover of 4.6 times indicates that interest obligations are currently manageable.
 - viii. Increased debt equity ratio indicates higher financial risk.

Conclusion: The company achieved substantial sales growth but experienced declining profitability and efficiency. Liquidity has improved, but receivables management requires attention. The introduction of debt has increased financial risk, although interest obligations remain adequately covered.

c. **Benefits of ratio analysis**

Ratio analysis helps assess a company's financial performance and position in several ways:

- i. Helps evaluate profitability, efficiency and effectiveness of business operations.
- ii. Enables comparison of financial performance over time or with industry peers.
- iii. Supports management decisions on investments, financing and operations by highlighting strengths and weaknesses.
- iv. Liquidity, solvency and leverage ratios indicate financial stability and risk levels.

- v. Highlights improving or deteriorating trends in areas like profitability, asset utilisation.
- vi. Useful for communicating financial performance to investors, creditors and other stakeholders.
- vii. Helps to pinpoint areas needing attention, like cash flow issues, inefficient inventory management.
- viii. Facilitates benchmarking against industry norms or competitors.

Examiner's report

The question tests candidates' ability to compute and interpret key accounting ratios. It examines calculation of profitability, efficiency, liquidity, gearing and coverage ratios for two years, ability to provide meaningful commentary linking ratios to business performance, and understanding of how ratio analysis aids decision-making for investors, lenders and management.

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

Some candidates show weak computational accuracy and narrow interpretation of financial statements. Some candidates could not state the units of measurement of ratios correctly, for instance describing current and acid test ratios in percentage.

Candidates should get use to ratio formulae with correct units and practice computing full sets of ratios from past questions and check answers against examiner's model solutions.

Marking guide

	Marks	Marks
a. Computation of ratios		
• Correctly calculating the eight ratios		8
b. Interpretation of the ratios		
• Correct interpretation of each ratio	8	
• Conclusion	1	9
c. Benefits of ratio analysis		
• Correctly stating three benefits		<u>3</u>
Total		<u>20</u>

INSTITUTE OF CHARTERED ACCOUNTANTS OF NIGERIA

FOUNDATION LEVEL EXAMINATION – MAY 2026

MANAGEMENT ACCOUNTING

Time Allowed: 3¹/₄ hours (including 15 minutes reading time)

SECTION A: MULTIPLE-CHOICE QUESTIONS (20 MARKS)

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

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

1. The name of a web containing the information about the resource you are looking for and the protocol needed to access is called
 - A. Uniform resource names
 - B. Uniform resource web
 - C. Uniform resource locator
 - D. Identifier resource web
2. Calculate the machine hour rate if overhead is ₦56,000, machine setup time is 800 hours and the machine hours is 8,000.
 - A. ₦6.36
 - B. ₦7.00
 - C. ₦ 7.78
 - D. ₦10.0
3. Which of the following is **NOT** a product cost?
 - A. Direct Materials
 - B. Factory rent
 - C. Office salaries
 - D. Direct labour
4. The method of allocating costs where two or more users share resources is called
 - A. Continuous cost allocation method
 - B. Incremental cost allocation method
 - C. Direct allocation method
 - D. Users' allocation method

5. If total fixed costs are ₦120,000 and variable cost per unit is ₦15. What is the total cost when 5,000 units are produced?
- A. ₦15,000
 - B. ₦75,000
 - C. ₦120,000
 - D. ₦195,000

Use the following information to answer questions 6 and 7.

A company estimated overhead of ₦300,000 and machine hours of 10,000 for the year. Actual overheads was ₦320,000 and actual machine hours were 9,000.

6. What is the predetermined overhead rate?
- A. ₦30 per machine hour
 - B. ₦32 per machine hour
 - C. ₦33.33 per machine hour
 - D. ₦35.56 per machine hour
7. The overhead absorbed would be
- A. ₦300,000
 - B. ₦270,000
 - C. ₦320,000
 - D. ₦350,000
8. Solo Ltd produces a product with the following details:
Standard material per unit 10kg @ ₦5. Actual usage per unit was 11kg @ ₦5.10.
Units purchased was 6,000 units. What is the material price variance.
- A. ₦1,950 Favourable
 - B. ₦1,950 Adverse
 - C. ₦600 Favourable
 - D. ₦600 Adverse

9. Find the variable cost per unit from the information below using the high and low method:

Period	Units produced	Costs ₦
July	4,300	401,600
August	5,500	416,000
September	4,800	407,600
October	5,100	411,200
November	4,200	400,400

- A. ₦16 per unit
B. ₦15 per unit
C. ₦13 per unit
D. ₦12 per unit
10. In a company, the budgeted machine hours were 25,000 with overheads of ₦425,000. The actual results were 25,500 hours and overhead of ₦430,000. If the absorption rate is machine hour based, then, overhead is:
- A. Over-absorbed by ₦5,300
B. Under-absorbed by ₦5,000
C. Over-absorbed by ₦3,500
D. Under-absorbed by ₦3,500
11. Which of the following is a cost accounting system of production that works on demand-pull basis?
- A. Just-in-Time
B. ABC Analysis
C. Pareto Analysis
D. Marginal costing
12. The process of examining substantial and complex datasets is known as:
- A. Prescriptive analytics
B. Diagnostic analytics
C. Descriptive analytics
D. Big data analytics

13. The information below relates to product Zee:

Selling price per unit ₦40

Variable cost per unit ₦25

Units sold 60,000

Fixed costs ₦250,000

What is the total variable cost?

- A. ₦650,000
- B. ₦900,000
- C. ₦1,150,000
- D. ₦1,500,000

14. A product sells for ₦80, has a variable cost of ₦50 and total fixed cost of ₦150,000. What is the breakeven point in units?

- A. 3,000 units
- B. 4,000 units
- C. 5,000 units
- D. 6,000 units

15. The information below relates to product Kitty

Product Kitty	Cost Per Unit
	₦
Selling price	10,000
Direct materials	3,500
Direct labour	2,500
Variable overheads	1,000

Budgeted fixed overhead ₦2,700,000.

What is the break-even point in value?

- A. ₦9,000,000
- B. ₦6,750,000
- C. ₦6,700,000
- D. ₦4,450,000

16. Which of the following is an example of continuous operation costing?
- Process costing
 - Contract costing
 - Batch costing
 - Marginal costing
17. Which of the following is **NOT** part of human aspects of budgeting?
- Individual differences
 - Participation
 - Goal congruence
 - Motivation
18. What is the labour rate variance if standard labour rate is ₦12 per hour and the actual labour cost for a period is ₦270,000 for 24,000 hours?
- ₦12,000 Adverse
 - ₦12,000 Favourable
 - ₦18,000 Favourable
 - ₦18,000 Adverse
19. A company has the following details:
 Total cost ₦6,000,000
 Fixed cost ₦1,500,000
 Output for the period 200,000 units
 Capacity utilised 70%
 Selling price per unit is ₦45.
- If a customer made an offer to buy the 50,000 units at a lower price, what is the minimum unit price the company should accept with a minimum gain of ₦5 per unit?
- ₦27.50
 - ₦30.00
 - ₦37.50
 - ₦40.00
20. Calculate the variable overhead efficiency variance using the following data:
 Variable overhead absorption rate ₦10.00 per hour
 Standard hours of production 3,500 hours per unit
 Actual hours of production 3,200 hours per unit
- ₦1,000 Adverse
 - ₦3,000 Favourable

- C. ₦3,000 Adverse
- D. ₦4,000 Favourable

SECTION B: OPEN-ENDED QUESTIONS (80 MARKS)

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

QUESTION 1

The stores data of Royal Nig. Ltd for the month of July, 2025 is as follows:

Date	Receipts	Purchase	Issues
	Units	Price	Units
01/07	3,000	₦4.00	
07/07	4,000	₦3.50	
10/07			2,500
19/07			3,000
21/07	3,500	₦4.10	
28/07			3,000

Required:

Prepare the stores ledger accounts in the tabular form using:

- a. The First-In, First-Out Method showing daily balances as memo on the table. (8 Marks)
- b. The Last-In, First-Out Method showing daily balances as memo on the table. State the value of the closing stock below each table. (8 Marks)
- c. Prepare an operating statement assuming the selling price per unit is ₦10 under the two methods. (4 Marks)

(Total 20 Marks)

QUESTION 2

- a. The following are the expenditure heads of Orire Nig. Ltd., a manufacturing company using the numeric system of coding:
 - i. Wages of factory supervisor;
 - ii. Plastics used as input in manufacturing;
 - iii. Iron materials used in manufacturing;
 - iv. Office personnel wages;

- v. Sales adverts;
- vi. Factory workers' wages;
- vii. Production machinery repairs;
- viii. Finance and admin director's salary;
- ix. Production machine's depreciation; and
- x. Items used in production department.

The coding systems are as follows:

Direct materials	1000 – 1100
Direct wages	1101 – 1200
Direct expenses	1201 – 1300
Indirect materials	1301 – 1400
Indirect wages	1401 – 1500
Indirect expenses	1501 – 1600
Personnel salaries	1601 – 1700

Cost Centre Codes:

Charged to cost unit	100
Charged to production cost centres	101 – 200
Charged to admin cost centres	201 – 300
Charged to selling and distribution cost centres	301 – 400

Required:

Prepare a table of the expenditure item with the relevant block codes and the cost centre codes

Example:

Expenditure	Block code	cost centre code	
Charge hand's wages	1401 – 1500	101 – 200	(10 Marks)

- b. State and briefly explain **FIVE** characteristics of big data. (10 Marks)
- (Total 20 Marks)**

QUESTION 3

Nyanya Lines Ltd has just acquired six buses to ply either Nyanya to Wuse or Nyanya to Gwagwalada. Each bus has 48 seats for passengers and two other seats to be used by the driver and his assistant (conductor). The journey from Nyanya to Wuse takes 1.5 hours whereas Gwagwalada is four hours from Nyanya. Each bus is ready to board passengers by 6.00a.m. and this takes approximately 1 hour at the Nyanya terminus, and the same amount of time at both Wuse and Gwagwalada. The buses park for each day at 9.00p.m.

The passenger pays ₦500 to Wuse between Sunday – Thursday, and ₦700 on Fridays – Saturdays. The return journey costs ₦700, per passenger on Sundays and Mondays and ₦500 on the other days. The trip to Gwagwalada is ₦1,000 per passenger to and fro.

The following pieces of information are relevant:

Weekly operating charges (per vehicle):

	Nyanya-Wuse	Nyanya- Gwagwalada
	₦	₦
Petrol	350,000	495,000
Grease	15,000	14,000
Sundry expenses	230,000	220,000

Monthly maintenance charges (per vehicle)

	Nyanya-Wuse	Nyanya- Gwagwalada
	₦	₦
Tyres	200,000	280,000
Repairs	100,000	140,000

Fixed charges (per vehicles) per annum, irrespective of route

	₦
Insurance	1,950,000
Depreciation	1,850,000

Assuming an occupancy rate of 85% to and 90% from Nyanya on the Nyanya-Wuse route, and 95% to and from on the Gwagwalada route. Assume also that the buses are operated 50 weeks a year.

Required:

Ascertain the more profitable route.

(Total 20 Marks)

QUESTION 4

The following data are from the books of Bally Nigeria Limited for the month of July 2025.

Sales volume	225,000 units
	₦
Selling price per unit	200
Direct material per unit	50
Direct labour per unit	40
Variable production overhead	20
Fixed production overhead	2,750,000
Other fixed overhead expenses	1,200,000
Opening inventory	60,000 units
Closing inventory	50,000 units

Fixed production overhead is absorbed based on 250,000 units production capacity.

Required:

- a. Prepare Income Statement using:
 - i. Marginal costing technique (7½ Marks)
 - ii. Absorption costing technique (10½ Marks)
 - b. Reconcile the income from the two results in (a) above (2 Marks)
- (Total 20 Marks)**

QUESTION 5

Rasmo Nig Ltd manufactures three products Jay, Kay, Lee and is able to sell all units produced. The following are the products' data:

	Jay	Kay	Lee
	per unit	per unit	per unit
	₦	₦	₦
Selling price	<u>250</u>	<u>230</u>	<u>300</u>
Direct materials	80	24	32
Direct labour	76	108	128

Variable overhead	27	45	57
Fixed overhead	<u>25</u>	<u>25</u>	<u>30</u>
Total costs	<u>208</u>	<u>202</u>	<u>247</u>

	Jay (units)	Kay (units)	Lee (units)
Current production	7,000	9,000	8,000
Maximum production possible	10,000	13,000	11,000

Labour hour rate is ~~₦4.00~~ per hour. However, as a result of labour unrest, labour has been in short supply.

Required:

- Calculate the most profitable production mix. (9 Marks)
- Compute the improvement in profit as a result of comparing the profit of the product mix in (a) to the profit made from selling the current production.

SHOW YOUR WORKINGS CLEARLY

(11 Marks)

(Total 20 Marks)

QUESTION 6

- List and discuss briefly **FOUR** advantages and **FOUR** disadvantages of Standard costing. (4 Marks)
- Abala Manufacturing Limited produces a single product – a special household item made up of the following cost data:
 - Direct Materials: 15 square metres @ ~~₦300~~ per square metre
 - Direct Labour: 5 hours @ ~~₦400~~ per hour
 - Variable Overhead: ~~₦200~~ per hour
 - Fixed Overhead: ~~₦100~~ per hour

The standard selling price of the product is ~~₦10,000~~ per unit.

The monthly budgeted production and sales is 1,000 units.

Actual results for the month of April, 2026 are as follows:

Production of 1,400 units was sold @ ~~₦12,000~~ each.

Direct materials purchased and used in production was 22,000 square metres @ ~~₦400~~ per square metre.

Direct labour cost – 6,800 hours @ ~~₦500~~ per hour.

Variable overheads – ~~₦1,600,000~~

Fixed overheads – ~~₦6,000,000~~

You are required to calculate:

- i. The standard cost of the product. (3½ Marks)
 - ii. The standard production cost at actual units. (2½ Marks)
 - iii. Direct Material Cost Variances (price and usage only). (4 Marks)
 - iv. Direct Labour Cost Variances (rate and efficiency only). (3 Marks)
 - v. Variable Overheads Variances (Expenditure and efficiency only). (3 Marks)
- (Total 20 Marks)**

SOLUTIONS TO MULTIPLE-CHOICE QUESTIONS

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

WORKINGS:

MCQ 2

$$\text{Machine Hour Rate} = \text{₱}56,000 / (8,000 - 800) = \text{₱}56,000 / 7,200 = \text{₱}7.78$$

MCQ 5

$$\begin{aligned} \text{Total Cost} &= \text{Fixed Cost} + \text{Variable Cost} \\ &= \text{₱}120,000 + \text{₱}15x \\ &= \text{₱}120,000 + \text{₱}15(5,000) \\ &= \text{₱}195,000 \end{aligned}$$

MCQ 6

$$\begin{aligned} \text{Predetermined Overhead Rate} &= \text{Estimated Overhead} \div \text{Estimated Machine Hour} \\ &= \text{₱}300,000 \div 10,000 \text{ Machine Hour} \\ &= \text{₱}30 \end{aligned}$$

MCQ 7

$$\begin{aligned} \text{Overhead Absorbed} &= \text{Actual Machine Hour} \times \text{Predetermined Overhead Rate} \\ &= \text{₱}9,000 \times 30 \\ &= \text{₱}270,000 \end{aligned}$$

MCQ 8

$$\begin{aligned}\text{Material Price Variance} &= (\text{Standard price} - \text{Actual price}) \text{ Actual Quantity} \\ &= (\text{N}5 - \text{N}5.10) \times 6000 = \text{N}600 \text{ Adverse}\end{aligned}$$

MCQ 9

High	5,500	416,000
Low	<u>4,200</u>	<u>400,400</u>
Difference	<u>1,300</u>	<u>15,600</u>

$$\text{Variable cost per unit} = 15,600/1,300 = \text{N}12 \text{ per unit}$$

MCQ 10

$$\text{Overhead absorption rate} = \text{N}425,000/25000 = \text{N}17$$

$$\text{Overhead} - \text{actual} = \text{N}430,000$$

$$\text{Overhead} - \text{absorbed} = \text{N}17 \times 25,500 = \text{N}433,500$$

$$\text{Over absorbed overhead} = \text{N}433,500 - \text{N}430,000 = \text{N}3,500 \text{ Over-absorbed}$$

MCQ 13

$$\text{Marginal cost} = \text{variable cost} = (60,000 \times \text{N}25) = \text{N}1,500,000$$

MCQ 14

$$\begin{aligned}\text{BEP} &= \frac{\text{FC}}{\text{SP} - \text{VC} (\text{units})} \\ &= \frac{150,000}{80 - 50} = \frac{150,000}{30} \\ &= \underline{\underline{5,000 \text{ units}}}\end{aligned}$$

MCQ 15

$$\text{Breakeven point in value} = (\text{Fixed cost}/\text{contribution per unit}) \times \text{selling price per unit}$$

$$\text{Contribution per unit} = \text{N}10,000 - (\text{N}3,500 + \text{N}2,500 + \text{N}1,000) = \text{N}3,000$$

$$(\text{N}2,700,000/\text{N}3,000) \times \text{N}10,000 = \text{N}9,000,000$$

MCQ 18

$$\text{Labour rate variance} = (\text{Actual rate} \times \text{Actual hours}) - (\text{standard rate} \times \text{Actual hours})$$

$$= \text{N}270,000 - (\text{N}12 \times 24,000) = \text{N}270,000 - \text{N}288,000 = \text{N}18,000 \text{ Favourable}$$

MCQ 19

$$\text{Variable cost per unit} = (\text{N}6,000,000 - \text{N}1,500,000)/200,000 = \text{N}22.5$$

$$\text{Minimum unit price} = \text{N}22.5 + \text{N}5 = \text{N}27.5 \text{ per unit}$$

MCQ20

Variable overhead efficiency rate = (actual hours – standard hours of production) x
variable overhead absorption rate per hour
= (3,200 – 3,500) x ₦10.00
= ₦3,000 Favourable

Examiner's Report

This part consists of 20 multiple-choice questions covering most parts of the entire syllabus. It was attempted by most candidates and performance was good as more than 60% of them scored 50% and above of the marks allocated.

SECTION B SOLUTION ONE

ROYAL NIGERIA LIMITED

a. Stores Ledger Account Using First-In, First-Out (F.I.F.O.) Method

DATE	DETAILS	RECEIPTS		ISSUES			BALANCE			
		₦	₦			₦		₦	₦	
Jul 1	Receipt	<u>3,000</u>	4.00	<u>12,000</u>				<u>3,000</u>	4.00	<u>12,000</u>
7	Receipt	<u>4,000</u>	3.50	<u>14,000</u>				3,000	4.00	12,000
								<u>4,000</u>	3.50	<u>14,000</u>
								<u>7,000</u>		<u>26,000</u>
10	Issues				<u>2,500</u>	4.00	<u>10,000</u>	500	4.00	2,000
								<u>4,000</u>	3.50	<u>14,000</u>
								<u>4,500</u>		<u>16,000</u>
19	Issues				500	4.00	2,000			
					<u>2,500</u>	3.50	<u>8,750</u>			
					<u>3,000</u>		<u>10,750</u>	<u>1,500</u>	3.50	<u>5,250</u>
21	Receipt	<u>3,500</u>	4.10	<u>14,350</u>				1,500	3.50	5,250
								<u>3,500</u>	4.10	<u>14,350</u>
								<u>5,000</u>		<u>19,600</u>
28	Issues				1,500	3.50	5,250			

					<u>1,500</u>	4.10	<u>6,150</u>			
					<u>3,000</u>		<u>11,400</u>	<u>2,000</u>	4.10	<u>8,200</u>

Value of closing inventory = ₦8,200

b. Stores Ledger Account Using Last-In, First-Out (L.I.F.O.) Method

DATE	DETAILS	R E C E I P T S		I S S U E S			B A L A N C E			
			₦	₦			₦		₦	₦
Jul 1	Receipt	<u>3,000</u>	4.00	<u>12,000</u>				<u>3,000</u>	4.00	<u>12,000</u>
7	Receipt	<u>4,000</u>	3.50	<u>14,000</u>				4,000	3.50	14,000
								<u>3,000</u>	4.00	<u>12,000</u>
								<u>7,000</u>		<u>26,000</u>
10	Issues				<u>2,500</u>	3.50	<u>8,750</u>	1,500	3.50	5,250
								<u>3,000</u>	4.00	<u>12,000</u>
								<u>4,500</u>		<u>17,250</u>
19	Issues				1,500	3.50	5,250			
					<u>1,500</u>	4.00	<u>6,000</u>			
					<u>3,000</u>		<u>10,750</u>	<u>1,500</u>	4.00	<u>6,000</u>
21	Receipt	<u>3,500</u>	4.10	<u>14,350</u>				3,500	4.10	14,350
								<u>1,500</u>	4.00	<u>6,000</u>
								<u>5,000</u>		<u>20,350</u>
28	Issues				<u>3,000</u>	4.10	<u>12,300</u>	500	4.10	2,050
								<u>1,500</u>	4.00	<u>6,000</u>
								<u>2,000</u>		<u>8,050</u>

Value of closing stock = ₦8,050

c. **Operating Statement Using:**

	First-In, First-Out		Last-In, First-Out	
	₦	₦	₦	₦
Sales (w1)		85,000		85,000
Less Cost of Sales:				
Purchases (w2)	40,350		40,350	
Less closing inventory	<u>(8,200)</u>	<u>(32,150)</u>	<u>(8,050)</u>	<u>(32,300)</u>
Gross Profit		<u>52,850</u>		<u>52,700</u>

Workings:

1. **Calculation of Sales**

July 10: 2,500 units @N10 = 25,000
 July 19: 3,000 units @N10 = 30,000
 July 28: 3,000 units @N10 = 30,000
 Total Sales = 85,000

2. **Calculation of Purchases**

July 1: 3,000 units @N4 = 12,000
 July 7: 4,000 units @N3.50 = 14,000
 July 21: 3,500 units @N4.10 = 14,350
 Total Purchases = 40,350

Examiner's Report

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

However, some candidates could not correctly prepare an operating statement as required in the (c) part of the question.

Candidates are reminded that a thorough knowledge of inventory valuation includes the effect of closing inventory on the operating statement.

MARKING GUIDE

a. 16 ticks for 8 Marks

½ Mark per tick

(16 ticks × ½ mark)

8 Marks

b. 16 ticks for 8 Marks

½ Mark per tick

(16 ticks × ½ mark)

8 Marks

c. 8 ticks for 4 Marks

½ Mark per tick

(8 ticks × ½ mark)

4 Marks

20 Marks

SOLUTION TWO

a. Expenditure Code of Orire Limited

S/N	EXPENDITURE	BLOCK CODE	COST CENTRE CODE
i.	Wages of factory supervisor	1101 - 1200	101 - 200
ii.	Plastics used as input in manufacturing	1000 - 1100	100
iii.	Iron materials used in manufacturing	1000 - 1100	100
iv.	Office personnel wages	1401 - 1500	201 - 300
v.	Sales adverts	1501 - 1600	301 - 400
vi.	Factory workers' wages	1101 - 1200	100
vii.	Production machinery repairs	1201 - 1300	101 - 200
viii.	Finance and admin Director's salary	1601 - 1700	201 - 300
ix.	Production machine's depreciation	1501 - 1600	101 - 200
x.	Items used in production department	1301 - 1400	101 - 200

b. FIVE characteristics of big data

- i. Volume: This refers to the voluminous data generated. The big data datasets are so massive that the traditional data processing systems become inadequate.
- ii. Veracity: Big data focuses on the accuracy, reliability and trustworthiness of the data.

- iii. Value: It has the potential of producing meaningful insights and actionable information. This makes it achieve the goal of improved decision making, customer understanding and optimised business processes.
- iv. Variety: Big data is constituted of diverse formats and data which could be structured, semi structured, or unstructured.
- v. Velocity: Data is generated, collected and processed speedily with big data. Big data processes real or near real time data requiring speedy analysis.

Examiner's Report

This question tests candidates' understanding of (a) cost coding and (b) big data.

It was attempted by about 40% of the candidates and performance was good in the (a) part as about 65% of them scored 50% and above of the allocated marks. However, majority of them did not perform well in the (b) part as only about 30% of them scored 50% and above of the allocated marks.

Big Data, as a topic, is obviously not a popular one, therefore not well prepared for. This accounted for the below average performance in this new area.

Candidates are enjoined to prepare for every topic under the syllabus as they are all examinable.

MARKING GUIDE

a. 20 ticks for 10 Marks

½ Mark per tick

(20 ticks × ½ mark)

10 Marks

b. 1 Mark for stating each point

1 Mark for explanation of each point

(2 Marks per point i.e. 2 marks × 5 points)

10 Marks

20 Marks

SOLUTION THREE

Nyanya Lines Limited

Operating Statement for the most profitable route

DETAILS	Notes	NYANYA – WUSE		NYANYA -GWALADA	
		₦'000	₦'000	₦'000	₦'000
Nyanya to Gwagwalada	5				47,880
Nyanya to & fro Wuse:					
Sundays – Thursdays	1	15,300			
Fridays – Saturdays	2	<u>8,568</u>	23,868		
Sundays – Mondays	3	9,072			
Tuesdays – Saturdays	4	<u>16,200</u>	25,272		
Gross Income			49,140		47,880
Less Expenses:					
Petrol	6	17,500		24,750	
Grease	7	750		700	
Sundry Expenses	8	11,500		11,000	
Tyres	9	2,400		3,360	
Repairs	10	1,200		1,680	
Insurance	11	1,950		1,950	
Depreciation	12	<u>1,850</u>	<u>(37,150)</u>	<u>1,850</u>	<u>(45,290)</u>
Net Profit Per Bus			<u>11,990</u>		<u>2,590</u>
TOTAL (Net profit per bus X 6)			<u>71,940</u>		<u>15,540</u>

WORKINGS:

No. of Buses = 6 buses

No. of Seats = 48 seats

No. of Operating Days = 50 weeks x 7 days = 350 days

Operating hours: 6am – 9pm = 15 hours daily

Nyanya to Wuse: 1½ hour + 1 hour loading = 2½ hours

No. of trips within operating hours for Nyanya to Wuse route = 15 hours ÷ 2½ hours
= 6 trips

Income per Operating Days per Route:

Nyanya to Wuse:

1. Sundays to Thursdays: 5days x 50wks x 3 trips x 48 seats x ₦500 x 85% =
₦15,300,000
2. Fridays to Saturdays: 2days x 50wks x 3 trips x 48 seats x ₦700 x 85% =
₦8,568,000

Wuse to Nyanya:

3. Sundays to Mondays: 2days x 50wks x 3 trips x 48 seats x ₦700 x 90% =
₦9,072,000
4. Tuesdays to Saturdays: 5days x 50wks x 3 trips x 48 seats x ₦500 x 90% =
₦16,200,00

Nyanya to Gwagwalada: 4 hours + 1 hour loading = 5 hours

No. of trips within operating hours for Nyanya to Gwagwalada route = 15 hours ÷ 5
hours = 3 trips

5. Nyanya to Gwagwalada = 7days x 50wks x 3 trips x 48 seats x ₦1000 x 95% =
₦47,880,000
6. Petrol:
Nyanya to Wuse – ₦350,000 x 50wks = ₦17,500,000
Nyanya to Gwagwalada – ₦495,000 x 50wks = ₦24,750,000
7. Grease:
Nyanya to Wuse – ₦15,000 x 50wks = ₦750,000
Nyanya to Gwagwalada – ₦14,000 x 50wks = ₦700,000
8. Sundry Expenses:
Nyanya to Wuse – ₦230,000 x 50wks = ₦11,500,000
Nyanya to Gwagwalada – ₦220,000 x 50wks = ₦11,000,000
9. Tyres:
Nyanya to Wuse – ₦200,000 x 12mths = ₦2,400,000
Nyanya to Gwagwalada – ₦280,000 x 12mths = ₦3,360,000
10. Repairs:
Nyanya to Wuse – ₦100,000 x 12mths = ₦1,200,000
Nyanya to Gwagwalada – ₦140,000 x 12mths = ₦1,680,000
11. Insurance: ₦1,950,000
12. Depreciation: ₦1,850,000

QUESTION THREE – SOLUTION (ALTERNATIVE)

Nyanya Lines Limited

Operating Statement for the most profitable route

DETAILS	Notes	NYANYA – WUSE		NYANYA -GWALADA	
		₦'000	₦'000	₦'000	₦'000
Nyanya to Gwagwalada	5				287,280
Nyanya to & fro Wuse:					
Sundays – Thursdays	1	91,800			
Fridays – Saturdays	2	<u>51,408</u>	143,208		
Sundays – Mondays	3	54,432			
Tuesdays – Saturdays	4	<u>97,200</u>	151,632		
Gross Income			294,840		287,280
Less Expenses:					
Petrol	6	105,000		148,500	
Grease	7	4,500		4,200	
Sundry Expenses	8	69,000		66,000	
Tyres	9	14,400		20,160	
Repairs	10	7,200		10,080	
Insurance	11	11,700		11,700	
Depreciation	12	<u>11,100</u>	<u>(222,900)</u>	<u>11,100</u>	<u>(271,740)</u>
NET PROFIT			<u>71,940</u>		<u>15,540</u>

WORKINGS:

No. of Buses = 6 buses

No. of Seats = 48 seats

No. of Operating Days = 50 weeks x 7 days = 350 days

Operating hours: 6am – 9pm = 15 hours daily

Nyanya to Wuse: 1½ hour + 1 hour loading = 2½ hours

No. of trips within operating hours for Nyanya to Wuse route = 15 hours ÷ 2½ hours
= 6 trips

Income per Operating Days per Route:

Nyanya to Wuse:

1. Sundays to Thursdays: $5\text{days} \times 50\text{wks} \times 3\text{trips} \times 6\text{buses} \times 48\text{seats} \times \text{₦}500 \times 85\% = \text{₦}91,800,000$
2. Fridays to Saturdays: $2\text{days} \times 50\text{wks} \times 3\text{trips} \times 6\text{buses} \times 48\text{seats} \times \text{₦}700 \times 85\% = \text{₦}51,408,000$

Wuse to Nyanya:

3. Sundays to Mondays: $2\text{days} \times 50\text{wks} \times 3\text{trips} \times 6\text{buses} \times 48\text{seats} \times \text{₦}700 \times 90\% = \text{₦}54,432,000$
4. Tuesdays to Saturdays: $5\text{days} \times 50\text{wks} \times 3\text{trips} \times 6\text{buses} \times 48\text{seats} \times \text{₦}500 \times 90\% = \text{₦}97,200,000$

Nyanya to Gwagwalada: 4 hours + 1 hour loading = 5 hours

No. of trips within operating hours for Nyanya to Gwagwalada route = $15\text{hours} \div 5\text{hours} = 3\text{trips}$

5. Nyanya to Gwagwalada = $7\text{days} \times 50\text{wks} \times 3\text{trips} \times 6\text{buses} \times 48\text{seats} \times \text{₦}1000 \times 95\% = \text{₦}287,280,000$
6. Petrol:
 - Nyanya to Wuse – $\text{₦}350,000 \times 6\text{buses} \times 50\text{wks} = \text{₦}105,000,000$
 - Nyanya to Gwagwalada – $\text{₦}495,000 \times 6\text{buses} \times 50\text{wks} = \text{₦}148,500,000$
7. Grease:
 - Nyanya to Wuse – $\text{₦}15,000 \times 6\text{buses} \times 50\text{wks} = \text{₦}4,500,000$
 - Nyanya to Gwagwalada – $\text{₦}14,000 \times 6\text{buses} \times 50\text{wks} = \text{₦}4,200,000$
8. Sundry Expenses:
 - Nyanya to Wuse – $\text{₦}230,000 \times 6\text{buses} \times 50\text{wks} = \text{₦}69,000,000$
 - Nyanya to Gwagwalada – $\text{₦}220,000 \times 6\text{buses} \times 50\text{wks} = \text{₦}66,000,000$
9. Tyres:
 - Nyanya to Wuse – $\text{₦}200,000 \times 6\text{buses} \times 12\text{mths} = \text{₦}14,400,000$
 - Nyanya to Gwagwalada – $\text{₦}280,000 \times 6\text{buses} \times 12\text{mths} = \text{₦}20,160,000$
10. Repairs:
 - Nyanya to Wuse – $\text{₦}100,000 \times 6\text{buses} \times 12\text{mths} = \text{₦}7,200,000$
 - Nyanya to Gwagwalada – $\text{₦}140,000 \times 6\text{buses} \times 12\text{mths} = \text{₦}10,080,000$
11. Insurance: $\text{₦}1,950,000 \times 6\text{buses} = \text{₦}11,700,000$
12. Depreciation: $\text{₦}1,850,000 \times 6\text{buses} = \text{₦}11,100,000$

Examiner's Report

This question tests candidates' understanding of service costing, with emphasis on transportation. It was attempted by about 50% of the candidates and performance was above average as about 50% of them scored 50% and above of the marks allocated.

However, some candidates missed out some tiny details and this affected their performance.

Candidates are encouraged to pay more attention to details in future examinations.

MARKING GUIDE

1 Mark each for income on each Route to & fro (5 ticks × 1 mark)	5 Marks
1 Mark each for each expenses except Insurance & Depreciation (10 ticks × 1 mark)	10 Marks
½ Mark each for Insurance & Depreciation on each route (4 ticks × ½ mark)	2 Marks
½ Mark each for Net Profit (2 ticks × ½ mark)	1 Mark
½ Mark each for working of loading hours and no of trips for each route (4 ticks × ½ mark)	<u>2 Marks</u>
	<u>20 Marks</u>

SOLUTION FOUR

BALLY NIGERIA LIMITED

a. Income Statement for The Month of July 2025

i. Marginal Costing Technique

		₦'000	₦'000
Sales	(225,000x₦200)		45,000
Opening inventory	(60,000x₦110)	6,600	
Direct materials	(215,000x₦50)	10,750	
Direct labour	(215,000x₦40)	8,600	
Variable prod. o/hd	(215,000x₦20)	<u>4,300</u>	
		30,250	
Less closing inventory	(50,000x₦110)	<u>(5,500)</u>	
Less: Total Variable Cost of Production			<u>24,750</u>
CONTRIBUTION			20,250

Less Expenses:		
Fixed prod. overhead	2,750	
Other fixed overhead expenses	<u>1,200</u>	<u>(3,950)</u>
Profit		<u>16,300</u>

ii. Income Statement using Absorption Costing Technique

		₦'000	₦'000
Sales	(225,000x₦200)		45,000
Opening inventory	(60,000x₦121)	7,260	
Direct materials	(215,000x₦50)	10,750	
Direct labour	(215,000x₦40)	8,600	
Variable prod. o/hd	(215,000x₦20)	<u>4,300</u>	
Fixed prod. o/hd	(215,000x₦11)	2,365	
		33,275	
Less closing inventory	(50,000x₦121)	<u>(6,050)</u>	
Less: Cost of Goods Sold			<u>(27,225)</u>
			17,775
Less Under absorbed FPOH	(₦2,365,000 - ₦2,750,000)	385	
Other fixed overhead expenses		<u>1,200</u>	<u>(1,585)</u>
Profit			<u>16,190</u>

Note: FPOH = Fixed Production Overheads

b. RECONCILIATION OF MARGINAL AND ABSORPTION COSTS PROFITS:

Marginal cost profit	₦'000
	16,300
Add fixed production overhead in closing inventory (50,000x₦11)	550
Less fixed production overhead in opening inventory (60,000x₦11)	<u>(660)</u>
Absorption cost profit	<u>16,190</u>

WORKINGS

Units produced:	units
Closing Inventory	50,000
Units Sold	225,000
Less Opening Inventory	<u>(60,000)</u>
Units Produced	<u>215,000</u>

Valuation of production cost per unit:

<u>Marginal costing:</u>	₦
Direct material per unit	50
Direct labour per unit	40
Variable production overhead per unit	<u>20</u>
Variable cost per unit	<u>110</u>

Absorption costing:

	₦
Direct material per unit	50
Direct labour per unit	40
Variable production overhead per unit	<u>20</u>
Fixed production overhead per unit (2,750,000/250,000)	<u>11</u>
	<u>121</u>

Examiner's Report

This question tests candidates' understanding of marginal and absorption costing. It was attempted by about 60% of the candidates and performance was above average, as about 55% of them scored 50% and above of the marks allocated.

A few of the candidates did not apply the effect of fixed costs on each of the approaches.

Candidates should add the ICAN Study Text to their study materials for future examination.

MARKING GUIDE

- ai. 1 mark each for sales & all component of total variable cost of production
(6 ticks × 1 mark) 6 Marks
 $\frac{1}{2}$ mark each for fixed expenses and net profit
(3 ticks × $\frac{1}{2}$ mark) 1½ Mark 7½ Marks
- aii. 1 Mark each for sales all components of cost of goods sold, fixed expenses and net profit except other fixed overload expenses 10 Marks
 (10 ticks × 1 mark) $\frac{1}{2}$ Marks
 Other fixed overhead expenses 10½ Marks
- b. 4 ticks for 2 Marks
 $\frac{1}{2}$ Mark per tick
 (4 ticks × $\frac{1}{2}$ mark) 2 Marks
20 Marks

SOLUTION FIVE

a. Calculation of contribution per limiting factor

	Jay		Kay		Lee	
	₤	₤	₤	₤	₤	₤
Selling Price		250		230		300
<u>Less Variable Cost:</u>						
Direct materials	80		24		32	
Direct labour	76		108		128	
Variable overhead	<u>27</u>	<u>(183)</u>	<u>45</u>	<u>(177)</u>	<u>57</u>	<u>(217)</u>
Contribution per unit		<u>67</u>		<u>53</u>		<u>83</u>
Labour hours		76		108		128
Contribution/ Labour hours	0.88		0.49		0.65	
Ranking		1st		3rd		2 nd

Allocation of 632,000 Labour Hours Available

Ranking	Product	Units possible	Labour hour per unit	Total Labour Required	Labour Hours Available	Balance of Labour Hours
1 st	Jay	10,000	19	190,000	(632,000)	(442,000)
2 nd	Lee	11,000	32	352,000	(442,000)	(90,000)
3 rd	Kay	3,333	27	90,000	-	

In order to maximise profit, the following is the product mix:

Product Jay – 10,000 units

Product Lee – 11,000 units

Product Kay – 3,333 units

b. Profit based on current production mix

Contribution

₦

Jay (7,000 x ₦67)	469,000
Kay (9,000 x ₦53)	477,000
Lee (8,000 x ₦83)	<u>664,000</u>
Total contribution	1,610,000
Less fixed overhead	<u>640,000</u>
Profit	<u>970,000</u>

Profit based on new production mix

Contribution

₦

Jay (10,000 x ₦67)	670,000
Kay (3,333 x ₦53)	176,649
Lee (11,000 x ₦83)	<u>913,000</u>
Total contribution	1,759,649
Less fixed overhead	<u>640,000</u>
Profit	<u>1,119,649</u>

The increase in profit will be (1,119,649 – 970,000) = ₦149,649

Workings:

1. Calculation of total direct labour hours available

	Jay	Kay	Lee
Direct labour cost per unit(₦)[a]	76	108	128
Direct Labour Rate (₦)[b]	4	4	4
Labour hours required per unit [c = a/b]	19	27	32
Units produced [d]	7,000	9,000	8,000
Labour hours of production [e = cXd]	133,000	243,000	256,000
Total labour hours [f] = 133,000 + 243,000 + 256,000=	<u>632,000</u>		

2. Calculation of fixed overhead

	Jay (units)	Kay (units)	Lee (units)	Total
Current sales	7,000	9,000	8,000	
Fixed overhead/unit	₦25	25	30	
Total	₦175,000	₦225,000	₦240,000	₦640,000

Examiner's Report

This question tests candidates' understanding of decision making with emphasis on optimum production mix.

It was attempted by about 75% of the candidates and performance was good, as more than 75% of them scored 50% and above of the marks allocated.

A few of the candidates were however unable to do a proper ranking based on contribution per limiting factor.

Candidates are advised that an understanding of basic principles is essential for success in examinations.

MARKING GUIDE

a. 18 ticks for 9 Marks

½ Mark per tick

(18 ticks × ½ Mark)

9 Marks

b. 22 ticks for 11 Marks

½ mark per tick

(22 ticks × ½ mark)

11 Marks

20 Marks

Note: ½ mark is given for correct determination of labour hours required per unit, labour hour of production for each product and the total labour hours (632,000) as well as calculation of fixed overhead of each product and the total fixed overhead (640,000).

SOLUTION SIX

a. **Advantages of standard costing:**

- i. It helps to minimise production costs.
- ii. Activities are standardised.
- iii. It gives opportunity to improve production.
- iv. It helps in measuring efficiency.
- v. It helps managerial activities.
- vi. It helps in determining production.
- vii. It makes comparison of activities easier.
- viii. It makes quality to be improved upon.
- ix. It is economical in management.
- x. It helps in estimating cost of new production accurately.
- xi. It makes accounting for costs easier.

Disadvantages of Standard Costing:

- i. The need for revised standard from time to time.
- ii. It can be quite expensive
- iii. Determining standards can be cumbersome
- iv. It depends on budget.
- v. Experts are involved in the process.

b. Abala Manufacturing Limited

i. Standard Cost of the Product

	₦
Direct Materials (15sqF @ ₦300)	4,500
Direct Labour (5hrs @ ₦400)	2,000
Variable Overheads (5hrs @ ₦200)	1,000
Fixed Overheads (5hrs @ ₦100)	<u>500</u>
Standard Cost per Unit	<u>8,000</u>

ii. Standard Production of 1,400 actual units

	₦'000
Direct Materials (1,400 @ ₦4,500)	6,300
Direct Labour (1,400 @ ₦2,000)	2,800
Variable Overheads (1,400 @ ₦1,000)	1,400
Fixed Overheads (1,400 @ ₦500)	<u>700</u>
Standard Cost per Unit	<u>11,200</u>

iii. Direct Material Variances

$$\begin{aligned} \text{Material Price Variance} &= \text{AQ} (\text{SP} - \text{AP}) \\ &= 22,000 (\text{₦}300 - \text{₦}400) \\ &= \underline{\underline{\text{₦}2,200,000 (A)}} \end{aligned}$$

$$\begin{aligned} \text{Material Usage Variance} &= \text{SP} (\text{SQ} - \text{AQ}) \\ &= \text{₦}300 ([1400@15] - 22,000) \\ &= \text{₦}300 (21,000 - 22,000) \\ &= \underline{\underline{\text{₦}300,000 (A)}} \end{aligned}$$

iv. Direct Labour Variances

$$\begin{aligned} \text{Labour Rate Variance} &= \text{AH} (\text{SR} - \text{AR}) \\ &= \text{₦}6,800 (\text{₦}400 - \text{₦}500) \\ &= \underline{\underline{\text{₦}680,000 (A)}} \end{aligned}$$

$$\begin{aligned} \text{Labour Efficiency Variance} &= \text{SR} (\text{SH} - \text{AH}) \\ &= \text{₦}400 ([1,400 @ 5hrs] - 6,800) \\ &= \text{₦}400 (7,000 - 6,800) \\ &= \underline{\underline{\text{₦}80,000 (F)}} \end{aligned}$$

- v. Variable Overheads Variances
- Variable Expenditure Variance = AH (SR – AR)
 = 6,800 (~~₦200~~ – [~~₦1,600,000~~ ÷ 6,800])
 = 6,800 (~~₦200~~ – ~~₦235.30~~)
 = ₦240,000 (A)
- Variable Efficiency Variance = SR (SH – AH)
 = ~~₦200~~ ([1,400 @ 5hrs] – 6,800)
 = ~~₦200~~ (7,000 – 6,800)
 = ₦40,000 (F)

Examiner's Report

This question tests candidates' knowledge of standard costing and basic variances. It was attempted by about 50% of the candidates and performance was average, as about 50% of them scored 50% and above of the marks allocated.

The major pitfall here was lack of adequate preparation.

Candidates are enjoined to study all sections of the syllabus when preparing for future examinations.

MARKING GUIDE

- | | | | |
|-----|--|----------------|----------|
| a. | Advantages of standard costing | | |
| | 4 points for 2 Marks | | |
| | ½ mark per point | | |
| | (Any 4 points × ½ mark) | 2 Marks | |
| | Disadvantages of standard costing | | |
| | 4 points for 2 Marks | | |
| | ½ mark per point | | |
| | (Any 4 points × ½ mark) | <u>2 Marks</u> | 4 Marks |
| b i | 1 mark each for direct material & direct labour | | |
| | (2 ticks × 1 mark) | 2 Marks | |
| | ½ mark each for variable overhead, fixed overhead and standard cost per unit | | |
| | (3 ticks × ½ mark) | <u>1½ mark</u> | 3½ Marks |
| ii | 5 ticks for 2½ Marks | | |
| | ½ mark per tick | | |
| | (5 ticks × ½ mark) | | 2½ Marks |
| iii | MPV formula | ½ mark | |

	Expression of formula	½ mark	
	Final answer	1 mark	
	Direct material wage variable		
	Formula	½ mark	
	Expression of formula	½ mark	
	Final answer	<u>1 mark</u>	4 marks
iv.	Direct labour rate variance		
	Formula	½ mark	
	Expression of formula	½ mark	
	Final answer	½ mark	
	Direct labour efficiency variance		
	Formula	½ mark	
	Expression of formula	½ mark	
	Final answer	<u>½ mark</u>	3 marks
v.	Variable expenditure variance		
	Formula	½ mark	
	Expression of formula	½ mark	
	Final answer	½ mark	
	Variable efficiency variance		
	Formula	½ mark	
	Expression of formula	½ mark	
	Final answer	<u>½ mark</u>	<u>3 marks</u>
			<u>20 Marks</u>

INSTITUTE OF CHARTERED ACCOUNTANTS OF NIGERIA

FOUNDATION LEVEL EXAMINATION – MAY 2026

BUSINESS ENVIRONMENT

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 or D) that corresponds to the correct option in each of the following questions/statements.

MULTIPLE CHOICE QUESTION (MCQ)

1. The overall activities of a company in its pursuit to create, market and sell a service or product are known as
 - A. Analysis of business
 - B. Introduction to business
 - C. Nature of business
 - D. Organisation of business

2. Which of the following documents explicitly states the relationship between a company and the outside world?
 - A. Memorandum of association
 - B. Articles of association
 - C. Business agreement
 - D. Partnership agreement

3. A system that defines how job titles, roles and responsibilities are assigned within an organisation is known as
 - A. Organisational structure
 - B. System of organisation
 - C. Hierarchy of organisation
 - D. Organisational balancing

4. A sub-committee of the board of directors responsible for overseeing an organisation's financial reporting, risk management and other internal controls is called
 - A. Accounting committee
 - B. Audit committee
 - C. Finance committee
 - D. Internal control committee

5. A comprehensive business framework used to analyse the external macro-environment that influences an organisation's operations is known as the
 - A. SWOT analysis
 - B. PESTEL model
 - C. Task model
 - D. Potter's 5 model

6. An often-overlooked benefit of SWOT analysis, which confirms that all parts of the organisation work together towards shared goals, is known as
 - A. Strategic collaboration
 - B. Strategic alignment
 - C. Strategic alliance
 - D. Strategic management

7. The following are roles of financial reporting, **EXCEPT:**
 - A. Monitoring income and expenses
 - B. Communicating essential data
 - C. Supporting financial analysis and decision-making
 - D. Ensuring debt control

8. Which of the following terms refers to the policies, procedures and mechanisms a finance team implements to regulate and oversee access to financial data and systems within an organisation?
 - A. Access compliance
 - B. Access monitors
 - C. Access controls
 - D. Access restrictions

9. Management is a distinct process comprising planning, organising, actuating and controlling; employing both science and art in each and pursued to achieve pre-determined objectives. This is according to
- A. Frederick Winslow Taylor
 - B. Harold Koontz
 - C. Joseph Massie
 - D. George R Terry
10. The coordinated actions and decision-making processes that facilitate the achievement of shared goals collectively, whether noble pursuits like scientific discovery or malicious endeavours such as terrorism, are known as
- A. Cooperation
 - B. Coordination
 - C. Group behaviour
 - D. Collaboration
11. The following are characteristics of conflicts within an organisation **EXCEPT:**
- A. Conflict usually hurts the effectiveness of an organisation
 - B. There may be unfriendly rivalries between workgroups, departments or individuals
 - C. The individuals or groups in conflict are unlikely to communicate openly with each other
 - D. Conflicts enable individuals in an organisation to know where they belong
12. The theory of motivation that asserts our behaviour stems from conscious decisions between options is known as
- A. Vroom's Expectancy Theory
 - B. Herzberg's Two-factor Theory
 - C. Abraham Maslow's Hierarchy of Needs
 - D. McClelland's Motivational Needs Theory
13. An endeavour that involves completing tasks with limited resources and within a finite timeline to achieve a specific objective is called
- A. Management
 - B. Technology
 - C. Modelling
 - D. Controlling

14. A list of all desires that must be fulfilled, and ranked by importance or priority, is called
- A. Choices
 - B. Scale of preference
 - C. Opportunity cost
 - D. Scarcity list
15. Which of the following describes the amount of a good or service that an individual is willing and able to buy at different prices over a specified period?
- A. Demand schedule
 - B. Demand curve
 - C. Demand equation
 - D. Market demand
16. The estimated monetary worth of the owner's resources utilised during the production process is known as
- A. Short-run cost
 - B. Explicit cost
 - C. Implicit cost
 - D. Total fixed cost
17. The difference between total costs (both implicit and explicit) and total revenues is known as
- A. Normal profit
 - B. Normal loss
 - C. Economic profit
 - D. Abnormal loss
18. Which of the following is **NOT** a source of monopoly power?
- A. Control of the entire supply of a basic input
 - B. Franchises and patents
 - C. Divestiture
 - D. Merger and acquisition
19. A structured collection of data that enables efficient storage, access and management of information is called a
- A. Data management
 - B. Database system
 - C. Data formation
 - D. Data analysis

20. A digital tool used to organise, manipulate and analyse data in a tabular format of rows and columns is known as
- A. Spreadsheet application
 - B. An excel sheet
 - C. A multimedia appliance
 - D. A portable document format

SECTION B: OPEN-ENDED QUESTIONS (80 MARKS)

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

QUESTION 1

Various internal and external factors can affect a company's business decisions. Different combinations of these factors, such as price, social shifts and regulatory changes, can influence the overall environment in which a business operates.

Required:

- a. Define business environment. (2 ½ Marks)
- b. List and explain **FIVE** characteristics of a business environment. (7½ Marks)
- c. Identify and describe **TWO** types of stakeholders within an organisation. (4 Marks)
- d. Identify and describe **THREE** important aspects of stakeholders that are vital to an organisation. (6 Marks)

(Total 20 Marks)

QUESTION 2

An organisational structure is how a company, organisation or team is arranged. It can be hierarchical, with various levels of management. It can also be divisional, with separate product lines and divisions.

Required:

- a. List and explain **FOUR** factors that influence a centralised organisational structure. (6 Marks)
- b. State and explain **FOUR** characteristics of a decentralised system of organisational structure. (6 Marks)
- c. Highlight **FOUR** advantages of each of the centralised and decentralised organisational structures. (8 Marks)

(Total 20 Marks)

QUESTION 3

An internal audit is an independent review of an organisation's operations, governance, internal controls and risk management processes, aimed at improving the organisation's effectiveness and efficiency.

Required:

- a. Provide a list of, and explain **FIVE** types of internal audit. (7½ Marks)
- b. Highlight **FIVE** formal objectives of internal audit. (5 Marks)
- c. State and explain the **FIVE** key roles of internal audit. (7½ Marks)

(Total 20 Marks)

QUESTION 4

Henry Mintzberg classified managerial roles based on their objectives. He identified ten roles and grouped them into three categories, arranging the roles by their similar features.

Required:

- a. Explain managerial roles. (2 Marks)
- b. List the **THREE** categories of managerial roles. (3 Marks)
- c. List the **TEN** managerial roles within the **THREE** categories listed above. (10 Marks)
- d. State the **FIVE** different levels of Abraham Maslow's Hierarchy of Needs (5 Marks)

(Total 20 Marks)

QUESTION 5

Demand in economics extends beyond simply expressing a wish, want or desire; it encompasses a willingness that is supported by the availability of financial means.

Required:

- a. State the law of demand. (2½ Marks)
- b. List and explain **FIVE** determinants of demand. (7½ Marks)
- c. Explain the difference between movement along the demand curve and a shift of the demand curve, using diagrams where relevant to illustrate your points. (10 Marks)

(Total 20 Marks)

QUESTION 6

Artificial Intelligence (AI) involves developing machines that can perform tasks typically requiring human intelligence. AI includes computer systems that can learn, reason, solve problems, and make decisions.

Required:

- a. Identify and describe **FIVE** key features of artificial intelligence. (7½ Marks)
- b. Name and describe **FIVE** sectors in which artificial intelligence can be utilised. (7½ Marks)
- c. Highlight **FIVE** challenges frequently faced when implementing artificial intelligence. (5 Marks)

(Total 20 Marks)

SOLUTIONS

MULTIPLE CHOICE QUESTION (MCQ)

SECTION A – MULTIPLE-CHOICE(MCQ)

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

Examiner's report

Section A of the paper comprises twenty mandatory multiple-choice questions. The questions in this section test candidates' comprehension of the various aspects of the syllabus. All the candidates who sat for the examination attempted this compulsory section.

It was observed that 100% of the candidates attempted this question and 65% of the number scored above average

The ICAN study text and Pathfinder provide the necessary guidance. Therefore, for future examinations in this subject, all prospective candidates are encouraged to cover all aspects of the syllabus using the study text in conjunction with any other recommended texts.

Marking guide

SECTION A	Marks
Award 1 mark each for any correct option stated up to a maximum of 20 marks.	20

SOLUTION 1

SECTION B- OPEN-ENDED QUESTIONS

a) Business environment

A business environment refers to the totality of internal and external forces, factors, institutions and conditions that influence the operations, performance and decision-making activities of a business organisation. It comprises all circumstances within and outside the organisation that affect its ability to achieve its objectives.

b) The following are the characteristics of a business environment:

- i. **Complexity:** The business environment is a complex system of many interacting elements, including internal factors (like employees and resources) and external factors (like customers, markets and competitors). Changes in one area can have ripple effects on other areas, making it difficult to predict outcomes.
- ii. **Dynamism:** The business environment is constantly changing, influenced by both internal and external factors. Businesses must adapt to these changes to remain competitive and successful.
- iii. **Multifaceted nature:** The business environment is made up of various factors, including economic, social, political, technological, legal and environmental dimensions. Understanding these different dimensions is crucial for businesses to make informed decisions.

- iv. **Uncertainty:** Uncertainty is an inherent characteristic of the business environment, as businesses cannot always predict future events or outcomes. Companies must be prepared to handle unexpected challenges and opportunities.
- v. **Interrelatedness:** The different components of the business environment are interconnected and influence each other. Changes in one area can have a ripple effect on other areas.
- vi. **Relativity:** The business environment is relative, meaning it varies from one location to another and from one industry to another. Businesses must tailor their strategies to the specific environment in which they operate.
- vii. **Far-reaching impact:** The business environment has a significant impact on the survival and growth of businesses. Understanding and adapting to the business environment is crucial for long-term success.
- viii. **Importance of identifying opportunities and first mover advantage:** The business environment presents both challenges and opportunities for businesses. Identifying opportunities and capitalising on them first can provide a significant competitive advantage.

c) **Types of stakeholders**

Stakeholders can be internal or external to an organisation.

- i. **Internal stakeholders** are people whose interest in a company comes through a direct relationship, such as employment, ownership or investment. Internal stakeholders are within the organisation. The project directly impacts them as they serve and are employed by the organisation managing it. Internal stakeholders can include employees, owners, the board of directors, project managers, investors and more.
- ii. **External stakeholders** do not directly work for or with a company but are affected by the actions and outcomes of the business. suppliers, creditors and public interest groups are all considered external stakeholders. External stakeholders are outside of the organisation and are indirectly impacted by the project. The organisation's work influences them, but they are not employees of the organisation.

(d). **Importance of stakeholders to business:**

- i. **Providing resources:**
 - **Financial support:** Investors, for example, provide the capital needed for operations and growth.

- **Labour and expertise:** Employees contribute their skills and knowledge, which are essential for daily operations.
 - **Revenue and market access:** Customers, suppliers and partners provide revenue and influence market access.
- ii. **Influencing decision-making:**
- **Strategic planning:** Stakeholder engagement allows businesses to understand diverse perspectives, leading to more informed decisions.
 - **Risk management:** Stakeholders can help identify potential risks and opportunities before they become significant issues.
 - **Innovation and creativity:** Diverse stakeholder input can spark new ideas and improve business operations.
- iii. **Building relationships and trust:**
- **Improved communication:** Engaging stakeholders fosters open dialogue and understanding, leading to better relationships.
 - **Enhanced reputation:** strong stakeholder relationships build trust and confidence, enhancing the company's reputation.
 - **Greater alignment:** Engaged stakeholders are more likely to support the company's goals and initiatives.
- iv. **Enhancing business performance:**
- **Increased efficiency:** Understanding stakeholder needs allows businesses to streamline operations and improve resource allocation.
 - **Better project outcomes:** Stakeholder engagement ensures that projects align with overall business goals and are more likely to succeed.
 - **Long-term sustainability:** Addressing stakeholder concerns helps businesses achieve sustainable growth and avoid potential conflicts.

Examiner's report

The question is presented in four parts. The first part of the question requires a comprehensive definition of business environment. The second part demands listing and explanation of five characteristics of business environment, the third part requests for identification and description of the two types of stakeholders within an organisation, while the fourth part calls for identification and description of three aspects of stakeholders that are vital to an organisation.

It was observed that 85% of the candidates attempted this question, and 65% of the number scored above average

The common pitfalls of the candidates were their failure to discuss the characteristics of business environment as contained in the Study Text. Some candidates were also using stakeholders and shareholders interchangeably, while they are not the same.

Candidates are encouraged to familiarise themselves with the ICAN study text and Pathfinder for better performance.

Marking guide

	Marks	Marks
(a) Correct definition of business environment		2½
(b) Identifying five characteristics	2½	
Explaining the five characteristics	<u>5</u>	7½
(c) Identification of two types of stakeholders	2	
Correct description of each type of stakeholder	<u>2</u>	4
(d) Identifying each important aspect of stakeholders	3	
Correct description of stakeholders identified	<u>3</u>	<u>6</u>
Total		<u>20</u>

SOLUTION 2

(a) The determinants of a centralised organisational structure

There are various factors to consider, including:

- i. **Cost:** Centralisation saves costs. For example, it supports higher economies of scale. For instance, when departmental managers have the authority to procure office equipment, they may not be eligible for discount facilities. However, if done centrally, the company can buy on a large scale from suppliers. As a result, suppliers are more likely to offer a discount to the company. Finally, procurement costs become more cost-effective when carried out centrally, rather than independently by each department. And companies benefit from purchasing economies of scale;
- ii. **Organisation size:** In some cases, large companies tend to delegate decisions to lower-level management. It is almost impossible to make all the decisions under a few people because the operation is more complex. Take, for example, multinational companies. Top-level management at headquarters delegates decisions and grants autonomy to strategic business unit management. The same case applies to other companies, such as retail chains;
- iii. **Management style:** Centralised structures are common under authoritarian leadership. The leader dominates decisions, leaving little room for subordinates to participate. Moreover, authoritarian leaders demand absolute obedience to their decisions;

- iv. **Quality managers at every level:** Centralisation can be a suitable choice when managers at each level have varying qualities. For example, top-level managers are trained to make decisions. In contrast, lower-level managers do not have such attributes. Thus, bad decision-making can be avoided by concentrating decisions at the top level;
- v. **Geographical spread:** A centralised organisational structure is an option when a company operates in multiple locations. Conversely, they will rely on decentralisation if they operate in many different geographic areas, such as multinational companies; and
- vi. **Business environment:** In a centralised structure, if decisions have to be made by top-level managers, it can take a long time. It can become even more acute when a problem arises because a decision does not come immediately.

(b) Characteristics of a decentralised organisational structure

The key features that set the decentralised organisational structure apart from traditional models are as follows:

- i. **Distribution of authority and decision-making:** Instead of waiting for approvals from the top, managers and employees at different levels have the power to make decisions based on their roles. This speeds up decision-making and processes, as those closest to the issues and possessing the most relevant information make the call;
- ii. **Empowerment of lower-level employees:** a decentralised organisational structure empowers employees at lower levels by giving them the authority to make decisions, and employees feel more valued and motivated. This can lead to higher job satisfaction, better performance and a stronger sense of ownership over their work;
- iii. **Flexibility and adaptability:** Decentralised organisations are flexible and able to adapt quickly to changes. Because decision-making is decentralised, these companies can respond more rapidly to market shifts, customer needs and new opportunities, which are crucial in fast-paced industries;
- iv. **Communication channels and information flow:** In a decentralised structure, the flow of information is more open and multi-directional. Information is transmitted not just from the top down but also laterally and from the bottom up. This fosters a more collaborative environment where ideas and feedbacks are freely shared, leading to improved problem-solving and innovation.

(c) **Advantages of centralised and decentralised organisational structures**
Advantages of centralised organisational structure:

- i. **Consistent decision-making:** Since decisions are made by top-level managers and cascaded downward, there is consistency across all levels of the organisation, minimising the risk of conflicting or contradictory choices by subordinates;
- ii. **Easy to make decisions:** Top-level managers make decisions at their discretion without the need to extensively consult with multiple parties, making the decision process more direct and less time consuming at the strategic level;
- iii. **Clear chain of command:** The authority structure is well-defined. Everyone within the organisation knows who has the right to make decisions, reducing confusion and overlapping responsibilities, particularly when problems arise;
- iv. **Maintained quality control:** Top management enforces standards and procedures that govern the actions of subordinates. This standardised approach ensures that outputs consistently meet required specifications, with limited room for independent deviation;
- v. **Unity towards organisational goals:** Centralised decision-making ensures that all parts of the organisation move in the same direction. Once a decision is reached, lower-level staff implement it without the option to deviate, keeping the company aligned with its vision and strategic objectives;
- vi. **Order in business:** Top-level managers require employees to comply with every decision made, resulting in a more orderly and smoother running of the organisation's operations, with reduced conflict over procedures and priorities;
- vii. **Saving money:** Centralisation minimises problems arising from inconsistent decisions and duplication of roles. It also supports economies of scale, for example, centralised procurement allows the organisation to benefit from bulk purchasing discounts, reducing overall expenditure;

- viii. **Good business image:** With communications and public-facing decisions coordinated at the centre, the organisation maintains a consistent image in the eyes of the public. This is especially critical during a crisis, when a unified, coordinated response is essential.

Advantages of decentralised organisational structure:

- i. **Faster decision-making:** Unlike centralised organisations where decisions pass through multiple layers, decentralised organisations allow lower-level managers, and sometimes regular employees, to make and implement decisions directly without waiting for top management approval.
- ii. **Top management focus on long-term goals:** By delegating day-to-day operational decisions, senior executives are freed to concentrate on long-term strategic planning, mission setting and growth strategy development for the organisation.
- iii. **Increased employee empowerment and engagement:** Giving employees decision-making authority makes them feel valued and important within the organisation. This sense of ownership increases employee engagement, reduces turnover and leads to improved individual and team performance.
- iv. **Identification of future leaders:** Delegating decision-making responsibility to lower-level managers and staff serves as a practical mechanism for identifying individuals with the potential to rise to higher positions within the organisation in the future.

Examiner's report

The question is presented in three parts. The first part requires the listing and explanation of four factors that influence a centralised organisational structure. The second part requires the candidates to state and explain four characteristics of a decentralised system of organisational structure. The last part requires four advantages of each of the centralised and decentralised organisational structures to be highlighted.

It was observed that 55% of the candidate attempted this question and 48% of the number scored above average

The common pitfalls of the candidates were their inability to state and explain correctly the determinants of a centralised organisation structure.

For improved performance in future examinations, candidates are strongly advised to use ICAN study text and pathfinder for better preparation.

Marking guide

	Marks	Marks
(a) Four correctly listed factor that influence a centralised organisation	2	
Four correctly explained factors	<u>4</u>	6
(b) Four correctly listed factors that affect a centralisation organisation	2	
Four correctly explained factors	<u>4</u>	6
(c) Highlighting four advantages of centralised organisational structure	4	
Highlighting four advantages decentralised organisation structure	<u>4</u>	8
Total		<u>20</u>

SOLUTION 3

a) Internal audit

An internal audit is an independent review of an organisation's operations, governance, internal controls and risk management processes, aimed at improving the organisation's effectiveness and efficiency. It helps identify weaknesses and inefficiencies, ultimately enabling the company to achieve its goals by adopting a disciplined approach to evaluating and improving processes. An internal audit is an unbiased review of a company's internal systems, methods and procedures. The goal of an internal audit is to provide independent assurance over a company's operations.

Types of Internal audits

There are several types of internal audits:

- i. **Compliance audit:** This is a review of a company's operations and procedures to make sure that internal rules, procedures and policies are being adhered to.
- ii. **Financial audit:** Several audits fall under internal financial audits, such as payroll audits, which are used to ensure that employees are paid correctly.

- iii. **Environmental audit:** These audits assess the environmental performance or the impact that a business's activities have on the environment.
- iv. **Technology or IT audit:** These audits assess an organisation's information technology infrastructure for vulnerabilities and best practices.
- v. **Operational audit:** An operational audit assesses an organisation's processes and procedures to identify opportunities for improving operations.
- vi. **Performance audit:** This type of audit assesses whether a business meets performance metrics set by management.

b) Objectives of internal audit

The formal objectives of internal audit may include some or all of the following review of:

- Accounting and internal control systems;
- Financial and operating information;
- The 'three E's (economy, efficiency and effectiveness);
- Compliance with laws and regulations;
- Arrangements for the safeguarding of assets;
- Implementation of corporate goals and objectives;
- Identification of significant risks to the organisation and monitoring risk; and management policy and risk management strategies.

c) Key roles of internal audit

i. Improving operations

Internal audits evaluate the effectiveness of the organisation's risk management processes, internal controls and governance structures, providing recommendations that drive operational improvement and enhance overall efficiency.

ii. Identifying weaknesses

By systematically examining the organisation's processes and controls, internal audits pinpoint specific areas of vulnerability where improvements are needed, before such weaknesses escalate into material losses or failures.

iii. Ensuring compliance

Internal audits help ensure that the organisation adheres to all relevant laws, regulations, and internal policies, thereby reducing the risk of regulatory breaches, legal penalties and reputational damage.

iv. Protecting assets

Through a review of financial and operational activities, internal audits help safeguard the organisation's assets, both tangible and intangible, against misuse, theft, waste and other forms of loss.

v. Enhancing decision-making

Internal audits provide management with valuable, independent insights and data that can be used to make better-informed strategic decisions, improve performance monitoring and achieve organisational goals more effectively.

Examiner's report

The question is in three parts. All parts of the question examine candidates' knowledge on internal audit.

It was observed that 65% of the candidate attempted this question and 55% of the number scored above average.

The common pitfalls of the candidates were their lack of understanding of the objectives and roles of internal audit.

Candidates should utilise Pathfinders' suggested solutions and the ICAN Study Text in preparing for future examinations.

Marking guide

	Marks	Marks
(a) Stating types of internal audit	2½	
Correctly explaining the types of internal audit	<u>5</u>	7½
(b) Highlighting five objectives of internal audit		5
(c) Stating five key roles of internal audit	2½	
Correctly explaining the key roles of internal audit	<u>5</u>	<u>7½</u>
Total		<u>20</u>

SOLUTION 4

(a) Managerial roles

Managerial roles refer to the specific behaviours and activities adopted by managers to perform various management functions, including planning, organising, leading, strategising, and problem-solving. Within an organisation, managers at different levels hold different but often overlapping responsibilities. Henry Mintzberg classified managerial roles based on their purposes, identifying ten distinct roles grouped into three broad categories.

(b) Three categories of managerial roles

- i. Interpersonal roles
- ii. Informational roles.
- iii. Decisional roles

(c) Ten managerial roles within the three categories

Interpersonal roles:

- i. Figurehead
- ii. Leader
- iii. Liaison

Informational roles:

- i. Monitor
- ii. Disseminator
- iii. Spokesperson

Decisional roles:

- i. Entrepreneur
- ii. Disturbance handle
- iii. Resource allocator
- iv. Negotiator

(d) Five levels of Abraham Maslow's Hierarchy of Needs

- i. Physiological needs
- ii. Safety/Security needs
- iii. Social needs
- iv. Esteem needs (Ego needs)
- v. Self-fulfilment needs (Self-actualisation)

Examiner's report

The question is in four parts. Three parts of the question examine candidates' knowledge of managerial roles. Thus, the last part requires the candidate to state the different levels of Abraham Maslow's Hierarchy of needs.

It was observed that 90% of the candidate attempted this question and 65% of the number scored above average.

The common pitfalls of the candidates were their lack of clear understanding of the three categories of the managerial roles.

For better performance in future examinations, candidates should cover the contents of the syllabus and make adequate use of the ICAN study text.

Marking guide

	Marks
(a) Explaining managerial roles	2
(b) Correctly identifying categories of managerial roles	3
(c) Correctly stating ten managerial roles	10
(d) Correctly stating different levels of Abraham Maslow's hierarchy of needs	<u>5</u>
Total	<u>20</u>

SOLUTION 5

a) Law of demand

The law of demand states that, all other things being equal (*ceteris paribus*), when the price of a good or service rises, the quantity demanded falls; and conversely, when the price falls, the quantity demanded rises. In other words, price and quantity demanded have an inverse relationship.

b) Determinants of demand

The factors that influence the amounts of a good or service that are wanted are referred to as the determinants of demand in economics.

These factors include, in addition to the price of the commodity itself, consumer income, the cost of associated goods and services, customer expectations and tastes, population, marketing methods, weather, credit availability, borrowing costs and other relevant factors.

- **Consumer income**
The demand for a good or service may shift in response to changes in consumer income. However, the kind of commodity in question will determine which way demand changes.
- **Normal goods:** *Ceteris paribus*, demand for a typical good may rise in response to increasing consumer income and fall in response to falling consumer income.

An increase in consumer income may result in a decline in demand for an inferior good. Thus, inferior goods such as "second-hand" goods are those that we purchase more of when we are financially worse off and less of when it is better off.
- For a necessity, a change in consumer income may not affect demand.
- **Price of related goods**
Goods relate to each other in two ways. Goods are either complements or substitutes.
 - **Complementary goods** are goods with joint demand. For example, a camera and film, a pen and ink, etc., are necessary together before a need can be met. When two complementary goods are priced together, a decrease in the demand for one will result in a rise in the demand for the other and vice versa.
- **Substitute goods:** Products that fulfil the same need or desire of the customer are known as substitutes (e.g. pen and biro). Examples of substitute items include butter and margarine; if the price of butter stays the same, a significant increase in the cost of margarine will enable individuals to eat more butter. When it comes to substitutions, if the price of one drops, the demand for the other falls and if the price of one rises, the demand for the other rises, *ceteris paribus*.
- **Consumer taste/preference**
Demand is impacted by advertising, fashion, and sales promotions. Any shift in consumer taste or preference results in a change in demand; for example, a rise in demand for a particular good is caused by an increase in taste or preference, while a fall in demand is caused by a decline in taste or preference.
- **Consumer expectations**
The anticipated future price of the commodity and the expected shift in consumer income influence the decision to purchase it today. Today's demand for a commodity will rise if consumers expect its price to increase in the future, but today's demand will decrease if consumers

expect its price to fall. Similarly, the current demand for a typical commodity may rise in response to an anticipated increase in consumer income, and vice versa.

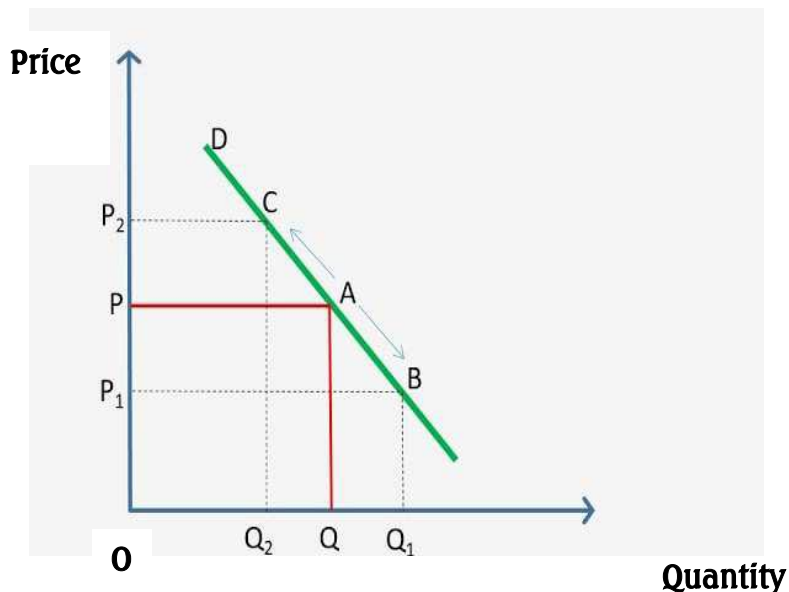
- **Population of consumers**
Population and population changes may affect demand for a commodity. Certain goods may be more in demand in densely populated areas than in less populated ones. For instance, because Nigeria has a larger population than Ghana, it can have a greater demand for some commodities and services. Additionally, a nation's demand for goods and services will rise in tandem with its population. Additionally, if the makeup or structure of the population changes, the demand for particular commodities and services may also alter.
- **Marketing strategies**
Marketing techniques, such as publicity, advertising and sales promotions (like raffles), are ways to encourage customers to purchase more goods. They are designed to educate and persuade both new and existing customers to buy more of the product. All other things being equal, a successful marketing strategy will raise demand for the product.
- **Natural factors**
Seasonal fluctuations can impact the demand for a commodity at specific times of the year. For instance, the demand for items such as fans and air conditioners typically rises during the dry season, while the demand for jackets, raincoats and umbrellas increases during the rainy season.
- **Availability of credit**
Customers are encouraged to purchase more things when they are provided with credit facilities, such as hire purchase, credit purchase and the usage of credit cards and cheques. If all else is equal, granting credit facilities will raise demand for the products they cover.
- **Cost of borrowing (Interest rate)**
People can borrow and purchase more common products and services if borrowing costs are low (interest rates are lower). People will borrow less money and make fewer investments if borrowing costs are high.

c) **Movement along the demand curve vs. shift of the demand curve**

Movement along the demand curve:

A movement along the demand curve occurs when the quantity demanded of a good changes as a result of a change in its own price, while all other factors

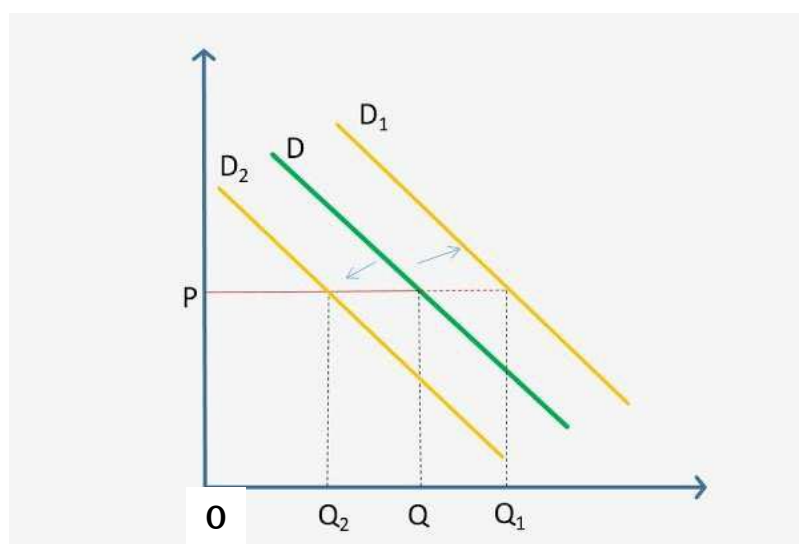
remain constant (*ceteris paribus*). The demand curve itself does not change position.



From the above diagram, when price increases from OP to OP_2 , quantity demanded contracts from OQ to OQ_2 , a leftward movement along the curve from point A to point C . When price decreases from OP to OP_1 , quantity demanded extends from OQ to OQ_1 , a rightward movement along the curve from point A to point B .

Shift of the demand curve:

A shift of the demand curve occurs when any factor other than the price of the good itself causes a change in demand. This results in the entire demand curve moving to a new position, either to the right (demand increase) or to the left (demand decrease).



From the above diagram, when demand determinants improve (for example, an increase in consumer income for a normal good or a rise in the price of a substitute), the demand curve shifts rightward from DD to D1D1, indicating more is demanded at every price level. When determinants deteriorate, the curve shifts leftward from DD to D2D2.

Examiner's report

The question is in three parts. All parts of the question examine candidates' knowledge of the concept of demand.

It was observed that 60% of the candidate attempted this question and 42% of the number scored above average.

The common pitfalls of the candidates were their inability to discuss and demonstrate a good knowledge of law of demand.

Candidates are encouraged to prepare for future examinations by covering all aspects of the syllabus using the ICAN study text.

Marking guide

	Marks	Marks
(a) Correctly stating the law of demand		2½
(b) Correctly listing the determinants of demand	2½	
Explaining the determinants of demand	<u>5</u>	7½
(c) Correctly labelling the diagram of demand curve	2	
Correctly explaining movement in price along the demand curve	3	
Correctly labelling shift in the demand curve	2	
Correctly explaining shift in the demand curve	<u>3</u>	<u>10</u>
Total		<u>20</u>

SOLUTION 6

a) Artificial Intelligence (AI)

Artificial Intelligence (AI) refers to the development of machines that can perform tasks that typically require human intelligence. AI involves computer systems that can perform tasks traditionally requiring human intelligence, such as learning, reasoning, problem-solving and decision-making. AI applications in business include chatbots for customer service, predictive analytics, fraud detection and robotic process automation. Russell and Norvig (2016) define AI as "the study of agents that receive precepts from the environment and perform actions." AI technologies, including machine learning, natural language processing, robotics and deep learning, are becoming increasingly integral

across various sectors, such as healthcare, finance, entertainment, and education. In accounting, AI is increasingly used for audit automation, risk assessment and financial forecasting.

i. **Key features of Artificial Intelligence**

- **Learning ability:** AI systems can learn from data. This capability enables them to improve their performance over time without needing explicit programming for every scenario. Machine learning and deep learning algorithms are often employed for this purpose, allowing the systems to identify patterns and make decisions.
- **Autonomy:** AI systems can operate independently and make decisions without human intervention. Autonomous systems, such as self-driving cars, are prime examples of AI that can perform tasks and make real-time decisions based on the environment, without requiring human input.
- **Adaptability:** AI systems can adapt to new data and evolving circumstances. For example, in customer service, AI chatbots can learn from interactions and refine their responses to improve the user experience.
- **Problem-solving and reasoning:** AI systems can apply logic to solve complex problems. Expert systems, for instance, utilise predefined rules and decision-making processes to emulate human problem-solving skills.
- **Perception:** AI systems can interpret and make decisions based on sensory inputs like images, sounds and text. Through technologies like computer vision and speech recognition, AI systems can "see" and "hear," allowing them to interact with the environment in a meaningful way.
- **Natural language processing (NLP):** AI can understand and generate human language. NLP enables machines to process and analyse large amounts of natural language data, facilitating tasks such as speech recognition, text translation, sentiment analysis and more.
- **Predictive analytics:** AI is capable of forecasting outcomes based on data analysis. For instance, predictive maintenance in industries uses AI to forecast machine failures, helping businesses minimise downtime and optimise maintenance schedules.

- **Automation:** AI is highly effective at automating repetitive tasks, making processes faster and more efficient. Robotic process automation (RPA) and AI-driven systems can automate administrative tasks, data entry, and other routine operations across various industries, including finance, healthcare, and retail.

(b) Sectors where artificial intelligence can be utilised

i. Healthcare

AI is applied in diagnostics, treatment recommendations and drug discovery. Machine learning algorithms can analyse medical images to detect diseases such as cancer, while AI systems assist medical professionals in developing personalised treatment plans for individual patients.

ii. Manufacturing

AI optimises production processes and enhances quality control. AI-powered robots and automation systems streamline production lines, increase output volumes and minimise errors, resulting in higher operational efficiency.

iii. Fashion technology

In the fashion industry, AI supports design, inventory management and personalised shopping experiences. AI tools analyse consumer behaviour, recommend products tailored to individual preferences and predict emerging fashion trends to assist designers and retailers.

iv. Education

AI is reshaping the education sector by creating personalised learning experiences. AI-driven platforms can adapt to the learning pace and style of individual students, providing tailored resources, exercises and real time feedback to enhance educational outcomes.

v. Security and surveillance

AI technologies such as facial recognition and behavioural analytics are improving security measures by enabling real-time threat detection, monitoring of public spaces and rapid response to suspicious activities.

vi. Transportation

AI is transforming the transportation industry through autonomous vehicles, intelligent traffic management systems and predictive maintenance solutions that reduce human error, optimise routes and improve overall safety standards.

- (c) **Challenges frequently faced when implementing artificial intelligence**
- **Job displacement and unemployment:** One of the significant concerns with AI is its potential to replace human workers, especially in routine and repetitive roles. As AI systems automate tasks, there is a risk of unemployment, particularly in sectors like manufacturing and customer service.
 - **Malfunction and risks:** AI systems can malfunction if they are poorly designed or if their algorithms are flawed. Misuse or improper handling of AI technologies can result in significant risks, particularly in critical areas such as healthcare or autonomous driving.
 - **Lack of human touch and emotional intelligence:** AI cannot understand emotions or respond with empathy. In sectors such as healthcare or customer service, the absence of emotional intelligence can hinder the quality of interactions and impact outcomes.
 - **High cost and resource intensity:** Developing and maintaining AI systems requires substantial investment in both hardware and software infrastructure. While the long-term benefits can be significant, the upfront costs can be a barrier for smaller businesses or less developed industries.
 - **Increased dependency on technology:** Over-reliance on AI could lead to a diminished role for human decision-making. Additionally, if AI systems fail or are compromised, the consequences could be severe, especially in areas like security, healthcare, and critical infrastructure.
 - **Lack of creativity and originality:** While AI can simulate creativity by processing and combining existing data, it cannot truly innovate or create original ideas. This limits its role in areas that require ground-breaking innovation or artistic expression.

Examiner's report

The question is in three parts. All parts of the question examine candidates' knowledge of Artificial Intelligence (AI).

It was observed that 90% of the candidate attempted this question and 45% of the number scored above average

The common pitfalls of the candidates were their inability to explain the features of artificial intelligence (AI).

Candidates are encouraged to thoroughly cover the subject's syllabus and utilise the ICAN study text adequately.

Marking guide

	Marks	Marks
(a) Identifying five key features of artificial intelligence	2½	
Explaining the key feature of artificial intelligence	<u>5</u>	7½
(b) Stating five sectors where AI can be utilised	2½	
Explaining the sectors where AI can be utilised	<u>5</u>	7½
(c) Highlighting the challenges of implementing artificial intelligence		<u>5</u>
Total		<u>20</u>

INSTITUTE OF CHARTERED ACCOUNTANTS OF NIGERIA
FOUNDATION LEVEL EXAMINATION – MAY 2026
CORPORATE & 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 or D) that corresponds to the correct option in each of the following questions/statements.

1. The received English Law applicable in Nigeria consists of
 - A. British customary law, equity, good conscience
 - B. Common law, doctrines of equity, statutes of general application
 - C. Repugnancy laws, statutes, equity
 - D. Common law, negligence, equity

2. The rights contained in an insurance contract are transferable only by way of
 - A. Sale
 - B. Delivery
 - C. Execution
 - D. Assignment

3. Where a hirer fails to take possession of goods, subject matter of a hire purchase contract, the owner has the right to
 - A. Sue for damages under common law
 - B. Sue for the full value of the goods
 - C. Arrest the hirer to compel him
 - D. Sue for specific damages

4. A partnership in which all partners participate in its management is a
 - A. Partnership of the people
 - B. Democratic partnership
 - C. Private partnership
 - D. General partnership

5. Which of the following is a duty of an employee to his employer?
- A. Allegiance to all causes of the employer
 - B. Muteness over company matters
 - C. Obeying all lawful instructions
 - D. Specifying when sharing of profits will be prohibited
6. Which of the following is **NOT** eligible to appoint an administrator for a company?
- A. The Corporate Affairs Commission under Section 8 of the Companies and Allied Matters Act
 - B. An administration order of the court under Section 449 of the Companies and Allied Matters Act
 - C. The holder of a floating charge under Section 452 of the Companies and Allied Matters Act
 - D. The company or its directors under Section 459 of the Companies and Allied Matters Act
7. Where partnership assets are insufficient to discharge its liabilities upon dissolution, partners shall bear the deficiency first out of
- A. Profits of the partnership
 - B. Individual contribution
 - C. Capital
 - D. Selling individual assets
8. In a hire purchase contract, ownership passes when the hirer
- A. Pays all installments and exercises option to purchase
 - B. Exercises option to purchase
 - C. Pays all installation
 - D. Is about to pay the last installment
9. The minimum membership of a private company is
- A. 1
 - B. 2
 - C. 3
 - D. 4

10. A company incorporated under the Companies and Allied Matters Act 2020
 - A. Has a short time to exist
 - B. Can own property like a natural person
 - C. Cannot ordinarily enter into valid contracts
 - D. Does not possess a separate legal personality from its shareholders

11. A contract formed and concluded using a software system is a/an
 - A. Software contract
 - B. Specialised contract
 - C. Digital contract
 - D. E-contract

12. The duties that an agent owes his principal under law are derived from two main sources, which are
 - A. The Companies and Allied Matters Act (CAMA) and the Common Law
 - B. The Partnership Act and equity
 - C. The Agency Act 1898 and the Common Law
 - D. The agency contract itself and equity

13. Negligence as a tort consists of three elements, namely
 - A. Tortious act, negligent conduct, and damage
 - B. Damage, causation, and duty
 - C. Legal duty of care, breach of the duty, and consequential damage
 - D. Duty, damage, and compensation

14. Under sale of goods law, *nemo dat quod non habet* means that the
 - A. Seller can only transfer possession of goods
 - B. Seller cannot pass title which he does not have
 - C. Property in the goods must be fit
 - D. Seller has a habit of giving credit

15. Which of the following is an alternative dispute resolution mechanism?
 - A. Calibration
 - B. Mediation
 - C. Intervention
 - D. Administratism

16. Which of the following persons is **NOT** a personal representative?
- A. Administrator
 - B. Executor
 - C. Receiver
 - D. Executrix
17. The memorandum and articles of association of a company have the effect of a contract under seal between
- A. The shareholders as a group
 - B. The shareholders severally
 - C. The company, its shareholders, and its officers
 - D. The company and its officers
18. A floating charge created by a company to secure a loan is a/an
- A. Charge with capacity to attach to any property belonging to the company
 - B. Security which is predatory
 - C. Security which takes effect in the future
 - D. Security with a floating interest rate
19. Being privy to making of false entry in a book constitutes an offence of
- A. Fraudulent cheating entry
 - B. Fraudulent fake entry
 - C. Fraudulent false pretence
 - D. Fraudulent false accounting
20. In a banker/customer relationship, a bank has rights to do all of the following, **EXCEPT**
- A. Charge reasonable interest on credits advanced by it
 - B. Use money deposited with it without approval of the customer
 - C. Decline payment on improperly drawn cheques
 - D. Close the customer's account without notice to the customer

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. Personal representatives administer the estate of others.

Required:

State **FOUR** duties of personal representatives.

(4 Marks)

- b. The Companies and Allied Matters Act, 2020 makes provisions for the yearly auditing of company's accounts.

Songa is a retiring auditor of XYZ Plc that the company desires to reappoint.

Required:

- i. State briefly the procedure for Songa's reappointment.

(2 Marks)

- ii. State **TWO** reasons for which Songa may not be reappointed.

(4 Mark)

- c. You are the legal adviser of XYZ Plc, an insurance company.

Required:**Explain**

- i. Insurable interest.

(2 Marks)

- ii. Contribution.

(2 Marks)

- d. You are a trustee of a public trust, and you have powers to invest the funds of the trust in profitable securities.

Required:

State **THREE** classes of securities in which you may invest the fund under the applicable law.

(6 Marks)

(Total 20 Marks)

QUESTION TWO

- a. The Board of Directors of Gondigo Plc. that was constituted last week intends to appoint a Company Secretary.

Required:

- i. State **FOUR** qualifications of persons that could be appointed legally.
(4 Marks)
- ii. Which company is **NOT** required to have a Company Secretary?
(2 Marks)

- b. Andrew has free access to his employer's network of computers. He deliberately inputted wrong data into the network of computers, which appeared favourable to his employer so as to please him. His employer, relying on the wrong data, promoted him.

Required:

- i. State the offence, if any, which Andrew could be charged with.
(2 Marks)
 - ii. If found guilty, state the punishment Andrew may be liable to.
(2 Marks)
 - iii. What offence would Andrew have committed if he had only knowingly altered the data in the computer and caused his boss loss of property, but not for the purpose of conferring any economic benefit on himself? (2 Marks)
- c. A client whose employee is misbehaving has sought your advice on the legal grounds to dismiss him.

Required:

State **THREE** legal grounds upon which an employee could be dismissed.
(6 Marks)

- d. In contractual relationships, the parties are required to be of the same mind.

Required:

State **TWO** exceptions to the principle of privity of contract.
(2 Marks)

(Total 20 Marks)

QUESTION THREE

- a. Under the Companies and Allied Matters Act (CAMA), 2020, every company must keep accounting records.

Required:

State **THREE** rules on keeping and filing of accounting records under CAMA.
(6 Marks)

- b. Akin, a director of Juguda Limited, received a discount of ₦2million from a vendor that sold a warehouse to Juguga Limited, and intends to keep the money for himself.

Required:

Advise Akin on his duties. (6 Marks)

- c. Chinedu advertised his used accounting books for sale on his Facebook page. Bimbo accepted on Chinedu's Facebook page to buy the books on the terms stated. Bimbo then completed a captcha authentication, gave a delivery address on the contract form, and clicked on the last button at the end of the form.

Required:

Explain the type of contract Chinedu and Bimbo entered into?
(2 Mark)

- d. The Money Laundering (Prohibition) Act demands special surveillance and reporting on certain suspicious transactions.

Required:

State **FOUR** of such suspicious transactions. (6 Marks)

(Total 20 Marks)

QUESTION FOUR

- a. Winding up of a company are of different types.

Required:

Explain the **TWO** types of voluntary winding up. (6 Marks)

- b. Resolutions at the general meeting of a company are put to vote.

Required:

i. How are the resolutions decided on? (2 Marks)

ii. State **FOUR** categories of person that are eligible to demand for a poll at a general meeting. (6 Marks)

- c. As the apex regulatory authority for the money market, the Central Bank of Nigeria (CBN) has objects.

Required:

State **FOUR** of the principal objects of the CBN. (6 Marks)

(Total 20 Marks)

QUESTION FIVE

- a. Alternative Dispute Resolution (ADR) is a legal and useful means of resolving commercial disputes.

Required:

State **THREE** advantages and **THREE** disadvantages of ADR. (6 Marks)

- b. Angela has been Andrew's salesgirl for over ten years. Angela had regularly ordered and paid for goods from Madam Brenda on behalf of Andrew for many years. Angela ordered goods worth five million Naira from Madam Brenda in Andrew's name without paying and absconded with the goods.

Madam Brenda is considering suing Andrew for the value of the goods that Angela absconded with, and has approached you for advice.

Required:

Explain the type of agency, if any, in the relationship above, and advise Andrew on his possible liability. (6 Marks)

- c. In a contract of sale of ascertained goods, the general principle is that ownership in the goods passes to the buyer at time of entering into the contract even if he has not paid the price.

Required:

i. State **THREE** remedies of an unpaid seller. (3 Marks)

ii. State **THREE** implied terms of a sale of goods contract. (3 Marks)

- d. Some factors may invalidate a contract that ought ordinarily to have been valid.

Required:

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

(Total 20 Marks)

QUESTION SIX

- a. Vicarious liability in the law of torts occurs in a master/servant relationship.

Required:

State **FOUR** tests for determining if a master/servant relationship exists.

(6 Marks)

- b. A contract of hire purchase has a duration.

Required:

State **FOUR** means of terminating a hire purchase contract.

(6 Marks)

- c. In cases of fraud, the intent of the defendant/accused is material.

Required:

State **FOUR** types of fraudulent intent.

(6 Marks)

d. An insurance policy could be assignable.

Required:

State the **TWO** types of assignment.

(2 Marks)

(Total 20 Marks)

SOLUTIONS

MULTIPLE CHOICE QUESTIONS (MCQ)

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

OPEN-ENDED QUESTIONS SOLUTIONS

SOLUTION ONE

(a) The duties of a personal representative are to:

- i. obtain letters of administration when there is no Will or probate when there is a Will;
- ii. call in and preserve the estate of the deceased;
- iii. ensure reasonable burial of the deceased;
- iv. settle all lawful liability of the estate;
- v. distribute the remaining assets to the beneficiaries according to the Will or applicable law;
- vi. complete administration within reasonable time; and
- vii. keep proper books and accounts of the estate.

(b) The law on re-appointment of a retiring auditor is as follows:

- i. A retiring auditor shall be re-appointed without the company passing any resolution at any annual general meeting.
- ii. The reasons for which a retiring auditor may not be re-appointed are as follows:
 - he is not qualified for re-appointment;
 - the company has passed a resolution appointing a replacement or stating expressly that he must not be re-appointed; or
 - he has notified the company in writing of his unwillingness to be re-appointed.

(c) In the law of insurance:

- i. **Insurable interest** requires that an insured person must have some legal relationship with the subject matter of insurance worthy of preservation otherwise the contract would be void.
- ii. **Contribution** is known as the right of contribution whereby an insurer who has paid under a policy to call upon other insurers equally liable for the same insured risk to contribute to the payment.

(d) The securities in which a public trustee may invest include the following:

- i. securities created or issued by or on behalf of the Government of the Federation of Nigeria;
- ii. securities of a State government declared President of the Federation by notice published in the Federal Gazette to be securities in which a trustee can invest by the;

- iii. debentures and fully paid up shares of any public company incorporated and registered under the Companies and Allied Matters Act. In addition, the shares and debentures must be quoted on the Nigerian Exchange (NGX) Limited; and
- iv. securities created or issued by other companies or corporations that are listed in the schedule to the Trustee Investment Act.

Examiner's report

The question tests candidates' understanding of the duties of a personal representative, the procedure for reappointment of a company auditor and the reasons for which a person may not be reappointed, insurable interest and contribution in the law of insurance, and securities in which a public trustee may invest.

Attempt rate was 80%, and pass rate was 30%.

The common pitfalls of the candidates were their inadequate understanding of the duties of a personal representative and the law on reappointment of company auditors.

Candidates are advised to study the duties of personal representatives as well as the law of reappointment of auditors more diligently in ICAN Study Text when preparing for future examination.

Marking guide

	Marks
a. Duties of a personal representative (1 mark each for any 4 duties)	4
b.i The procedure for reappointment of company auditor (2 marks for correctly stating the procedure)	2
ii. Reasons a retiring auditor may not be reappointed (2 marks for each reason, subject to a maximum of 2 reasons)	4
c.i. Explaining the concept of insurable interest (2 marks for correct explanation)	2
ii. Explaining contribution in insurance (2 marks for correct explanation)	2
d. Securities a public trustee may invest in (2 marks for each security, subject to a maximum of 3)	<u>6</u>
Total	<u>20</u>

SOLUTION TWO

- (a) i. **The qualifications of a company secretary:**
- Membership of the Institute of Chartered Secretaries and Administrators (ICSAN);
 - A legal practitioner within the meaning of the Legal Practitioners Act, Cap L11, LFN, 2004;
 - Membership of any professional body of accountants established from time to time by an Act of the National Assembly; or
 - Any person who has held the office of the secretary of a public company for at least three years of the five years immediately preceding his appointment in a public company; or
 - A body corporate or firm consisting of the professionals in (a), (b), or (c).
- ii. A small company is not required to have a company secretary.
- (b) In the facts presented:
- i. Andrew has committed the offence of deliberate imputation of wrong data in his employer's computers for fraudulent purposes (**computer related forgery**).
 - ii. If found guilty, Andrew may be liable to three years imprisonment or a fine of not less than N7 million or both.
 - iii. Andrew would have committed a **computer related fraud** under Section 14(1) of the Cybercrimes (Prohibition, Prevention, etc.) Act 2015.
- (c) The legal grounds upon which an employee could be dismissed include:
- i. an act or conduct likely to bring the employer into disrepute;
 - ii. the servant's practice or conduct that exposes 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 and so on.
- (d) The exceptions to the principle of privity of contract include:
- i. insurance;
 - ii. trust;
 - iii. agency;
 - iv. restrictive covenants;
 - v. negotiable instruments; and
 - vi. sale by the Court.

Examiner's report

The question tests candidates' understanding of the qualifications of a Company Secretary and the exemption of a small company from appointment of Company Secretary, the offences of computer related forgery as well as computer related fraud, grounds for dismissal of an employee, and the exemptions to the principle of privity of contract

Attempt rate was 70%, and pass rate was 50%.

The common pitfalls of the candidates were their inadequate understanding of the law on computer related forgery and fraud as well as the exemptions to the principle of privity of contract.

Candidates are advised to study the offences of computer related forgery as well as computer related fraud, and the exemptions to the principle of privity of contract more diligently in ICAN Study Text for better performance in future examination.

Marking guide

	Marks
a. i	
Qualifications of persons that could be appointed as Company Secretary legally (1 mark per point subject to maximum of 4 points)	4
ii.	
Company not required to have Company Secretaries (2 marks for correct answer)	2
b. i	
Offence Andrew could be charged with (2 marks for the correct answer)	2
ii.	
Punishment Andrew may be liable to (2 marks for the correct answer)	2
iii.	
Offence Andrew would have committed for causing his boss loss of property but not for the purpose of conferring any economic benefit himself (2 marks for the correct answer)	2
c.	
Legal grounds upon which an employee could be dismissed (2 marks for each point, subject to a maximum of 3 points)	6
d.	
Exceptions to the principle of priority (1 mark for each correct point, subject to a maximum of 2 points)	<u>2</u>
Total	<u>20</u>

SOLUTION THREE

- (a) The rules on keeping and filing of accounting records under the CAMA include the following:
- i. a company shall keep accounting records in accordance with section 374 of the CAMA;
 - ii. the records shall disclose accurately the financial position of the company and enable the directors to ensure compliance with CAMA;
 - iii. every public company must keep its audited accounts displayed or posted on its website (section 374(6), CAMA);
 - iv. the accounting records shall be at the company's registered office or such other place in Nigeria as the directors think fit, and shall be open to inspection by the officers of the company (section 375(1), CAMA);
 - v. the company shall preserve the accounting records for 6 years from the date the company made them, subject to any direction on disposal of records under winding up rules made pursuant to CAMA (section 375(2), CAMA); and
 - vi. an officer of a company that fails to comply with the accounting records provisions commit an offence punishable with a fine as the CAC may specify, "unless he shows that he has acted honestly, and that in the circumstances in which the business of the company was carried on, the default was excusable" (section 376, CAMA).
- (b) i. Akin as a director of Juguda Limited owes the company a number of duties including the fiduciary duty not to make secret profits from any transactions entered into for and on behalf of the company.
- ii. Akin is advised not to keep the ₦2 million discount that he obtained from the vendor but account to Juguda Limited for it.
- (c) Chinedu and Bimbo entered into an e-contract. The contract is modeled, specified, executed and deployed by a software system. The concept of e-contract is very similar to traditional (paper based) commercial contract. There usually are the offer, acceptance, consideration and intention to create legal relations. The other basic principles of contract as discussed earlier in this chapter also apply to e-contract.
- (d) Under Section 7(1) of the Money Laundering (Prohibition) Act, special surveillance is required when a transaction :
- i. involves a frequency which is unjustifiable or unreasonable;
 - ii. is surrounded by conditions of unusual or unjustified complexity;
 - iii. appears to have no economic justification or lawful objective;
 - iv. is inconsistent with the known transaction pattern of the account or business relationship; or
 - v. in the opinion of the financial institution or non-financial business and

profession involves the proceeds of a criminal activity, unlawful act, money laundering, or terrorist financing.

Examiner's report

The question tests candidates' understanding of the rules for keeping and filing of accounting records under the Companies and Allied Matters Act (CAMA), 2020 (as amended), the duties of a director not to make secret profit, formation of e-contract, and special surveillance as well as reporting of transactions that appear to be money laundering.

Attempt rate was about 70%, and pass rate was about 60%.

The common pitfalls of the candidates were their inadequate understanding of the law on keeping and filing of accounting records as well as the transactions that require special surveillance and reporting for appearing to be money laundering.

Candidates are advised to study the law on keeping and filing of accounting records under the CAMA, 2020 as well as the transactions that require special surveillance and reporting for appearing to be money laundering more diligently in ICAN Study Text in their future preparation.

Marking Guide

	Marks
a. Rules for keeping and filing company accounts (2 marks for each correct answer, subject to a maximum of 3 points)	6
b. Duties of a director of a company (2 marks for the correct answer, subject to a maximum of 2 points)	6
c. Types of contract entered by the 2 parties (2 marks for the correct description of the type of contract entered into)	2
d. Identification of suspicious transactions (1½ marks for each correct suspicious transaction identified, subject to a maximum of 4 points)	<u>6</u>
Total	<u>20</u>

SOLUTION 4

- (a) According to section 620 of the CAMA, the company may wind up voluntarily:
- i. when the period for its duration by its articles of association expires, or the event, if any, occurs on the occurrence of which the articles provide that the company is to be dissolved, and the company passes an ordinary resolution requiring the company to be wound up voluntarily;
or
 - ii. if the company resolves by special resolution that it be wound up voluntarily. Keep in mind that voluntary winding up could take the form of members' voluntary winding up, or creditors' voluntary winding up. Members' voluntary winding up occurs where the company has made a declaration of solvency and delivered, the declaration to the Corporate Affairs Commission (CAC). Creditors voluntary winding up occurs where no declaration of solvency has been made by the company and filed with the CAC.
- (b) Concerning voting at a general meeting of a company:
- i. resolution put to vote at a general meeting shall be decided on a show of hands or electronic voting, except a poll is demanded by eligible persons (before or on the declaration of the result of the show of hands) demanded
 - ii. The following persons are entitled to demand for a poll at a general meeting:
 - the chairman, where he is a shareholder or a proxy;
 - at least three members present in person or by proxy;
 - a member or members of the company present in person or by proxy who constitute not less than one-tenth of the total voting rights of all the members that have the right to vote at the meeting; or
 - any member(s) that hold shares in the company that give the right to vote at the meeting, which shares are paid up to the value of not less than one-tenth of the total sum of money paid up on all the shares that confer such voting right.
- (c) The principal objects of the Central Bank of Nigeria are to:
- i. ensure monetary and price stability within the Nigerian economy;
 - ii. issue legal tender currency in Nigeria;
 - iii. maintain external reserves so as to safeguard the international value of the legal tender currency;
 - iv. promote a sound financial system in Nigeria; and
 - v. act as banker to the Federal Government of Nigeria, providing it economic and financial advice.

Examiner's report

The question tests candidates' understanding of the types of company voluntary winding up, voting on company resolutions as well as eligibility to demand a poll, and the principal objects of the Central Bank of Nigeria (CBN).

Attempt rate was about 75%, and pass rate was about 40%.

The common pitfalls of the candidates were their inadequate understanding of the types of company voluntary winding up, and voting on company resolutions as well as eligibility to demand a poll.

Candidates are advised to study company voluntary winding up, and voting on company resolutions as well as eligibility to demand a poll in ICAN Study Text in their future preparation.

Marking guide

	Marks
a. Types of winding up (3 marks for each correct discussion of voluntary winding up, subject to a maximum of 2 types)	6
b.i How resolutions are decided (2 marks for correct discussion of how resolutions are decided)	2
ii. Categories of persons that are eligible to demand for a poll (1½ marks for each answer, subject to a maximum of 4 points)	6
c. The principal objects of the CBN (1½ marks for each correct principal objects, subject to a maximum of 4 points)	<u>6</u>
Total	<u>20</u>

SOLUTION 5

a. The advantages of alternative dispute resolution (ADR) are as follows:

- i. ADR affords cordial and peaceful environment rather than the “adversarial system of the law courts, thus it is more convenient and dignifying to go into ADR.
- ii. The opportunity, which parties have to appoint an expert on the particular subject matter in dispute to hear and decide the issue, is an important asset to ADR.
- iii. When it comes to overall cost, there is no doubt that ADR is cheaper than litigation as a means of resolving conflict.
- iv. ADR proceedings are usually faster than the court proceedings that are more prone to frequent adjournments. Commercial arbitration is, therefore, usually preferred because time is of essence in commercial and business transactions. There are no pleadings and award comes within 90 days.
- v. ADR is much more given to privacy unlike the undue publicity, which might attend civil litigation and adversely affect adversely the image of the parties.
- vi. The proceedings in ADR are less tortuous and technical than those in the civil proceedings in courts. There are simple and well-defined rules in arbitration that apply to specific situations circumstances and which parties may agree to adopt.
- vii. As in the courts, there is strict adherence to the principles of natural justice.
- viii. States as well as multi-national companies prefer arbitration to international litigation. Arbitration takes its pride of place as alternative means of dispute resolution.

The disadvantages of alternative dispute resolution (ADR) are as follows:

- i. their enforceability is limited;
- ii. the bargaining powers of the parties could be unequal, which makes their power equation unequal;
- iii. the mechanisms have no formal precedent as there are in judicial precedents;
- iv. the mechanisms depend on the parties’ willingness; and
- v. the presiding official (arbitrator, mediator, or conciliator) could be bias or prejudiced.

- b. The relationship between Andrew and Angela is that of apparent or ostensible authority. This is based on the fact of the representation that Andrew made to Brenda that Angela had the authority to make purchases on Andrew's behalf.

Based on the application of the ostensible authority to this matter, Andrew is liable to pay Brenda five million Naira, being the unpaid price of the goods that Angela absconded with.

- c. In sale of goods contracts:

- (i) The following are the remedies of an unpaid seller:

- lien over the goods;
- suing for the price of the goods;
- withholding delivery of the goods;
- stoppage of goods in transit; and
- suing for damages for breach of contract.

- (ii) The implied terms of a sale of goods contract are as follows:

- the seller has a good title;
- the buyer shall have a quiet possession;
- the goods shall correspond to the sample where sold by description;
- the goods shall be of merchantable quality;
- the goods are free from encumbrances; and
- the goods shall be fit for the purpose stated by the buyer.

- d. The factors that vitiate a contract are as follows:

- mistake;
- misrepresentation;
- duress;
- undue influence; and
- illegality.

Examiner's report

The question tests candidates' understanding of the advantages and disadvantages of alternative dispute resolution (ADR), the creation and implication of apparent or ostensible authority in agency law, the remedies of an unpaid seller as well as implied terms in sale of goods contract, and factors that vitiate a contract.

Attempt rate was about 90%, and pass rate was about 65%.

The common pitfalls of the candidates were their inadequate understanding of ADR and the ways of creating agency.

Candidates are advised to study the basics of ADR and how agency is created in ICAN Study Text in their future preparation.

Marking guide

	Marks
a. Advantages and disadvantages of ADR (1 mark for each discussion of advantage of ADR, subject to a maximum of 3 points and 1 mark for each discussion of disadvantage of ADR subject to a maximum of 3 points)	6
b. Explanation the type of agency relationship and advise on possibility liability (3 marks for correct discussion of the type of agency relationship and 3 marks on advice on possibility liability)	6
c. (i) Remedies of an unpaid seller (1 mark each for each remedy, subject to a maximum of 3 points)	3
(ii) Implied terms of sale of goods contract (1 mark each for each implied term subject to a maximum of 3 points)	3
d. Factors that vitiate a contract (1 mark for each factor, subject to a maximum of 2 points)	<u>2</u>
Total	<u>20</u>

SOLUTION 6

- a. The tests for determining if a master/servant relationship exists are as follows:
 - i. control test;
 - ii. organisational test;
 - iii. economic reality test;
 - iv. obligation test; and
 - v. integration test.

- b. A hire purchase contract 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.

- c. Fraudulent intents are of the following types:
 - i. intent to deceive;
 - ii. intent to obtain property or advantage dishonestly;
 - iii. intent to cause loss to another;
 - iv. intent to induce a person to act or omit action;
 - v. intent to conceal or suppress the truth; and
 - vi. intent to cause wrongful gain wrongful loss.

- d. In insurance, the types of assignment are as follows:
 - i. absolute assignment; and
 - ii. collateral assignment.

Examiner's report

The question tests candidates' understanding of the tests for establishing the existence of a master/servant relationship, the ways of terminating a hire purchase contract, the types of fraudulent intent in criminal law, and the two types of assignment of insurance policy.

Attempt rate was about 80%, and pass rate was about 50%.

The common pitfalls of the candidates were their inadequate understanding of the tests for establishing the existence of a master/servant relationship, and the types of fraudulent intent.

Candidates are advised to study the tests for establishing the existence of a master/servant relationship, and the types of fraudulent intent in ICAN Study Text in their future preparation.

Marking Guide

	Marks
a. Test for determining if master/servant relationship (1 ^{1/2} marks for each test, subject to a maximum of 4 points)	6
b. Means of terminating a hire purchase contract (1 ^{1/2} marks each for each method, subject to a maximum of 4 points)	6
c. Types of fraudulent intent (1 ^{1/2} marks for each type of fraudulent intent, subject to a maximum of 4 points)	6
d. Types of assignment (1 mark for each type of assignment, subject to a maximum of 2 points)	<u>2</u>
Total	<u>20</u>