



**THE INSTITUTE OF CHARTERED  
ACCOUNTANTS OF NIGERIA**

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# **PATHFINDER**

**NOVEMBER 2025 DIET  
FOUNDATION LEVEL EXAMINATIONS**

**Question Papers**

**Suggested Solutions**

**Examiners' Reports**

**and**

**Marking Guides**

## **FOREWARD**

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

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

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

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

### **NOTES**

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

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

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

**TUESDAY, NOVEMBER 18, 2025****DO NOT TURN OVER UNTIL YOU ARE TOLD TO DO SO**

# INSTITUTE OF CHARTERED ACCOUNTANTS OF NIGERIA

## FOUNDATION LEVEL EXAMINATION – NOVEMBER 2025

### FINANCIAL ACCOUNTING

Time Allowed:  $3\frac{1}{4}$  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. A contingent liability should **NOT** be recognised in the financial statements if:
  - A. It is certain to occur
  - B. There is a probable outflow of resources
  - C. It arises from a past event and is measurable
  - D. It is only possible and not probable
2. Which of the following best describes the primary objective of general-purpose financial reporting according to the IASB Conceptual Framework?
  - A. To determine market share and profitability
  - B. To provide information useful to existing and potential investors, lenders and other creditors in making informed decisions
  - C. To satisfy the statutory requirements of government agencies
  - D. To forecast industry performance based on economic indicators
3. Which of the following is the most appropriate reason for a business to adopt electronic funds transfer (EFT) over cash handling?
  - A. EFT eliminates the need for bank reconciliation
  - B. EFT reduces the requirement for proper accounting records
  - C. EFT provides faster, more secure and traceable transactions
  - D. EFT allows unlimited access to credit facilities
4. Glory Enterprises provided the following data for the month of June:
  - Opening balance of receivables: ₦42,000
  - Credit sales during the month: ₦95,000
  - Cash received from customers: ₦88,000
  - Discounts allowed: ₦3,000
  - Bad debts written off: ₦2,000

What is the closing balance in the receivables control account?

- A. ₦44,000
- B. ₦48,000
- C. ₦49,000
- D. ₦50,000

5. A machine which historically cost ₦120,000 was sold for ₦35,000. The accumulated depreciation of the machine was ₦90,000, while the maintenance cost during the period was ₦11,000. What is the gain on disposal of the machine?

- A. ₦5,000
- B. ₦16,000
- C. ₦19,000
- D. ₦24,000

6. On the retirement of a partner, the partner's share of goodwill should be

- A. Borne by the continuing partners in their new profit-sharing ratio
- B. Paid only if the partnership agreement allows it
- C. Divided equally among all partners
- D. Transferred to the capital account of the new partner

7. The following information relates to Zeta Ltd for the year ended December 31, 2024:

Profit before tax: ₦800,000

Depreciation: ₦120,000

Increase in trade receivables: ₦60,000

Decrease in inventory: ₦40,000

Increase in trade payables: ₦30,000

What is the net cash flow from operating activities?

- A. ₦690,000
- B. ₦830,000
- C. ₦910,000
- D. ₦930,000

8. Which of the following best describes the function of a computerised accounting system?

- A. To provide hardware solutions for data storage
- B. To eliminate the need for any form of internal control
- C. To facilitate recording, classifying and summarising financial transactions electronically
- D. To restrict access to financial statements from management

9. Which of the following best describes the primary role of accountants in business?

- A. To make final investment decisions on behalf of shareholders
- B. To record transactions solely for tax purposes
- C. To provide relevant financial information for decision-making and ensure compliance with financial regulations
- D. To oversee the management team to ensure that the company is being run effectively

10. A business sells goods worth ₦300,000 to a customer. The applicable VAT rate is 7.5%. How should the transaction be posted to relevant ledger accounts?

- A. Dr receivables ₦300,000; Dr VAT ₦22,500; Cr sales ₦322,500
- B. Dr receivables ₦322,500; Cr sales ₦300,000 Cr VAT ₦22,500
- C. Dr receivables ₦279,070; Dr VAT ₦20,930; sales ₦300,000
- D. Dr receivables ₦300,000; Cr VAT ₦20,930; Cr sales ₦279,070

11. A business entered a payment of ₦12,000 to a supplier as ₦21,000 in the cash book. What adjustment is required to correct the error?

- A. Debit cash ₦9,000; credit suspense ₦9,000
- B. Debit the supplier ₦9,000; credit cash ₦9,000
- C. Debit cash ₦9,000; credit the supplier ₦9,000
- D. Debit suspense ₦9,000; credit cash ₦9,000

12. Which of the following is a key difference between Property, Plant and Equipment (PPE) and Intangible Assets under IAS 16 and IAS 38?

- A. PPE has no physical substance while intangible assets do
- B. PPE are not depreciated, but intangible assets are
- C. Only tangible assets are recognised in the financial statements
- D. PPE have physical substance while intangible assets do not

13. If sales are ₦500,000 and the gross profit percentage is 25%, what is the cost of sales?

- A. ₦125,000
- B. ₦375,000
- C. ₦400,000
- D. ₦625,000

14. Zino Ltd issued 200,000 ordinary shares of ₦1 each at a premium of ₦0.50. The company also issued 100,000 10% preference shares of ₦1 each at par. What is the balance recorded in equity?

- A. ₦200,000
- B. ₦300,000
- C. ₦350,000
- D. ₦400,000

15. One effective measure to prevent cybercrime in remote work environments is

- A. Using default passwords for easy access
- B. Disabling antivirus software to speed up systems
- C. Encouraging file sharing over public Wifi
- D. Implementing company-wide screen timeouts

16. What is the main purpose of using a petty cash book in a business?

- A. To record major day to day cash transactions
- B. To prepare trial balances for the month
- C. To document small day-to-day payments and support internal control over cash
- D. To reconcile the bank statement balance with the petty cash book balance

17. Which of the following statements best describes the concept of accrued payment in financial accounting?

- A. A payment made in advance for a benefit that extends into the next accounting period
- B. An income received during the year for services to be rendered in the next period
- C. A liability that has been fully settled before the reporting date
- D. An expense that has been incurred during the accounting period but has not yet been paid

18. A company has 100 units of inventory.

Cost per unit is ₦50 and sales per unit is ₦55, the expected disposal cost is ₦7 per unit.

At what amount should the inventory be valued in the financial statements?

- A. ₦4,300
- B. ₦4,800
- C. ₦5,000
- D. ₦5,700

19. A Sports Club runs a bar. The following information relates to year 2024:

- Sale of raffle tickets ₦60,000
- Bar sales ₦280,000
- Opening inventory of drinks ₦40,000
- Closing inventory of drinks: ₦50,000
- Purchases of drinks: ₦160,000

What is the gross profit from the bar trading account?

- A. ₦110,000
- B. ₦130,000
- C. ₦170,000
- D. ₦190,000

20. In preparing financial statements, if the prior year's income tax was overestimated, how should it be treated?

- A. It should be added to the current year's tax expense
- B. It should be disclosed only in the notes
- C. It should be deducted from deferred tax liabilities
- D. It should be deducted from current income tax estimate

**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.i. List **THREE** types of accounting packages commonly used by organisations. (3 Marks)
- ii. Briefly explain the uses of each package listed. (3 Marks)

b. Abe Enterprises recently migrated from manual bookkeeping to a computerised accounting system. During the first audit review, the auditor requested evidence of accounting records.

- i) Identify **THREE** possible forms of accounting records that Abe Enterprises should be able to produce from the system. (3 Marks)
- ii) Explain the functions of **TWO** of these records in enhancing financial control. (3 Marks)

c. Define accounting and explain **THREE** main objectives of accounting in business and economic decision-making. (8 Marks)

**(Total 20 Marks)**

**QUESTION 2**

a. A company purchased a delivery van for ₦12,000,000 on January 1, 2025. The following additional expenses were incurred:

- i. Vehicle registration and licensing: ₦150,000
- ii. Replacement of worn-out tyres after two months of use: ₦200,000
- iii. Installation of a GPS tracking device: ₦300,000
- iv. Routine servicing during the year: ₦100,000
- v. Insurance premium for one year: ₦250,000

- vi. Repainting the van in company's colours: ₦180,000
- vii. Purchase of fuel for daily operation: ₦120,000
- viii. Cost of extending the body to increase loading capacity: ₦400,000

**Required:**

Itemise as either capital expenditure or revenue expenditure in columnar form and determine the total amount in each column. (6 Marks)

b. Oil Manufacturing Ltd owns over 500 items of equipment, ranging from factory machines to office furniture. During the last audit, the auditors requested proof of asset ownership, depreciation schedules and details of disposals. Management also noted that some assets had been misplaced and insurance claims were delayed due to incomplete records.

**Required:**

- i. Identify **THREE** problems that may arise when an organisation does not maintain a proper asset register. (3 Marks)
- ii. Explain how maintaining an asset register would have solved these problems for Oil Manufacturing Ltd. (3 Marks)

c. Ade and Bisi agreed to run a tailoring business together. They contributed equal capital and agreed to share profits equally. During operations, Ade signed a contract with a supplier without consulting Bisi. Later, the business ran into debt and creditors demanded repayment from both partners.

**Required:**

- i. Identify and explain **THREE** characteristics of partnership business illustrated in this case. (3 Marks)
- ii. Explain how the principles of partnership will affect Ade and Bisi in relation to the supplier's contract and the repayment of debts. (5 Marks)

**(Total 20 Marks)**

### QUESTION 3

a. A company reported a profit after tax (PAT) of ₦2,000,000 in year 2023. In year 2024, the following errors relating to year 2023 were discovered:

- Depreciation of ₦50,000 was omitted
- Rent expense of ₦120,000 was recorded twice
- Credit sales of ₦200,000 were omitted
- Prepaid insurance of ₦40,000 was not adjusted for
- Purchases of ₦150,000 were posted to repairs and maintenance
- Closing inventory was understated by ₦100,000
- Stationery expense of ₦80,000 was recorded as salaries
- An electricity bill of ₦60,000 was not recorded
- Loan interest of ₦70,000 was treated as loan repayment
- A sales return of ₦30,000 was omitted

**Required:**

- i. Raise the necessary journal entries to correct the above errors. (5 Marks)
- ii. Adjust the reported profit after tax (₦2,000,000) based on the journal entries in (i) (5 Marks)
- b. You are the accounts officer at Classic Interiors Ltd. During a routine check, the external auditor discovered that several payments made in the past quarter had no supporting source documents. The managing director argued that as long as the ledger entries are correct, source documents are not necessary.

**Required:**

- i. Explain the importance of maintaining proper source documents to the managing director. (2 Marks)
- ii. Identify **FOUR** relevant source documents that should support transactions. (4 Marks)
- iii. Explain the risk of operating without source documents. (4 Marks)

**(Total 20 Marks)**

**QUESTION 4**

- a. State and briefly explain;
  - i. **THREE** purposes of asset coding. (3 Marks)
  - ii. **THREE** features of a good asset coding system. (3 Marks)
- b. A company uses the following coding structure:  
XX – YY – ZZZZ
  - XX = Department (01 = Admin, 02 = Production, 03 = Sales)
  - YY = Asset type (10 = Motor vehicles, 20 = Office equipment, 30 = Plant & machinery)
  - ZZZZ = Serial Number

Using the above, assign codes to the following assets:

- i. A delivery van for sales department (first in the series)
- ii. Photocopier machine for administration (third in the series)
- iii. Lathe machine for production department (second in the series)
- iv. Office chairs for administration (fourth in the series)
- v. Truck for production department (first in the series)
- vi. Laptop computers for sales department (second in the series)

(6 Marks)

- c. The following transactions relate to the cash book of Mr. Uwaifo for June 2025:  
June 1: Balance b/d: Cash ₦50,000; Bank ₦120,000  
June 5: Settled a creditor's account of ₦30,000 by cheque, after receiving 5% discount.  
June 10: Received a cheque from a debtor in full settlement of ₦40,000, after allowing him 2% discount.

June 15: Withdrew ₦10,000 cash from bank for office use.  
 June 20: Paid office rent ₦15,000 in cash.  
 June 25: Deposited ₦20,000 cash into bank.  
 June 28: Bank charges of ₦1,200 debited by the bank.

**Required:**

Prepare a three-column cash book for June 2025.

(8 Marks)

**(Total 20 Marks)**

**QUESTION 5**

a. AB & Co. has two partners, A and B, who share profits or losses in the ratio of 3:2. The following information relates to their partnership accounts for the year ended December 31, 2024:

Capital account balances on 1/1/2024:

A = ₦3,000,000

B = ₦2,000,000

Current account balances on 1/1/2024:

A = ₦200,000 (credit)

B = ₦100,000 (debit)

Additional information for the year:

Drawings: A = ₦400,000; B = ₦300,000

Interest on capital: 10% per annum

Salary to B: ₦250,000

Net profit for the year: ₦1,500,000

**Required:**

i. Prepare the profit or loss appropriation account for the year ended December 31, 2024. (4 Marks)

ii. Prepare the partners' current accounts. (6 Marks)

b. On July 1, 2024, Ogbag Enterprises had trade receivables of ₦250,000. On July 12, a debtor owing ₦8,000 was declared bankrupt and the amount was written-off as irrecoverable. On July 20, Grace Enterprises unexpectedly received ₦5,000 from a debtor whose ₦5,000 debt had previously been written off in May.

**Required:**

Prepare the necessary:

i. Journal entries to record the transactions.

(4 Marks)

ii. Post to the relevant ledger accounts.

(6 Marks)

**(Total 20 Marks)**

## **QUESTION 6**

- a. Define accounting information and explain the difference between internal and external users of accounting information, giving **FOUR** examples of each. (8 Marks)
- b. XYZ Manufacturing Ltd has just prepared its annual financial statements. The following stakeholders are interested in the report:
  - (i) A bank considering granting a loan;
  - (ii) The company's employees;
  - (iii) Potential investors; and
  - (iv) The government (tax authorities)

**Required:**

For each stakeholder, state one specific information they would require from the financial statements. (4 Marks)

- c. As at December 31, 2024, the trade receivables balance of Shalom Ltd was ₦500,000. The allowance for doubtful debts account showed a credit balance of ₦12,000 before adjustment. The company's policy is to maintain the allowance at 5% of receivables.

**Required:**

- i. Briefly explain the purpose of creating an allowance for doubtful debts. (2 Marks)
- ii. Determine the adjustment required and state the balance that should appear in the allowance for doubtful debts account as at December 31, 2024. (3 Marks)
- iii. Prepare the journal entry to account for the movement on the allowance for doubtful debts account. (3 Marks)

**(Total 20 Marks)**

## SECTION A: MULTIPLE CHOICE SOLUTIONS

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

### Workings

#### MCQ4

DR	Trade receivables control account		CR
	₦		₦
Balance c/d	42,000	Cash	88,000
Credit sales	95,000	Discount allowed	3,000
		Bad debt written off	2,000
		Balance b/d	44,000
	<u>137,000</u>		<u>137,000</u>

#### MCQ5

$$\begin{aligned}\text{Carrying Cost} &= \text{Cost} - \text{Depreciation} \\ &= ₦120,000 - ₦90,000 \\ &= ₦30,000\end{aligned}$$

$$\begin{aligned}\text{Gain on disposal} &= \text{Sales proceed} - \text{Carrying amount} \\ &= ₦35,000 - ₦30,000 \\ &= ₦5,000\end{aligned}$$

MCQ7

Computation of net cash flow from operating activities (Before tax)

	₦	₦
Profit before tax	800,000	
Add: Depreciation		120,000
Decrease in inventory	40,000	
Increase in trade payables		30,000
		990,000
Less: Increase in trade receivables		(60,000)
		<u>930,000</u>

MCQ10.

$$\text{Value Added Tax} = 7.5\% \times \text{₦}300,000 \\ = \text{₦}22,500$$

$$\text{Trade receivables} = \text{₦}300,000 + \text{₦}22,500 = \text{₦}322,500$$

MCQ11.

$$\text{Amount requiring adjustment} = \text{₦}21,000 - \text{₦}12,000 \\ = \text{₦}9,000$$

MCQ13.

$$\begin{aligned} \text{Gross Profit} &= 25\% \times 500,000 \\ &= \text{₦}125,000 \\ \text{Cost of Sales} &= \text{Sales} - \text{Gross Profit} \\ &= \text{₦}500,000 - \text{₦}125,000 \\ &= \text{₦}375,000 \end{aligned}$$

MCQ14. Calculation of balance to be recorded in equity

	₦
200,000 ordinary share of ₦1 each	200,000
Share premium (200,000 units at ₦0.50 each)	<u>100,000</u>
	<u>300,000</u>

MCQ18. Net realisable value = Selling price – disposal cost

$$\begin{aligned} &= \text{₦}55 - \text{₦}7 \\ &= \text{₦}48 \\ \text{Cost} &= \text{₦}50 \end{aligned}$$

Inventory is valued at the lower of cost and net realisable value

Therefore, the inventory will be valued at ₦48

$$\begin{aligned} \text{Inventory Value} &= 100 \text{ units} @ \text{₦}48 \\ &= \text{₦}4,800 \end{aligned}$$

MCQ19.

DR	Bar trading account	CR
	₦	₦
Opening inventory of drinks	40,000	Sales
Add: Purchases of drinks	<u>160,000</u>	280,000
	200,000	
Less: Closing inventory of drinks	<u>(50,000)</u>	
	150,000	
Gross profit	<u>130,000</u>	<u>280,000</u>
	<u>280,000</u>	

### **Examiner's report**

The MCQs comprehensively covered the syllabus, testing principles and related calculations.

All candidates answered the questions and their performance was above average. However, some candidates found it difficult to apply principles to calculations.

Candidates should focus on practicing application-based questions to improve their problem-solving skills and reinforce understanding of key concepts.

### **Marking guide**

Award 1 mark for each for correct option =  $20 \times 1 = 20$  Marks

### **SOLUTION 1**

(a)

i) Types of accounting packages commonly used by organisations

- Spreadsheet packages (e.g. Microsoft Excel): Used for simple accounting tasks such as preparing budgets, financial models and basic statements.
- Specialised accounting packages (e.g. payroll software): Focus on a single function like payroll, inventory or tax management.
- Integrated accounting packages (e.g. ERP systems like SAP, Oracle): provide an all-in-one solution linking accounting with other business functions.
- Small business or general accounting packages (e.g. QuickBooks, Sage, Tally): Designed for SMEs to record transactions, manage ledgers and prepare reports.
- Cloud-based accounting packages (e.g. Xero, Zoho Books, Fresh Books): Hosted online, enabling users to access accounts anywhere, collaborate in real time and benefit from automatic updates and data backups.
- Industry-specific accounting packages (e.g. Medisoft for healthcare, Builder Trend for construction, FAMS for non-current asset management): Tailored to meet the unique needs of particular industries, providing specialised features beyond general accounting.

ii) **Uses of the accounting packages**

- **Spreadsheet packages:** Used for preparing budgets, simple financial analysis, ratio calculation and generating customised accounting schedules.
- **Specialised accounting packages:** Handle a specific function such as payroll processing, tax computation, or inventory tracking, making them efficient for targeted tasks.
- **Integrated accounting packages (ERP systems):** Provide an all-in-one solution by linking finance with operations (e.g. sales, inventory, HR), ensuring real-time information sharing and comprehensive controls.
- **Small business or general accounting packages:** Help SMEs record daily transactions, maintain ledgers, track receivables or payables and generate financial statements easily.
- **Cloud-based accounting packages:** Allow remote access to financial data from anywhere, support collaboration among users, enable real-time updates and offer automatic backups and software upgrades.
- **Industry-specific accounting packages:** Provide features tailored to unique industry needs (e.g. medical billing for healthcare, project costing for construction or non-current tracking for asset-heavy industries).

b)

**i. Forms of accounting records**

**ii. Functions of accounting records**

General ledger

Provides a central summary of all transactions; ensures accuracy and completeness and serves as the basis for preparing financial statements.

Subsidiary ledgers

Give detailed control over individual accounts (e.g., customer or supplier balances), enabling reconciliation with the general ledger.

Journals

Record transactions in chronological order, ensuring classification and traceability before posting to ledgers.

Source document records

Provide original evidence of transactions (e.g., invoices, receipts), ensuring audit trail and accountability.

Trial balance

Summarises all ledger balances, helping to check arithmetical accuracy of postings and serving as a tool for detecting errors.

Cash book

Provides continuous record of cash and bank transactions, enabling monitoring of liquidity and prevention of cash misappropriation.

Payroll records

Ensure accurate calculation of wages, statutory deductions, and remittances, thereby

	strengthening compliance and internal control.
Inventory records	Facilitate inventory control, valuation, and prevention of shortages or pilferage by tracking movement and balances of goods.

c)

i. **Definition of accounting**

Accounting is the process of recording, classifying, summarising, analysing and interpreting financial transactions and communicating the results to interested users for decision-making.

ii. **The main objectives of accounting in business and economic decision-making**

- **Provide information for decision-making:** Accounting generates financial statements and reports that help internal and external users, such as management, investors and creditors, make informed economic decisions;
- **Ascertain profitability:** One of the key objectives is to determine whether a business is making a profit or incurring a loss over a given period, which helps assess performance;
- **Determine the financial position of a business:** Through the preparation of a statement of financial position, accounting reveals the assets, liabilities and equity of an entity, showing its financial strength and solvency;
- **Ensure stewardship and accountability:** Accounting holds management accountable for the resources entrusted to them by owners and other stakeholders by providing transparent and accurate records;
- **Helps management to plan for future resource allocation:** Such as cash, labour and equipment;
- **Maintain accurate records:** To safeguard assets and deter fraud;
- **Meets legal and statutory requirements:** By maintaining accurate records for tax purposes and other regulatory filings; and
- **Provides the financial data necessary for markets:** To efficiently allocate capital to productive companies.

**Examiner's report**

This question tests candidates' understanding of accounting packages, records and their role in decision-making. It covers practical applications and objectives of accounting systems.

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

Candidates' pitfalls include the following:

- Focusing too narrowly on components of financial statements as examples of accounting records, instead of broader transaction-level records such as original documents, journals, ledgers and other supporting documents; and
- Inability to identify types and explain uses of accounting packages.

Candidates are advised to broaden their scope on accounting records and accounting packages, such as original documents (invoices, receipts), journals, ledgers, and bank statements and highlights how these records and packages enhance financial control. Candidates should also pay attention to common accounting processes for diverse records.

### **Marking guide**

		<b>Marks</b>	<b>Marks</b>
(a)	<b>Accounting packages</b>		
	i. Explaining three (3) types of accounting packages	3	
	ii. Explaining three (3) uses of accounting packages	3	6
(b)	<b>Accounting records</b>		
	i. Explaining three (3) forms of accounting records	3	
	ii. Explaining three (3) functions of accounting records	3	6
(c)	<b>Definition and objectives of accounting:</b>		
	• Defining accounting	2	
	• Explaining three (3) objectives of accounting	6	8
	<b>Total</b>		<b><u>20</u></b>

### **SOLUTION 2**

#### a) Classification of items as capital or revenue expenditure

Item	Capital (₦)	Revenue (₦)
Purchase of van	12,000,000	
Vehicle registration and licensing	150,000	
Replacement of tyres		200,000
Installation of GPS	300,000	
Routine servicing		100,000
Insurance premium		250,000
Repainting to company colours	180,000	
Fuel purchase		120,000
Extension of the van body	<u>400,000</u>	
<b>Total</b>	<b><u>13,030,000</u></b>	<b><u>670,000</u></b>

b.

- i) Problems that may arise when an organisation does not maintain a proper asset register:
  - Asset values (and their depreciation) are often misstated, leading to incorrect statement of financial position and statement of profit or loss and other comprehensive income, which can mislead stakeholders and investors;
  - Businesses may overpay for insurance premiums or property on assets recorded in the books but no longer physically present or underinsure critical equipment due to inaccurate valuations;
  - Businesses may fail to make warranty claims, incurring out-of-pocket repairs or replacement costs;
  - Unplanned asset breakdowns due to neglected maintenance can disrupt operations, cause production delays and lead to employee frustration and wasted time spent searching for equipment or information;
  - Assets that are not tracked and accounted for are more prone to theft or loss, which can go unnoticed for extended periods;
  - Detailed and accurate asset information is a key requirement for most financial audits and regulatory compliance checks. Discrepancies can lead to failed audits, significant fines, legal issues and reputational damage;
  - Improperly disposed IT assets can become entry points for cyber threats or lead to data breaches if sensitive information is not properly wiped off, resulting in potential legal liabilities and loss of customer trust; and
  - Without a clear record of who is responsible for a particular asset, it will be difficult to assign accountability for damage, loss or maintenance issues relating to any asset.
- ii) When an asset register is maintained, then the above problems would be solved in the following ways:
  - Asset values (and their depreciation) will be properly stated, thereby avoiding incorrect statement of financial position and income statement;
  - Businesses will avoid overpayment for insurance premiums or property taxes on assets recorded in the books but no longer physically present and will not underinsure critical equipment due to inaccurate valuations;

- Proper records of purchase dates and maintenance history are available, thereby assisting such businesses to make warranty claims, when situation for such arises;
- Availability of accurate, real- time data needed for informed decisions regarding asset repair, replacement or disposal;
- An asset register helps in tracking assets, thereby eliminating or significantly reducing theft or loss, which can go unnoticed for extended periods, if there is no proper asset register in place; and
- It provides detailed ownership and purchase records for audit verification.

C2

(i) Characteristics of partnership

- Agreement: Ade and Bisi formed the partnership by agreement.
- Profit-sharing: They agreed to share profits equally.
- Mutual agency: Ade could bind the firm in a contract without consulting Bisi
- Interests on partners' capital and current accounts: Interests are not allowed on the partners' capital and current accounts.
- Partners' salary: Ade and Bisi are not entitled to remuneration for running the affairs of the firm.
- Partners' loan: Any advance or loan made by any of the partners in excess of his agreed share of capital will attract interest at 5% per annum.

(ii) The contract Ade signed with a supplier, must have been signed in his capacity as a partner in Ade and Bisi partnership and as a result, such contract is binding on the both partners. In relation to the principles of partnership, the debt of the business, where the assets of the business cannot cover such debts, then the two partners will have to bear the repayments, as partners have unlimited liability. In relation to the debt of the business, creditors can claim from both partners' assets if the business assets are insufficient.

**Examiner's report**

This question tests candidates' knowledge of accounting concepts on capital and revenue expenditure, asset registers and partnership principles, focusing on practical implications and legal aspects of business operations. It assesses application of partnership principles to real life scenarios.

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

Candidates' pitfalls include the following:

- Inability to properly classify capital and revenue expenditure;
- Stating fewer than 3 problems of not maintaining an asset register; and
- Not linking features directly to Ade's contract action.

Candidates are advised to understand fundamental accounting principles related to transactions and events. They should also practice how these principles affect recording of transactions and how to link theory to scenarios.

### **Marking guide**

		<b>Marks</b>	<b>Marks</b>
(a)	<b>Classification of items as either capital or revenue expenditure</b>		
	• Correct classification of the ten (10) items	5	
	• Correct total under each classification	<u>1</u>	6
(b)	<b>Asset register</b>		
	i. Explaining three (3) problems of not maintaining proper asset register by an entity.	3	
	ii. Explaining three (3) problems solved by an entity maintaining proper asset register	<u>3</u>	6
(c)	<b>Partnership</b>		
	i. Correctly identifying and explaining the characteristics of a partnership in the given scenario	3	
	ii. Correct application of the characteristics to the settlement of partner's debt	<u>5</u>	<u>8</u>
	<b>Total</b>		<b><u>20</u></b>

### **SOLUTION 3**

a)

i) **Journal entries to correct the errors**

	Debit (₦)	Credit (₦)
• Retained earnings	50,000	
Accumulated depreciation		50,000
Depreciation of ₦50,000 omitted		
• Accrued rent or cash paid	120,000	
Retained earnings		120,000
Rent expenses of ₦120,000 recorded twice, one now revised		
• Trade receivables	200,000	
Retained earnings		200,000
Credit sales of ₦200,000 omitted		
• Prepaid insurance	40,000	
Retained earnings		40,000
Prepaid insurance of ₦40,000 not adjusted		

• Purchases	150,000
Repairs and maintenance	150,000
Purchases of ₦150,000 posted to repairs	
• Inventory	100,000
Retained earnings	100,000
Closing inventory understated by ₦100,000	
• Stationery expenses	80,000
Salaries expenses	80,000
Stationery expenses of ₦80,000 treated as salaries reclassified	
• Retained earnings	60,000
Payables	60,000
Electricity bill of ₦60,000 not recorded	
• Retained earnings	70,000
Loan payable	70,000
Loan interest of ₦70,000 treated as loan repayment	
• Retained earnings	30,000
Trade receivables	30,000
Sales return of ₦30,000 omitted	

ii) **Statement of adjusted retained earnings**

	₦	₦
<b>Profit b/f</b>		<b>2,000,000</b>
Rent expenses	120,000	
credit sales	200,000	
prepaid insurance	40,000	
understatement of closing inventory	<u>100,000</u>	460,000
<b>Deduct</b>		
Depreciation	50,000	
Loan interest	70,000	
Electricity bill	60,000	
Sales return	<u>30,000</u>	<u>(210,000)</u>
		<b><u>2,250,000</u></b>

b)

i) **Importance of maintaining proper source documents**

While accurate ledger entries are important, source documents are fundamental to sound financial management and internal control. They serve as the primary evidence of business transactions and provide the basis for verifying the authenticity, accuracy and legitimacy of accounting records.

ii) **Relevant source documents**

- Invoices (sales and purchase invoices)
- Receipts (cash receipts, bank receipts)
- Bank statements
- Payment vouchers
- Delivery notes
- Contracts and agreements
- Credit notes and debit notes
- Petty cash vouchers
- Travel expense reports

iii) **The risk of operating without source documents**

- The following are the risks of operating without source documents
- The entity cannot verify transactions, making commission of errors or fraud easy. Duplicate billings and fictitious transactions, may go undetected.
- The entity may fail to meet regulatory requirements, leading to fines and penalties.
- Auditors may qualify the entity's financial statements or issue a disclaimer of opinion, which may damage its reputation.
- The entity may struggle to support tax filings, leading to disputes with tax authorities.
- Without reliable financial data, management may make poor decisions, which may impact the business performance.
- The entity's financial statements will be unreliable, hence, stakeholders may lose trust in them.

**Examiner's report**

Part (a) of the question tests candidates' understanding of retrospective correction of prior period errors, using journal entries and impact on retained earnings while (b) part tests knowledge of the importance, uses and examples of source documents, as well as the risks associated with operating without them, thereby showcasing understanding of internal control and accounting principles.

Majority of candidates answered the question, but performance was below average.

Common pitfalls include:

- Incorrect journal entries: debiting and crediting wrong accounts
- Failing to recognise that retained earnings, not suspense account, is affected by prior period errors
- Stating consequences rather than importance of source documents
- Providing vague and unspecific uses and risks of operating without source documents

Candidates are advised to ensure understanding of journal entries and correction of prior period errors; focus on importance, uses and examples of source documents; be specific when explaining risks of operating without source documents; and practice past questions of these nature to improve application and understanding.

## Marking guide

		<b>Marks</b>	<b>Marks</b>
(a)	<b>Correction of errors</b>		
	i. Preparing journal entries to correct the errors	5	
	ii. Preparing statement of adjusted earnings	5	10
(b)	<b>Source documents</b>		
	i. Explaining the importance of source documents	2	
	ii. Stating four (4) examples of source documents	4	
	iii. Explaining the four (4) risks of operating without source documents	4	10
	<b>Total</b>		<b><u>20</u></b>

## SOLUTION 4

a.

(i) The purposes of asset coding, include the following:

- To assign a unique identifier to each asset, creating a digital record of its status, location and history.
- To enable easy monitoring and accountability for all assets.
- To prevent theft by making it easier to identify company property and track down stolen items.
- To provide tamper-evident features that will ensure unauthorised removal.
- To streamline operational processes and reduce errors by providing quick access to asset data.
- To support accurate recording, reporting and auditing of asset-related transactions.

(ii) The features of a good asset coding system, include:

- **Permanence:** The coding system should be enduring and not subject to frequent changes. This ensures continuity and avoids confusion in long-term asset tracking.
- **Flexibility and scalability:** The coding structure must be flexible enough to accommodate the addition of new assets and categories without requiring a complete overhaul of the existing system. This allows for future expansion.
- **Significance (Descriptive):** Each digit or group of characters within the code should mean something, providing key information about the asset at a glance, such as its type, location or department.
- **Simplicity:** The system should be simple and easy for all employees to understand and use. Overly complex codes can lead to errors and reduce efficiency.
- **Consistency:** A structured and uniform approach to naming and coding must be enforced across all assets. This is to prevent misinterpretation and to ensure clarity.

- **Uniqueness:** Each asset must have a unique identifier to prevent duplication in the asset register and ensure precise tracking and physical verification.
- **Integration:** A good coding system integrates well with other systems like accounting, procurement and maintenance software to ensure data consistency and improved data flow.
- **Auditability:** The coding system, when implemented as part of a comprehensive asset register, should support clear audit trails and assist in meeting compliance requirements for financial reporting and tax purposes.

(b) Coding structure: XX – YY – ZZZZ

- XX = Department (01 = Admin, 02 = Production, 03 = Sales)
- YY = Asset Type (10 = Motor vehicles, 20 = Office equipment, 30 = Plant & machinery)
- ZZZZ = Serial Number

- i) A delivery van for sales department (first in the series).  
03-10-0001
- ii) Photocopier machine for administration (third in the series).  
01-20-0003
- iii) Lathe machine for production department (second in the series).  
02-30-0002
- iv) Office chairs for administration (fourth in the series).  
01-20-0004
- v) Truck for production department (first in the series).  
02-10-0001
- vi) Laptop computers for sales department (second in the series).  
03-20-0002

(c)

**Mr. Uwaifor**

**Three-column cash book**

<b>Date</b>	<b>Details</b>	<b>Disc</b>	<b>Cash</b>	<b>Bank</b>	<b>Date</b>	<b>Details</b>	<b>Disc</b>	<b>Cash</b>	<b>Bank</b>
			₦	₦				₦	₦
1/6/2025	Bal b/f	-	50,000	120,000	5/6/2025	Creditor's (Wk)	1,500	-	28,500
10/6/2025	Debtor (Wk2)	800	-	39,200	15/6/2025	Cash	-	-	10,000
15/6/2025	Bank	-	10,000	-	20/6/2025	Office rent	-	15,000	-
25/6/2025	Cash	-	-	20,000	25/6/2025	Bank	-	20,000	-
					28/6/2025	Bank charges	-	-	1,200
					30/6/2025	Bal c/d	-	25,000	139,500
		<b>800</b>	<b>60,000</b>	<b>179,200</b>			<b>1,500</b>	<b>60,000</b>	<b>179,200</b>
1/7/2025	Bal b/d		25,000	139,500					

## **Examiner's report**

The question tests candidates' understanding of asset coding systems; purpose, features and application and their ability to prepare a three-column cash book, focusing on practical accounting skills.

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

Candidates' pitfalls include:

- Mixing up the purpose and features of asset coding with those of an asset register, confusing identification goals with the detailed tracking function of a register;
- Struggling with establishing clear coding systems, such as using sequential numbers per category;
- Posting errors of contra entries, with cash and bank columns sometimes reversed for transfers; and
- Discounts allowed were not always correctly reduced from cash received and discounts received were not properly adjusted in payments.

Candidates are advised to distinguish between basic concepts, for example by clearly separating coding for identification and asset register for detailed tracking;

They should also practice coding using a consistent structure and sequence numbers logically; and

Master contra entries, handle discounts carefully, review formats and practice examples for clarity.

## **Marking guide**

		<b>Marks</b>	<b>Marks</b>
(a)	<b>Assets coding</b>		
	i. Explaining three (3) purposes of assets coding	3	
	ii. Explaining three (3) features of assets coding	3	
	iii. Application of codes to the six (6) given scenarios	<u>6</u>	12
(b)	<b>Preparation of three column cash book</b>		
	• Correct entries for balance b/f on June 1, 2025	1	
	• Correct entries for contra transactions	2	
	• Correct entries for discount allowed and received	1	
	• Correct entry for cheque received from customers	½	
	• Correct entry for cash paid	½	
	• Correct entry for cheque paid to suppliers	½	
	• Correct entry for bank charges	½	
	• Correct entries for balance c/f	1	
	• Correct entries for balance b/f on July 1, 2025	1	8
	<b>Total</b>		<b><u>20</u></b>

## SOLUTION 5

a)

i)

AB & CO

### Profit or loss appropriation account for the year ended December 31, 2024

	₦	₦	₦
Net profit for the year			1,500,000
<b>Interest on capital (Wk1):</b>			
Aide	300,000		
Bisi	<u>200,000</u>	500,000	
Partners' salary-Bisi		<u>250,000</u>	
			<u>(750,000)</u>
<b>Balance of profit</b>			<u>750,000</u>
<b>Distributed as follows:</b>			
Aide ₦750,000 x 3/5			450,000
Bisi ₦750,000 x 2/5			<u>300,000</u>
			<u>750,000</u>

ii)

### AB & CO's Current accounts as at December 31, 2024

	A ₦	B ₦		A ₦	B ₦
Balance b/f	-	100,000	Bal b/f	200,000	-
Drawings	400,000	300,000	Interest on capital	300,000	200,000
Bal c/d	550,000	350,000	Partners' salary	-	250,000
	<u>950,000</u>	<u>750,000</u>	Balance of profit	<u>450,000</u>	<u>300,000</u>
			Bal b/d	<u>950,000</u>	<u>750,000</u>
				550,000	350,000

### Working notes

#### Wk1: Calculation of partners' interest on capital

	A ₦	B ₦
Partners' capital account balances	<u>3,000,000</u>	<u>2,000,000</u>
Interest on capital at 10%	<u>300,000</u>	<u>200,000</u>

b (i)

### Ogba Enterprises

#### Journal entries for the month of July, 2024

	DR ₦	CR ₦	
Bad debt account		8,000	
Trade receivables control account		8,000	
Being amount owing by a receivable, who was declared bankrupt, now written-off as irrecoverable			
Trade receivables control account	5,000		
Bad debt recovered account		5,000	
Being recovery of a receivables' account that had earlier been written off as bad debt, now recovered			
Cash book	5,000		
Trade receivables control account		5,000	
Being amount received from a receivables', whose account had earlier been written off as bad debt, now recovered			
<b>ii.</b>	<b>Trade receivables control account</b>		
	₦	₦	
Balance b/f	250,000	Bad debt written off	8,000
Bad debt recovered	5,000	Cash book	5,000
	Balance c/f		<u>242,000</u>
	<u>255,000</u>		<u>255,000</u>
Bal b/d	242,000		
	<b>Bad debt account</b>		
	₦	₦	
Trade receivables	<u>8,000</u>	Profit or loss	<u>8,000</u>
	<b>Bad debt recovered account</b>		
	₦	₦	
Profit or loss	<u>5,000</u>	Trade receivables control	<u>5,000</u>

#### Examiner's report

This question tests candidates' understanding of appropriating profits in a partnership, maintaining partners' current accounts and accounting treatments for receivables, bad debts and recoveries, focusing on accurate journal entries.

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

Candidates' common pitfalls include the following:

- Appropriation errors: Missing interest calculations or incorrect profit sharing;
- Journal mistakes: Using wrong accounts for bad debts; and
- Recovery steps: Forgetting two steps in recovery, that is, reinstate and then record cash.

Candidates are advised to follow a structured approach in a few key areas. For example, when dealing with appropriation of profits, stick to the sequence; first address interest on capital, then salaries and finally distribute the remaining profits among partners. For journal entries, use precise accounts: post receivables, write-offs irrecoverable debts as bad debts expense and for recoveries, reinstate the debtor first, then record the cash receipt. It's also helpful to practice examples with clear narratives, and double-check the fundamentals of debit and credit rules to avoid simple mistakes.

### **Marking guide**

		<b>Marks</b>	<b>Marks</b>
<b>(a)</b>	<b>Partnership accounts</b>		
i.	Preparation of statement of profit or loss appropriation account	4	
ii.	Preparation of partners current account	<u>6</u>	10
<b>(b)</b>	<b>Trade receivables</b>		
i.	Journal entries for bad debt written off, bad debt recovered and cash received for bad debt recovered, including narrations	4	
ii.	Ledger accounts <ul style="list-style-type: none"> <li>• Trade receivables control account</li> <li>• Bad debt account</li> <li>• Bad debt recovered account</li> </ul>	1	1
	<b>Total</b>	<u>6</u>	<u>20</u>

### **SOLUTION 6**

a)

i. **Definition of accounting information**

Accounting information refers to financial data that has been processed and presented in a meaningful way to assist users in decision-making, planning, control and performance evaluation.

ii. **Difference between internal and external users:**

- Internal users are individuals within the organisation who use accounting information to make operational and strategic decisions for the day-to-day running of the business.
- External users are individuals or organisations outside the business who rely on accounting information to assess the company's financial health, performance and compliance.

iii. **Examples of internal users**

- Management.
- Employees.
- Internal auditors.
- Departmental heads and head of units

iv. **Examples of external users**

- Investors
- Loan creditors or banks.
- Government (tax authorities)
- Regulatory agencies
- Suppliers.

(b) **XYZ Manufacturing Limited**

**Stakeholders and their specific information needs:**

- i. A bank considering granting a loan: needs information on liquidity and solvency (e.g., ability to repay loans, gearing ratio).
- ii. The company's employees: need information on profitability and stability to assess job security and wage prospects.
- iii. Potential investors: need information on profitability and return on investment before committing funds.
- iv. The government (tax authorities): need information on taxable income to assess and collect correct taxes.

(c)

i. **Purpose of allowance for doubtful debts**

The purpose of an allowance for doubtful debts is to estimate and account for uncollectible account receivables, providing a more accurate and realistic picture of a company's financial health by matching bad debt expense with revenue in the same year or period. It is a contra-asset account that reduces the total accounts receivable on the statement of financial position, ensuring assets are not over stated and financial statements comply with accounting principles like the matching and prudence concepts.

ii. **Balance on allowance account**

- Trade receivables = ₦500,000.
- Required allowance =  $5\% \times ₦500,000 = ₦25,000$ .
- Existing allowance (credit) = ₦12,000.
- Additional provision required =  $₦25,000 - ₦12,000 = ₦13,000$ .

Answer: Allowance for doubtful debts (closing balance) = ₦25,000.

iii. **Journal entry**

To increase the allowance by ₦13,000:

• Dr Bad debts expense (profit or loss)	₦13,000.
• Cr Allowance for doubtful debts	₦13,000.

**Examiner's report**

The question tests candidates' understanding of how accounting information serves internal users and external users differently and assess knowledge of the allowance for doubtful receivables, its purpose and how to calculate the necessary adjustments.

Candidates' common pitfalls are as follows:

- Inability to clearly distinguish between internal and external users of financial information; and
- Calculation errors in determining bad debt allowances; instead of reflecting the necessary adjustment, some candidates used the absolute allowance figure.

Candidates should clearly differentiate between the internal users, such as managers and employees who need data for decision-making; and external users like investors, banks and government agencies who rely on it for investment, lending and regulation. However, for bad debt allowances, candidates should know how to calculate the necessary adjustment as the difference between balance brought forward and the allowances for the current year. Candidates are also advised to practice past questions for better performance in future examinations of the Institute.

### **Marking guide**

		<b>Marks</b>	<b>Marks</b>
(a)	Accounting information and users of financial statements		
	• Defining accounting information	2	
	• Differentiating between internal and external users of accounting information	2	
	• Stating four examples of internal users	2	
	• Stating four examples of external users	2	8
(b)	Explaining the specific information need for each of the given four stakeholders		4
(c)	Allowance for doubtful debts		
	i. Explaining the purpose of allowance for doubtful debts	2	
	ii. Calculating allowance for doubtful debts	3	
	iii. Preparing journal of allowance for doubtful debts	3	8
<b>Total</b>			<b><u>20</u></b>

## INSTITUTE OF CHARTERED ACCOUNTANTS OF NIGERIA

**FOUNDATION LEVEL EXAMINATION – NOVEMBER 2025****MANAGEMENT ACCOUNTING****EXAMINATION INSTRUCTIONS****PLEASE READ THESE INSTRUCTIONS BEFORE THE COMMENCEMENT OF THE PAPER**

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

**TUESDAY, NOVEMBER 18, 2025**

**DO NOT TURN OVER UNTIL YOU ARE TOLD TO DO SO**  
**INSTITUTE OF CHARTERED ACCOUNTANTS OF NIGERIA**  
**FOUNDATION LEVEL EXAMINATION – NOVEMBER 2025**  
**MANAGEMENT ACCOUNTING**

Time Allowed:  $3\frac{1}{4}$  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. Which of the following is a **KEY** characteristic of management accounting?
  - A. Strict adherence to accounting standards
  - B. Focus on historical transactions
  - C. Flexibility in reporting to suit internal needs
  - D. Primarily used for external reporting
2. BSong Ltd manufactures special body cream called "Lightmore", the cost of producing 5,000 units is ₦240,000 while the cost of producing 7,000 units is ₦296,000. What will be the budget cost allowance for 8,500 units
  - A. ₦228,000
  - B. ₦238,000
  - C. ₦338,000
  - D. ₦348,000
3. Which of the following is a benefit of using a spreadsheet for financial analysis?
  - A. Creating animated calculations and blasts
  - B. Ability to create interactive games
  - C. Limited data storage capacity
  - D. Easy to create detailed reports and forecasts
4. Gabbychucks Nigeria Limited provides you with the following information - Direct material purchased: ₦2,000,000; Direct material consumed: ₦1,800,000; Direct labour: ₦1,200,000; Direct expenses: ₦400,000 and Manufacturing overheads: ₦600,000

What is the prime cost from the above information:

- A. ₦2,800,000
- B. ₦3,000,000
- C. ₦3,200,000
- D. ₦3,400,000

5. Bobo Tyler Limited normally purchases a total of 2,500 litres of diesel per month. It takes ₦2,500 to bring the diesel from the filling station to the company and purchase price is N200/Litre. Annual stock keeping and maintenance cost per Naira of stock is ₦6.00.

What is the EOQ to the nearest litre?

- A. 5,000 litres
- B. 5,500 litres
- C. 6,000 litres
- D. 6,667 litres

**The following information is given for Questions 6 and 7:**

In the factory of Yewuke Manufacturing Limited, the following details apply to a factory staff who takes 6 hours to complete a task under a scheme of payment by results. Standard time allowed for the job is 10 hours. The worker is on an hourly rate of ₦150 per hour.

The material cost of the job is ₦1,600 and overheads are recovered at 200% of total direct wages.

6. Using Halsey Bonus Scheme, determine the factory cost of the job

- A. ₦1,200
- B. ₦1,260
- C. ₦2,800
- D. ₦5,200

7. What is the total pay of the worker, if he is on Rowan Bonus Method

- A. ₦1,200
- B. ₦1,260
- C. ₦3,600
- D. ₦18,400

8. Shilaka provides you with the data below:

Actual overheads – ₦5,200,000

Budgeted overhead – ₦5,250,000

Budgeted machine hours – 17,500

Actual machine hours – 17,040

What is the amount of the overhead under/over-absorbed?

- A. ₦50,000 under-absorbed
- B. ₦88,000 under-absorbed
- C. ₦88,000 over-absorbed
- D. ₦50,000 over-absorbed

9. Product costing is mainly concerned with .....

- finding the total cost incurred to produce a product or a service
- analysing cost behaviour
- controlling product costs
- finding the total of production overheads

10. Aloabo Incorporated that uses process costing had an input of 13,500Kg of materials at ₦20 per Kg and labour hours of 12,750 at ₦25 per hour. Normal loss is 20% and losses can be sold at a scrap value of ₦48,750. Output was 12,950 Kg.

What is the value of Abnormal Gain/loss?

- Abnormal Loss of ₦107,500
- Abnormal Gain of ₦107,500
- Abnormal Gain of ₦162,500
- Abnormal Loss of ₦162,500

11. An extra cost incurred as a result of a decision is known as .....

- Marginal cost
- Activity cost
- Incremental cost
- Sunk cost

12. LMAO Company Limited manufactures a single product and has drawn up the following flexible budget for the year.

<b>Units Produced</b>	<b>700</b>	<b>800</b>	<b>1,000</b>
	<b>₦</b>	<b>₦</b>	<b>₦</b>
Direct materials	140,000	160,000	200,000
Direct labour	105,000	120,000	150,000
Production overheads	58,000	62,000	72,000
Other overheads	<u>40,000</u>	<u>40,000</u>	<u>40,000</u>
Total Cost	<u>343,000</u>	<u>382,000</u>	<u>462,000</u>

What would be the total cost in a budget that is prepared at the 900 Units level of activity?

- ₦394,000
- ₦400,000
- ₦411,000
- ₦421,000

13. Oketeta Nigeria Limited makes a single product and is preparing its material usage budget for next year. Each unit of product requires 2kg of material, and 5,000 units of product are to be produced next year.

Opening inventory of material is budgeted to be 8,000kg and the company budgets to increase material inventory at the end of next year by 25%. The material purchase budget for next year is .....

- A. 8,000 Kg
- B. 9,840 kg
- C. 10,000 Kg
- D. 12,000 kg

14. Bend Local Government is preparing its Cash Budget for the year for its Waste Disposal Department. Which of the following items would not be included in the cash budget?

- A. Truck operator's wages
- B. Fuel for the collection vehicles
- C. Depreciation of the machinery
- D. Cash collected from receivables

15. Which of the following would explain an adverse variable production overhead efficiency variance?

- I. Poor Quality material was difficult to process
- II. Employees were of a lower skill level than specified in the standard
- III. Unexpected idle time resulting from a series of machine breakdowns

- A. II Only
- B. (I) and (II)
- C. (I) and (III)
- D. (II) and (III)

The following information is given for Questions 16 and 17:

Items	Actual	Standard
Outputs (units)	2,000	1,000
Quantity of Material required per unit of output	3kg per unit	4kg per unit
Price	₦25 per kg	₦30 per kg

16. Material price variance is

- A. ₦10,000 Adverse
- B. ₦10,000 Favourable
- C. ₦30,000 Adverse
- D. ₦30,000 Favourable

17. The Material usage variance is

- A. ₦30,000 Adverse
- B. ₦30,000 Favourable
- C. ₦45,000 Favourable
- D. ₦60,000 Adverse

18. Izola Ltd has fixed cost of ₦2,400,000 per annum. It manufactures a single product, which it sells for ₦200 per unit. Its contribution margin ratio is 40%. What is the company's breakeven point in units?

- A. 10,000 units
- B. 15,000 units
- C. 18,000 units
- D. 30,000 units

19. If there is excess capacity, the minimum acceptable price for a special order must cover:

- A. Variable cost associated with the special order.
- B. Variable and fixed manufacturing costs associated with the special order.
- C. Variable and incremental fixed costs associated with the special order.
- D. Variable and incremental fixed cost associated with the special order plus the contribution margin usually earned on regular units.

20. You are currently employed as a management accountant in a manufacturing company earning ₦10,000,000 (Ten Million Naira) as basic salary and entitled to other emoluments. You are contemplating starting your own business. In considering whether or not to start your own business, your current salary level would be:

- A. a sunk cost
- B. an incremental cost
- C. an irrelevant cost
- D. an opportunity cost.

**SECTION B: OPEN-ENDED QUESTIONS (80 MARKS)**

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

**QUESTION 1**

In preparing an operating statement, management may decide to choose either absorption costing or marginal costing techniques.

**Required:**

a. Differentiate between marginal and absorption costing techniques under the following criteria:

- Product cost
- Period cost
- Inventory valuation
- Over/under absorption of overhead recovery
- Basis of management decisions

(5 Marks)

b. Folly Kemaj Manufacturing Nigeria Ltd during the period ended 31 December, provides you the following information:

Normal Capacity	200,000 units
Opening Inventory	40,000 units
Units Produced	170,000 units
Units Sold	200,000 units
Selling Price per Unit	₦25
Direct Material Cost per Unit	₦4
Direct Labour Cost per Unit	₦4
Variable Production Overhead per Unit	₦2
Fixed Production Overheads	₦800,000
Variable Admin. Overhead per Unit sold	₦0.50
Fixed Administration Overheads	₦100,000
Variable Selling & Distribution per unit sold	₦1.50
Fixed Selling & Distribution Overheads	₦200,000

**Required:**

Prepare income statement using:

- Absorption Costing; (6½ Marks)
- Marginal Costing (6 Marks)
- Reconcile the profit/loss in the income statement in (i) and (ii) (if any) (2½ Marks)

**(Total 20 Marks)**

## QUESTION 2

a. Information is only useful to managers if it possesses certain qualities or attributes.

**Required:**

List and explain **FIVE** qualities of good information. (5 Marks)

b. Planning in management is a crucial function that helps organisations to move forward, make informed decisions and adapt to changes.

**Required:**

List and explain **THREE** levels of planning. (6 Marks)

c. Distinguish between the roles of management accountant and financial accountant. (3 Marks)

d. Highlight **THREE** advantages and **THREE** limitations of management accounting. (6 Marks)

**(Total 20 Marks)**

### **QUESTION 3**

Tiwantiwa Manufacturing Company Ltd makes a product called 'champion'. As the management accountant of the company, you are expected to solve the problem of identifying the manufacturing expenses that are fixed and those that are directly variable with production, in order to prepare a flexible budget for the next year.

<b>Month</b>	<b>No. of units produced</b>	<b>Manufacturing expenses (₦)</b>
1	1,000	2,600
2	1,500	5,000
3	2,500	3,700
4	2,000	3,500
5	2,500	3,600
6	2,000	3,400
7	3,000	3,800
8	2,500	3,300
9	2,000	3,100
10	<u>1,500</u>	<u>2,000</u>
	<b><u>20,500</u></b>	<b><u>34,000</u></b>

#### **Required:**

a. Determine the fixed and variable elements of Tiwantiwa Manufacturing Company's mixed manufacturing cost using:

(i) The high and low method. (5 Marks)  
(ii) The linear regression analysis. (10 Marks)

b. Explain the correlation co-efficient obtained in (a)(ii) above. (5 Marks)

**(Total 20 Marks)**

#### QUESTION 4

Abangam Manufacturing Limited, a manufacturer of synthetic polythene bags useful for household shopping, presents you with the following information:

Product	Direct Material/Unit (₦)	Direct Labour/Unit (₦)	Period Cost/Unit (₦)	Profit/Unit (₦)
Kylian	200	120	40	360
Leo	210	180	120	300
Mane	600	120	120	560
Nani	300	120	30	270

The budget may not be achieved because the company now faces paucity of funds to import Sodium, a major component of its raw materials from India, based on its cash constraints. The company can only afford to import ₦38,000,000 (Thirty-Eight Million Naira) worth of the required components.

The budgeted sales for the products for the period are as follows:

Product	Sales Budgeted (₦)
Kylian	21,600,000
Leo	25,920,000
Mane	42,000,000
Nani	20,160,000

The company management has decided to produce at least 20,000 units of each product and the balance of the raw materials imported (if any) to be utilised for products that give the highest contribution to their profit.

#### You are required to:

- a. Advise the management of Abangam Manufacturing Limited on the quantity of each product to produce. (14 Marks)
- b. Prepare the revised income statement showing the total profit from each product based on (a) above. (6 Marks)

**(Total 20 Marks)**

#### QUESTION 5

The Director of Human Resources of Arewa Global Limited, a manufacturing company in Nigeria, that recently recruited employees, reached out to you with a challenge. Due to its mandate as an equal opportunity employer, Arewa Global has carefully ensured that diversity inclusivity and equity guided its recruitment exercise.

A recent survey report from the company's workforce revealed that they are (de)motivated by a diverse array of remuneration systems.

**You are required to:**

- a. Identify and explain **FOUR** remuneration systems/methods that Arewa Global could consider. (4 Marks)
- b. Pick **TWO** of the remuneration system/method you have explained above and highlight **THREE** advantages and **TWO** limitations of each. (10 Marks)
- c. Cost control and cost reduction are two fundamental strategies that organisations employ to manage their expenditures. Explain the **TWO** strategies and highlight **TWO** distinctions between them. (6 Marks)

**(Total 20 Marks)**

**QUESTION 6**

Mahye Nigeria Limited operates a system of standard costing in respect of one of its products which is produced within a single cost centre. The standard selling price per unit of the product is ₦5,000. For one unit of the item the company will require 2 kilograms of Material A at a standard cost of ₦300 per kilogram as well as a kilogram of Material B at a standard cost of ₦400 per kilogram.

Also, the company will require 5 hours of direct labour at a standard rate of ₦400 per hour to produce a unit of the special product. Manufacturing variable and fixed overheads is put at ₦100 and ₦200 per hour respectively.

In October, the company produced and sold 6,000 units while the following actual results were recorded for the month:

- i. The actual sales value was ₦30,500,000.
- ii. Direct material purchased and consumed:
  - Material A: 14,850 kilograms amounted to ₦4,306,500
  - Material B: 7,260 kilograms valued at ₦2,975,000
- iii. The total direct labour hours worked was 32,000 hours and the wages paid amounted to ₦12,750,000.
- iv. Overhead details were as follows:
  - Fixed overheads ₦8,060,000
  - Variable overheads ₦3,000,000
- v. Closing work-in-progress was 600 units in respect of which Material A and Material B were fully issued while direct labour and manufacturing overheads were 50% completed.

Note: work-in-progress is at standard cost.

**You are required to:**

- a. Prepare the standard cost card of the product (2 Marks)
- b. Calculate the direct material cost variances (5 Marks)
- c. Calculate the direct labour cost variances (3 Marks)

- d. Calculate the overheads cost variances (both variable and fixed) (3 Marks)
- e. Calculate sales variances (price and volume only) (3 Marks)
- f. Using the variances, prepare the operating statements for the month of October. (4 Marks)

**(Total 20 Marks)**

## SECTION A

### MULTIPLE CHOICE SOLUTIONS

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

### Workings

#### MCQ 2

	VoP	Cost (₦)
High	7,000	296,000
Low	<u>(5,000)</u>	<u>(240,000)</u>
Difference	<u>2,000</u>	<u>56,000</u>

$$\begin{aligned}\text{Variable Cost/Unit (b)} &= \frac{\text{Difference in Corresponding Cost (₦)}}{\text{Difference in Activity Level (VoP)}} \\ &= \frac{\text{₦56,000}}{2,000} \\ &= \text{₦28 per unit}\end{aligned}$$

From the formula  $y = a + bx$ , determine the fixed element either at high or low points

At high Point *OR* At Low Point

$$Y = a + bx$$

$$296,000 = a + \text{₦28}(7,000)$$

$$296,000 = a + 196,000$$

$$a = 296,000 - 196,000$$

$$= \text{₦100,000}$$

$$Y = a + bx$$

$$240,000 = a + \text{₦28}(5,000)$$

$$240,000 = a + 140,000$$

$$a = 240,000 - 140,000$$

$$= \text{₦100,000}$$

The budget cost allowance for 8,500

From the cost function;  $y = \text{₦}100,000 + \text{₦}28(x)$

$$y = \text{₦}100,000 + \text{₦}28(8,500)$$

$$y = \text{₦}338,000$$

#### MCQ4 – Calculation of Prime Cost WORKING

	₦
<b>Direct material consumed</b>	1,800,000
Direct labour	1,200,000
Direct expenses	<u>400,000</u>
<b>PRIME COST</b>	<b><u>3,400,000</u></b> (D)

MCQ5 - Annual demand = 2,500 litres × 12 months = 30,000 litres

$$\begin{aligned} \text{EOQ} &= \sqrt{\frac{2DO_c}{CC}} \\ &= \frac{\sqrt{2 \times 30,000 \times 2,500}}{6} \\ &= \text{5,000 litres} \end{aligned}$$

#### MCQ6 – Calculation of Factory Cost

Time Allowed = TA

Time Taken = TT

Time Saved = TS

	₦
Basic Pay = TA x Hourly Rate = 6 hours x ₦150	900
Bonus Pay = $\frac{1}{2} \times TS \times \text{Hourly Rate} = \frac{1}{2} \times (10 - 6) \times ₦150$	300
Total Direct Wages Costs	<u>1,200</u>
<b>Factory Cost</b>	
Direct Materials	- 1,600
Direct Wages	- 1,200
Overheads (200% of Direct Wages)	- <u>2,400</u>
<b>Total Factory Cost</b>	<b>- 5,200</b>

#### MCQ7 – Calculation of Total Pay under Rowan Bonus Scheme

	₦
Basic Pay = TA x Hourly Rate = 6 hours x ₦150	= 900
Bonus Pay = $\frac{TT}{TA} \times TS \times \text{Hourly Rate} = \frac{6}{10} \times (10 - 6) \times ₦150$	= 360
Total Direct Wages Costs =	<u>1,260</u>

#### MCQ8 – Calculation of Over/Under Absorbed Overheads

Over/Under Absorbed OH = AOH – BOH + (BOH/BAL) × (BOH – AOH)

$$= (5,200,000 - 5,250,000) + (5,250,000/17,500) \times (17,500 - 17,040)$$

$$= -50,000 + (300 \times 460)$$

$$= \text{88,000 Under-absorbed}$$

MCQ10.

**Process Account**

DETAILS	KG	P	AMOUNT	DETAILS	KG	P	AMOUNT
RM Introduced	13,500	20	270,000	Normal Loss (20% of 13,500)	2,700		48,750
Labour (12,750 x ₦25)			318,750	Output	12,950	50	647,500
Abnormal Gain	2,150	50	107,500				
	<u>15,650</u>		<u>696,250</u>		<u>15,650</u>		<u>696,250</u>

$$C/Unit = \frac{588,750 - 48,750}{13,500 - 2,700}$$

$$= \frac{13,500 - 2,700}{50}$$

$$= ₦50$$

MCQ12.

**Calculation of total cost @ 900 units**

Units Produced	700	800	900	1,000
	₦	₦	₦	₦
Direct materials (VC = 200)	140,000	160,000	180,000	200,000
Direct labour (VC= 150)	105,000	120,000	135,000	150,000
Production overheads (MC)	58,000	62,000	66,000	72,000
Other overheads (FC)	40,000	40,000	40,000	40,000
Total Cost	<u>343,000</u>	<u>382,000</u>	<u>421,000</u>	<u>462,000</u>

**MCQ13 – Material usage budgets = Units required × budgeted units produced**  
 $= 2 \text{ kg} \times 5,000 \text{ units} = 10,000 \text{ kg}$

$$\begin{aligned} \text{Closing Inventory (25\% } \times 8,000) + 8,000 \text{ kg} &= 10,000 \text{ kg} \\ \text{Add material usage budget} &= 10,000 \text{ kg} \\ \text{Less opening inventory} &= (8,000) \text{ kg} \\ \text{Materials purchase budget} &= \underline{12,000 \text{ kg}} \end{aligned}$$

**MCQ16. Material Price Variance:**

$$\begin{aligned} \text{MPV} &= \text{AQ (SP} - \text{AP}) \\ &= (\text{₦}30 - \text{₦}25)6,000 \\ &= \underline{\text{₦}30,000 Favourable} \end{aligned}$$

**MCQ17. Material Usage Variance:**

$$\begin{aligned} \text{MUV} &= (\text{SQ} - \text{AQ}) \text{ SP} \\ &= ([1,000 \times 4\text{kg}] - [2,000 \times 3\text{kg}] \text{ ₦}30 \\ &= (4000 - 6,000) \text{ ₦}30 \\ &= \underline{60,000 \text{ Adv}} \end{aligned}$$

**MCQ18. CMR = 40%**

Contribution/Unit = ₦80

BEP (units) =  $\frac{\text{Fixed Costs}}{\text{C/Unit}}$

= ₦2,400,000

₦80

= 30,000 units

### **Examiner's report**

There were 20 questions in this section, covering a large portion of the syllabus.

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

Candidates are advised to study the ICAN Study Text and the recommended textbooks in detail, paying close attention to all topics covered.

### **Marking guide**

	<b>Marks</b>	<b>Marks</b>
Multiple Choice Questions	1	20

## **SECTION B**

### **SOLUTION 1**

a) Differences between Marginal and Absorption Costing Techniques under the following criteria:

<b>S/N</b>	<b>CRITERIA</b>	<b>ABSORPTION COSTING</b>	<b>MARGINAL COSTING</b>
i.	Product cost	Product cost is made up of both variable and fixed production costs	Product cost is made up of only variable production costs
ii.	Period cost	Fixed production costs are treated as part of cost of production	All fixed costs (including fixed production costs) are treated as part of period cost
iii.	Stock valuation	Uses product costs i.e. both variable and fixed production costs in the valuation of inventory	Uses only variable costs of production in the valuation of inventory
iv.	Over/under absorption of overhead recovery	Treatment of fixed production cost gives rise to over/under absorption of overhead	Over/under absorption of overhead does not arise
v.	Basis of management decisions	It is not used for management decision making	It is used for management decision making

b) **Folly Kemaj Manufacturing Nigeria Limited**

i. Income Statement Using Absorption Costing Technique

	₦	₦
Sales (200,000 units @ ₦25)		5,000,000
Less: Manufacturing cost of goods sold:		
Opening Inventory (40,000 units @ ₦14)	560,000	
Direct Material Cost (170,000 units @ ₦4)	680,000	
Direct Labour Cost (170,000 units @ ₦4)	680,000	
Variable Production Overhead (170,000 units @ ₦2)	340,000	
Fixed Production Overhead (170,000 units @ ₦4)	680,000	
Under Absorbed Overhead (₦800,000 – ₦680,000)	<u>120,000</u>	
		3,060,000
Less closing inventory (10,000 units @ ₦14)		<u>(140,000)</u>
Total cost of production		(2,920,000)
<b>Gross Profit</b>		<b>2,080,000</b>
<b>Less: Expenses:</b>		
Variable Administration Overheads (200,000 @ ₦0:50)	100,000	
Fixed Administration Overheads	100,000	
Variable Selling & Distr. Overheads (200,000 @ ₦1:50)	300,000	
Fixed Selling & Distr. Overheads	<u>200,000</u>	<u>700,000</u>
<b>Net Profit</b>		<b><u>1,380,000</u></b>

ii. Income Statement using Marginal Costing Technique

	₦	₦
Sales (200,000 units @ ₦25)		5,000,000
Less: manufacturing cost of goods sold:		
Opening inventory (40,000 units @ ₦10)	400,000	
Direct material cost (170,000 units @ ₦4)	680,000	
Direct labour cost (170,000 units @ ₦4)	680,000	
Variable production overhead (170,000 units @ ₦2)	<u>340,000</u>	
		2,100,000
Less closing inventory (10,000 units @ ₦10)		<u>(100,000)</u>
Variable cost of production		(2,000,000)
Less other variable costs:		
Variable administration overheads (200,000 @ ₦0:50)	100,000	
Variable selling & distr. overheads (200,000 @ ₦1:50)	<u>300,000</u>	<u>400,000</u>
<b>Contribution</b>		<b>2,600,000</b>
Less: Fixed Costs:		
Fixed production overheads	800,000	
Fixed administration overheads	100,000	

Fixed selling & distr. Overheads	<u>200,000</u>	(1,100,000)
<b>Net Profit</b>		<u>1,500,000</u>

NOTE: Any candidate that adds all variable cost (₦680,000 + ₦680,000 + ₦340,000) = ₦1,700,000 should be given 1½ Marks.

### iii. Reconciliation statement

#### Inventories

Difference in Opening Inventory:

Absorption Costing Technique	560,000	
Marginal Costing Technique	(400,000)	160,000
<b>Difference in Closing Inventory:</b>		
Absorption Costing Technique	140,000	
Marginal Costing Technique	(100,000)	(40,000)
<b>Difference in Inventory</b>		<u>120,000</u>
		<b>Net Profit</b>
Absorption costing technique	1,380,000	
Marginal costing technique	1,500,000	
<b>Difference in Net Profit</b>		<u>120,000</u>

#### Workings:

$$\begin{aligned}
 \text{Closing Inventory} &= \text{opening inventory} + \text{units produced} - \text{unit sold} \\
 &= 40,000 + 170,000 - 200,000 \\
 &= 10,000 \text{ units}
 \end{aligned}$$

#### Examiner's report

The question tests candidates' understanding of marginal and absorption costing.

Over 60% of the candidates attempted the question. The performance was average as about 40% of them scored above 50% of the marks allotted. The major pitfall was the incorrect application of principles.

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

#### Marking guide

	<b>Marks</b>
a. <b>Differences between Marginal and Absorption Costing Techniques under the following criteria:</b> (½ mark per correct distinction between Marginal and Absorption Costing Techniques)	5
b. <b>Folly Kemaj Manufacturing Nigeria Limited</b> Income statement using absorption costing technique 13 ticks for 6½ Marks ½ mark per tick	6½

ii. <b>Income statement using marginal costing technique</b>		
12 ticks for 6 Marks		6
1/2 Mark per tick		
<b>NOTE:</b> Any candidate that adds all variable cost (₦680,000 + ₦680,000 + ₦340,000) = ₦1,700,000 should be given 1½ Marks.		<u>2½</u>
iii. <b>Reconciliation</b>		<u>20</u>

## **SOLUTION 2**

### **a. Qualities of good Information**

- i) **Accuracy:** Information should be free from errors and bias.
- ii) **Relevance:** Information should be relevant to the decision or purpose.
- iii) **Completeness:** Information should be comprehensive and include all necessary details.
- iv) **Timeliness:** Information should be available when needed.
- v) **Reliability:** Information should be trustworthy and dependable.
- vi) **Verifiability:** Information should be supported by evidence or source documents.
- vii) **Understandability:** Information should be clear and easy to understand.
- viii) **Conciseness:** Information should be concise and to the point.
- ix) **Objectivity:** Information should be unbiased and impartial.
- x) **Comparability:** Information should be presented in a way that allows for comparison.
- xi) **Consistency:** Information should be presented consistently over time.
- xii) **Materiality:** Information should be significant and relevant to the decision.
- xiii) **Accessibility:** Information should be easily accessible to authorised parties.
- xiv) **Cost Benefit Analysis:** the cost of obtaining the information must not outweigh the benefit to be derived

### **b. The Levels of Planning**

- i. **Strategic Planning:** High-level planning that sets the overall direction and goals of the organisation.
- ii. **Tactical Planning:** Middle-level planning that outlines specific actions to achieve strategic goals.
- iii. **Operational Planning:** Low-level planning that focuses on day-to-day activities and resource allocation.

### **c. The Roles of Management Accountant and Financial Accountant**

**Management Accountant:**

- Provides internal decision-making information
- Analyzes performance and identifies areas for improvement
- Supports strategic planning and budgeting
- Helps with risk management and control

**Financial Accountant:**

- Prepares financial statements for external stakeholders
- Ensures compliance with accounting standards and regulations
- Provides historical financial data
- Facilitates financial analysis and reporting.

**d. Advantages and Disadvantages of Management Accounting.****Advantages:**

- i. Informed decision-making: Management accounting provides relevant data for decision-making.
- ii. Improved performance: Helps identify areas for improvement and optimise resources.
- iii. Better budgeting: Facilitates budgeting and forecasting.
- iv. Risk management: Identifies and mitigates business risks.
- v. Competitive advantage: Supports strategic planning and competitive positioning.
- vi. Enhanced accountability: Promotes accountability and transparency
- vii. Improved resource allocation: Helps allocate resources efficiently.
- viii. Supports innovation: Provides data to support innovation and growth initiatives.

**Limitations/Disadvantages:**

- i. Costly: Implementing and maintaining management accounting systems can be expensive.
- ii. Time-consuming: Requires significant time and resources.
- iii. Complexity: Can be complex and require specialized skills.
- iv. Data quality: Relies on accurate and reliable data.
- v. Resistance to change: May face resistance from employees or management.
- vi. Information overload: Can lead to information overload if not managed properly.
- vii. Dependence on data: Over-reliance on data can lead to poor decision-making.
- viii. Limited scope: May focus too much on financial metrics, neglecting non-financial aspects.

**Examiner's report**

The question tests candidates' understanding of the qualities of good information and levels of planning.

About 70% of the candidates attempted the question and performance was average as about 30% of the candidates who attempted the question scored above 50%. The major pitfall was the incorrect application of principles.

Candidates are enjoined to study the ICAN Study Text and other recommended textbooks for a deeper understanding of this topic.

## Marking guide

		<b>Marks</b>	<b>Marks</b>
a.	<b>Qualities of Good Information</b> Mark for identification Mark for explanation	$\frac{1}{2}$ $\frac{1}{2}$ <hr/> $1$	$5$
b.	<b>The Levels of Planning</b> 1 mark for identification 1 mark for explanation 2 marks each x 3 points	$6$	
c.	<b>The Roles of Cost, Management and Financial Accounting:</b> Cost Accounting Management Accounting: Financial Accounting:	$1$ $1$ $1$	$3$
d.	<b>Advantages and Disadvantages of Management Accounting</b> Advantages: 1 Mark for Any Advantages of Management Accounting Any 3 Points = 3 Marks	$3$	
	<b>Limitations/Disadvantages:</b> Mark for Any Disadvantages of Management Accounting	$1$	$\frac{3}{20}$

## SOLUTION 3

### Tiwantiwa Manufacturing Company Limited

#### Determination of fixed and variable costs

##### a. High and Low Method

	Units	Cost (₦)
High	3,000	3,800
Low	<u>(1,000)</u>	<u>(2,600)</u>
Difference	<u>2,000</u>	<u>1,200</u>

$$\begin{aligned}
 \text{Variable Cost/Unit (b)} &= \frac{\text{Difference in Corresponding Cost (₦)}}{\text{Difference in Activity Level (Units)}} \\
 &= \frac{\text{₦1,200}}{2,000} \\
 &= \text{₦.60 per unit}
 \end{aligned}$$

From the formula  $y = a + bx$ , determine the fixed element either at high or low points

At high point

$$Y = a + bx$$

$$3,800 = a + \text{₦}0.6(3,000)$$

$$3,800 = a + 1,800$$

$$a = 3,800 - 1,800$$

$$= \text{₦}2,000$$

At Low Point

$$Y = a + bx$$

$$2,600 = a + \text{₦}0.6(1,000)$$

$$2,600 = a + 600$$

$$a = 2,600 - 600$$

$$= \text{₦}2,000$$

### Using Linear Regression Analysis

Period	Units (X)	Expenses ₦ (Y)	XY	X <sup>2</sup>	Y <sup>2</sup>
1	1,000	2,600.00	2,600,000	1,000,000	6,760,000
2	1,500	5,000.00	7,500,000	2,250,000	25,000,000
3	2,500	3,700.00	9,250,000	6,250,000	13,690,000
4	2,000	3,500.00	7,000,000	4,000,000	12,250,000
5	2,500	3,600.00	9,000,000	6,250,000	12,960,000
6	2,000	3,400.00	6,800,000	4,000,000	11,560,000
7	3,000	3,800.00	11,400,000	9,000,000	14,440,000
8	2,500	3,300.00	8,250,000	6,250,000	10,890,000
9	2,000	3,100.00	6,200,000	4,000,000	9,610,000
10	<u>1,500</u>	<u>2,000.00</u>	<u>3,000,000</u>	<u>2,250,000</u>	<u>4,000,000</u>
Total					
(Σ)	<u><math>\Sigma X 20,500</math></u>	<u><math>\Sigma Y 34,000</math></u>	<u><math>\Sigma XY 71,000,000</math></u>	<u><math>\Sigma X^2 45,250,000</math></u>	<u><math>\Sigma Y^2 121,160,000</math></u>

$$b = \frac{n\sum XY - \sum X \sum Y}{n\sum X^2 - (\sum X)^2}$$

$$= \frac{10(71,000,000) - 20,500(34,000)}{10(45,250,000) - (20,500)^2}$$

$$= \frac{710,000,000 - 697,000,000}{452,500,000 - 420,250,000}$$

$$= \frac{13,000,000}{32,250,000}$$

$$b = \text{₦}0.4031$$

$$a = Y - bX$$

$$Y = \frac{\sum Y}{N}$$

$$= \frac{34,000}{10}$$

$$= 3,400$$

$$X = \frac{\Sigma X}{N}$$

$$= \frac{20,500}{10}$$

$$= 2,050$$

$$a = 3,400 - (0.4031 * 2,050)$$

$$a = 3,400 - 826.355$$

$$a = 2,573.645$$

The linear regression equation is:  $Y = a + bX$

$$Y = 2,573.65 + 0.4031X$$

### b. The correlation co-efficient

The correlation coefficient ( $r$ ) measures the strength and direction of a linear relationship between two variables,  $X$  (units) and  $Y$  (expenses) in this case

$-r$  ranges from -1 to 1:

- \* +1 Perfect positive correlation (as  $X$  increases,  $Y$  increases)
- \* -1 Perfect negative correlation (as  $X$  increases,  $Y$  decreases)
- \* 0 No correlation (no linear relationship)
- \* 0.4031 indicates a positive correlation
- \* As units ( $X$ ) increases, expenses ( $Y$ ) tend to increase, but the relationship is strong.

In this case, the correlation coefficient ( $r = 0.4031$ ) suggests a positive correlation between units and expenses. This means that there might be other factors influencing expenses, and the relationship with units is very strong.

### Examiner's report

This question tests candidates' understanding of methods of separation of fixed and variable costs including the high and low, and linear regression methods.

About 40% of the candidates attempted the question. The performance was poor as only about 20% of the candidates who attempted the question scored above 50%. The major pitfall was not having detailed knowledge of the topic.

Candidates are advised to pay attention to this all important topic in their future preparations.

### Marking guide

	Marks	Marks
a. (i) High and Low Method		
10 ticks for 5 marks	5	
1/2 Mark per tick		
(ii) Using Linear Regression Analysis		
1/4 Mark x 28 Ticks	7	
1 Mark x 3 Ticks	3	10

b. **Explaining the Correlation Co-Efficiency Obtained in (a)(ii) above**

The correlation coefficient measures the strength and direction of a linear relationship between two variables

5  
20

**SOLUTION 4**

a. **Abangam Manufacturing Limited**

**Optimal Production Mix**

Product	Kylian	Leo	Mane	Nani
Profit per unit (₦)	360	300	560	270
Period Cost (₦)	40	120	120	30
<b>Unit Contribution (₦) = (T)</b>	<b>400</b>	<b>420</b>	<b>680</b>	<b>300</b>
<b>Add:</b>				
Unit Variable costs (₦)	320	390	720	420
Unit Selling Price (₦)	<u>720</u>	<u>810</u>	<u>1,400</u>	<u>720</u>
Direct mat/unit (₦) = (K)	200	210	600	300
Contribution per ₦ of mat (T ÷ K)	2	2	1.13	1
Ranking	2 <sup>nd</sup>	1 <sup>st</sup>	3 <sup>rd</sup>	4 <sup>th</sup>
Budgeted sales (₦'000)	21,600	25,920	42,000	20,160
Budgeted sales units	30,000	32,000	30,000	28,000
Allocation of available ₦38m	6,000,000	6,720,000	18,000,000	7,280,000
Available sales units	30,000	32,000	30,000	24,246

**Advice:**

Based on the ranking above, the company should produce as follows:

Kylian	- 30,000 units
Leo	- 32,000 units
Mane	- 30,000 units
Nani	- 24,266 units

b. **Revised Income Statement**

Product	Kylian	Leo	Mane	Nani	TOTAL
Budgeted Sales (Units) [a]	30,000	32,000	30,000	24,247	
Contribution/Unit (₦) [b]	400	420	680	300	
<b>Total Contribution (₦'000) [c = a x b]</b>	<b>12,000</b>	<b>13,440</b>	<b>20,400</b>	<b>7,280</b>	<b>53,120</b>
Period Cost (₦) [d]	40	120	120	30	
<b>Total Period Cost (₦'000) [e = a x d]</b>	<b>1,200</b>	<b>3,840</b>	<b>3,600</b>	<b>840</b>	<b>(9,480)</b>
				<b>NET PROFIT</b>	<b>43,640 (1)</b>

Note – Period cost for Product – Nani is based on budgeted units and not on optimal production mix.

## **Examiner's report**

This question tests candidates' understanding of the concept of optimal production mix.

About 25% of the candidates attempted the question but performance was poor as only about 20% of them scored 50% of the allocated marks and above.

Students demonstrated poor understanding of the topic.

It is recommended that candidates devote more efforts towards understanding this major topic in their future preparations.

## **Marking guide**

	<b>Marks</b>
<b>Abangam Manufacturing Limited</b>	
<b>Optimal production mix</b>	
<b>28 Ticks for 14 Marks</b>	
<b>½ Mark per Tick</b>	<b>14</b>
 <b>Revised Income Statement</b>	
<b>10 ticks for 5 marks</b>	<b>5</b>
<b>½ mark per tick</b>	<b>1</b>
<b>1 mark for Net Profit</b>	<b><u>20</u></b>

## **SOLUTION 5**

a. Four (4) Remuneration Systems/Methods

i) **Time-Based Remuneration**

Payment made to employees based on the time they have worked, such as hourly, daily, weekly, or monthly rates.

ii) **Performance-Based/Piece-rate/Commission/Bonus/Incentive/Output-Based Remuneration**

Payment made to employees based on their performance, achievements, or contributions to the organization, often tied to specific targets or goals.

iii) **Skill-Based Remuneration**

Payment made to employees based on their skills, qualifications, or competencies, recognising their expertise and value to the organisation.

iv) **Profit-Sharing Remuneration**

Payment made to employees as a share of the organization's profits, often in the form of bonuses, stock options, or other forms of profit-related compensation.

b. **Advantages and Disadvantages of Each Methods**

i. **Advantages of Time-Based Remuneration**

- Simple to administer
- Provides predictable income for employees
- Encourages employees to work regular hours
- Easy to calculate and record
- Suitable for roles with clear work schedules

**Disadvantages of Time-Based Remuneration**

- May not incentivize productivity or performance
- Can lead to inefficiencies if employees are not motivated
- May not account for differences in employee performance
- Does not reward exceptional performance
- Can lead to complacency

ii. **Advantages of Performance-Based Remuneration**

- Incentivizes productivity and performance
- Encourages goal-oriented behaviour
- Can improve overall organizational performance
- Recognizes and rewards outstanding performance
- Can increase employee motivation and engagement

**Disadvantages of Performance-Based Remuneration**

- May lead to competition rather than collaboration
- Can create undue stress and pressure
- May lead to burnout if targets are unrealistic
- Can be subjective or biased
- May not account for factors outside employee control

iii. **Advantages of Skill-Based Remuneration**

- Encourages skill development and career growth
- Recognizes and rewards employee expertise
- Can improve employee retention
- Supports succession planning
- Can improve overall organizational capability

**Disadvantages of Skill-Based Remuneration**

- May lead to pay disparities if not managed carefully
- Can create administrative complexities
- May not account for differences in employee performance
- Can be expensive to implement and maintain
- May not be suitable for all roles or industries

**iv. Advantages of Profit-Sharing Remuneration**

- Aligns employee interests with company performance
- Encourages teamwork and collaboration
- Can improve employee motivation and engagement
- Can be a cost-effective way to reward employees
- Can attract and retain top talent

**Disadvantages of Profit-Sharing Remuneration**

- May be volatile and unpredictable
- Can create uncertainty for employees
- May not be directly tied to individual performance
- Can be affected by external factors (e.g., market conditions)
- May require significant administrative effort

**c. Cost Control and Cost Reduction**

**Cost Control** is the process of managing and regulating costs within an organization to achieve its objectives. It involves establishing budgets, monitoring expenses, and taking corrective action to stay within budget, with the aim of optimizing resource allocation and reducing waste.

**Cost Reduction** is the process of identifying and implementing ways to reduce costs, with the goal of decreasing expenses and improving efficiency, ultimately leading to improved profitability. It involves analyzing costs, identifying areas for improvement, and implementing changes to achieve cost savings.

**Difference between Cost Control and Cost Reduction**

S/N	AREA OF DIFFERENCE	COST CONTROL	COST REDUCTION
i.	Objective	Manage and regulate costs to stay within budget	Decrease costs and improve efficiency
ii.	Focus	Maintaining cost stability and preventing unnecessary expenses	Reducing expenses and achieving cost savings
iii.	Approach	Establishing budgets, monitoring expenses, and taking corrective action	Analysing costs, identifying areas for improvement, and implementing changes
iv.	Outcome	Optimised resource allocation and reduced waste	Improved profitability and efficiency

## **Examiner's report**

This question tests candidates' understanding of labour remuneration methods and the differences between cost control and cost reduction.

About 50% of the candidates attempted the question and performance was average as about 50% of the candidates who attempted the question scored above 50% of the marks allocated.

Candidates' performance revealed that they did not consider this topic during their preparation for this examination.

Candidates should pay more attention to this topic in their future preparations.

## **Marking guide**

	<b>Marks</b>	<b>Marks</b>
<b>a. Four (4) remuneration systems/methods</b>		
Mark for identification	$\frac{1}{2}$	
Mark for identification	$\frac{1}{2}$	
Mark each x 4 points	<u>1</u>	4
<b>b 3 advantages and 2 disadvantages of any two (2) of the methods of remuneration</b>		
1 mark each for advantages x 3	3	
1 mark each for disadvantages x 2	<u>2</u>	
5 marks x Any 2 methods = 10 marks	<u>5</u>	10
<b>c Cost Control and Cost Reduction</b>		
1 mark each for definition of cost control and cost reduction		
1 mark per point x any 2 differences under cost control and reduction	4	<u>6</u>
		<u>20</u>

## SOLUTION 6

### Mahye Nigeria Limited

#### a. Standard Cost Card of the Product ½

	₦
Direct Materials:	
- Material A (2kg @ ₦300)	600
- Material B (1kg @ ₦400)	400
Direct Labour (5hrs @ ₦400)	2,000
Variable Overhead (5hrs @ ₦100)	500
Fixed Overhead (5hrs @ ₦200)	<u>1,000</u>
<b>Standard Production Cost</b>	<b>4,500</b>
Standard margin	500
<b>Standard selling price</b>	<b>5,000</b>

#### Calculation of Equivalent units

	Materials units	Conversion cost (labour + overhead) units
Units completed	6,000	6,000
Closing WIP	600	(50% of 600) 300
Equivalent units of production	6,600	6,300
(These will be taken as quantity produced)		

#### b. Direct Material Cost Variances

##### Material A

Direct Material Cost Variance	= Standard Cost – Actual Cost = (₦600 x 6,600) – 4,306,500 = 3,960,000 – 4,306,500 = ₦346,500 (A)
Direct Material Price Variance	= (₦300 x 14,850) – 4,306,500 = 4,455,000 – 4,306,500 = ₦148,500 (F)
Direct Material Usage Variance	= ((2 x 6,600) – 14,850) x ₦300 = (13,200 – 14,850) x ₦300 = ₦495,000 (A)

##### Material B

Direct Material Cost Variance	= Standard Cost – Actual Cost = (₦400 x 6,600) – 2,975,000 = 2,640,000 – 2,975,000 = ₦335,000 (A)
-------------------------------	--

Direct Material Price Variance	$= (\text{₦}400 \times 7,260) - 2,904,000$ $= 2,975,000 - 2,904,000$ $= \text{₦}71,000 (\text{A})$
Direct Material Usage Variance	$= ((1 \times 6,600) - 7,260) \times \text{₦}400$ $= (6,600 - 7,260) \times \text{₦}400$ $= \text{₦}264,000 (\text{A})$
<b>Direct Labour Cost Variances</b>	
i. Direct Labour Cost Variance	$= \text{Std. Cost} - \text{Act. Cost}$ $= (6,300 @ \text{₦}2,000) - 12,750,000$ $= 12,600,000 - 12,750,000$ $= \text{₦}150,000 (\text{A})$
ii. Direct Labour Rate Variance	$= \text{AH} (\text{SR} - \text{AR})$ $= 32,000 \text{hrs} (\text{₦}400 - [12,750,000/32,000])$ $= 32,000 (\text{₦}400 - 398.4375)$ $= \text{₦}50,000 (\text{F})$
iii. Direct Labour Efficiency Variance	$= \text{SR} (\text{SH} - \text{AH})$ $= \text{₦}400(6,300 \times 5 \text{ hrs} - 32,000)$ $= \text{₦}400(500)$ $= \text{₦}200,000 (\text{A})$

c. **Overheads Cost Variances (both Variable and Fixed)**

i. Variable Overhead Cost Variance	$= \text{Std. Cost} - \text{Act. Cost}$ $= (5 \text{hrs} \times 6,300 @ \text{₦}100) - 3,200,000$ $= 3,150,000 - 3,000,000$ $= \text{₦}150,000 (\text{F})$
ii. Variable Overhead Rate Variance	$= \text{AH} (\text{SR} - \text{AR})$ $= (32,000 @ \text{₦}100) - 3,000,000$ $= \text{₦}3,200,000 - \text{₦}3,000,000$ $= \text{₦}200,000 (\text{F})$
iii. Variable Overhead Efficiency Variance	$= \text{SR} (\text{SH} - \text{AH})$ $= \text{₦}100(6,300 \times 5 \text{ hrs} - 3400 \text{ hrs})$ $= \text{₦}50,000 (\text{A})$
iv. Fixed Overhead Cost Variance	$= (\text{Std. Cost} - \text{Act. Cost})$ $= (6,300 \times \text{₦}1,000) - \text{₦}806,000$ $= 6,300,000 - 8,060,000$ $= \text{₦}1,760,000 (\text{A})$
v. Fixed Overheads Volume Variance	$= \text{SR} (\text{SH} - \text{AH})$ $= (\text{₦}200 \times 32,000) - 8,060,000$

	= ₦1,660,000 (A)
vi. Fixed Overhead Expenditure Variance	= 6,300,000 – 8,060,000
	= ₦100,000 (A)

d. **Sales Margin Variances**

i. Sale Price Variance	= AQ (AM – BM) = 6,000 ([5,083.33 – 4,500] – 500) = 6,000(83.33) = ₦500,000 (F)
ii. Sale Volume Variance	= BM (AQ – BQ) = 500(6,000 – 6,000) = 500(0) = N (A)

Note: It is assumed that 6,000 is the budgeted sales units.

e. **Operating Statements for the month of October using the Variances**

Details	Total ₦	
Budgeted Profit		1,350,000
	<u>Favourable</u>	<u>Adverse</u>
Sales Margins:	500,000	
Direct Materials		
- Material A		346,500
- Material B		335,000
Direct Labour		150,000
Variable Overheads	150,000	
Fixed Overheads		1,760,000
<b>ACTUAL PROFIT</b>		<u>(1,941,500)</u> <u>(591,500)</u>

**Examiner's report**

This question tests candidates' understanding of standard costing with emphasis on variance analysis.

About 30% of the candidates attempted the question but performance was below average. It was obvious that students did not prepare for the topic, judging from their approach to the question

About 25% of the candidates who attempted the question scored above 50% of the marks allotted. Candidates demonstrated poor knowledge of variance analysis.

Candidates should realise that standard costing and variance analysis are very critical parts of management accounting and should therefore treat them with the seriousness they deserve.

**Marking guide**

	<b>Marks</b>	<b>Marks</b>
a. <b>Standard Cost Card of the Product</b> ½ Mark for heading 6 Ticks x ¼ Mark	<u>2</u>	2
b. <b>Direct Material Cost Variances</b> 10 ticks for 5 Marks ½ Mark per tick		5
c. <b>Direct Labour Cost Variances</b> 6 ticks for 3 Marks ½ Mark per tick		3
d. <b>Overheads Cost Variances(both Variable and Fixed)</b> 12 ticks for 3 Marks ¼ Mark per tick		3
e. <b>Sales Margin Variances</b> 6 ticks for 3 Marks ½ Mark per tick		3
f. <b>Operating Statements for the month of October using the Variances</b> 8 Ticks for 4 Marks ½ Mark per Tick		4
	<u>20</u>	

## INSTITUTE OF CHARTERED ACCOUNTANTS OF NIGERIA



**FOUNDATION LEVEL EXAMINATION – NOVEMBER 2025**  
**BUSINESS ENVIRONMENT**

**EXAMINATION INSTRUCTIONS**

**PLEASE READ THESE INSTRUCTIONS BEFORE THE COMMENCEMENT OF THE PAPER**

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

**WEDNESDAY, NOVEMBER 19, 2025**

**DO NOT TURN OVER UNTIL YOU ARE TOLD TO DO SO**

**INSTITUTE OF CHARTERED ACCOUNTANTS OF NIGERIA**

**FOUNDATION LEVEL EXAMINATION – NOVEMBER 2025**

**BUSINESS ENVIRONMENT**

Time Allowed:  $3\frac{1}{4}$  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. A person who is no longer a partner in a partnership but has left his capital in the business as a loan is known as a
  - A. Balanced partner
  - B. Minor partner
  - C. Quasi partner
  - D. Nominal partner
2. A situation where personal goals conflict with business objectives is called a
  - A. Goal incongruence
  - B. Vergence of goal
  - C. Goal mismanagement
  - D. Misplaced goal
3. Which of the following best outlines the three main challenges confronting the public sector?
  - A. Budget constraints, lack of efficiency and lack of management
  - B. Budget constraints, lack of efficiency and cyber attacks
  - C. Budget constraints, cyber attacks and lack of management
  - D. Cyber attacks, lack of efficiency and funds misappropriation
4. An executive director should demonstrate the following skills, **EXCEPT:**
  - A. Cordial relationship with all staff members
  - B. Consistent leadership
  - C. Versatile communication skills
  - D. Previous experience in the field

5. Individuals whose interest in a company stems from a direct relationship, such as employment, ownership, or investment, are referred to as
  - A. Primary stakeholders
  - B. Internal partners
  - C. General partners
  - D. External stakeholders
6. The following are types of Corporate Social Responsibility (CSR), **EXCEPT:**
  - A. Philanthropy
  - B. Environmental conservation
  - C. Aesthetic conservation
  - D. Volunteerism
7. The following are the fundamental principles of ethics, **EXCEPT:**
  - A. Beneficence
  - B. Non-maleficence
  - C. Autonomy
  - D. Confidentiality
8. Decision-making and actions that prioritise the overall welfare and well-being of society rather than personal interests are known as
  - A. Acting in the public interest
  - B. Acting in societal interest
  - C. Acting in the general interest
  - D. Acting on compassionate interest
9. The process of assessing whether appropriate progress is being made towards achieving objectives or goals and taking corrective action, when necessary, is known as
  - A. Controlling
  - B. Organising
  - C. Directing
  - D. Supervising
10. Groups created to complete a particular assignment or project within a set time frame and objective are known as
  - A. Spontaneous groups
  - B. Interest groups
  - C. Task groups
  - D. Official groups

11. A business model that involves multiple user groups, like customers and advertisers that earns revenue from each other is known as

- Freemium model
- Disintermediation model
- Subscription model
- Multi-sided model

12. A system of intentional personal regulation that involves guiding one's own thoughts, behaviours and emotions to reach established goals is referred to as

- Self-regulatory theory
- Executive functioning
- Central coherence issues
- Perspective taking

13. The exchange of messages among individuals and groups functioning at the same level within an organisation is known as

- Horizontal communication
- Vertical communication
- Upward communication
- Downward communication

14. The factors that influence the demand for a good or service by consumers are known as

- Law of demand
- Demand and supply
- Determinants of demand
- Concept of demand

15. The difference between the amount customers are willing to pay and the actual price paid for a good or service is called .....

- Ostentatious price
- Consumer advantage
- Consumer surplus
- Price advantage

16. The process by which supply and demand set the market price and the quantity of a product exchanged is called the

- Price mechanism
- Price determinants
- Market mechanism
- Market determinants

17. The advantages a business gains from being located in an area with a high concentration of other businesses or industries are referred to as the

- Internal economies of scale
- General economies of scale
- Concentrated economies of scale
- External economies of scale

18. The measure of how total product changes in response to variations in a variable factor is called the

- Marginal price
- Marginal product
- Marginal factor
- Marginal production

19. The component that undermines web servers' validation requests using the Extensible Markup Language (XML) signature element is known as the

- Cyber attack
- Wrapping attack
- Web attack
- Servers' attack

20. The use of new technologies in the financial services sector to enhance operations and customer engagement through digital innovation, analytics, data management and sometimes exponential technologies is called

- Fintech
- Banktech
- Infotech
- Megatech

**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 matrix organisational structure is intricate but facilitates the achievement of the ultimate goal of enhanced productivity.

**Required:**

- Describe a matrix type of organisational structure. (5 Marks)
- List and explain **FIVE** advantages of a matrix organisation. (7½ Marks)
- State and explain **FIVE** disadvantages of a matrix organisation. (7½ Marks)

**(Total 20 Marks)**

## **QUESTION 2**

Globalisation in an economic context refers to integrated economies characterised by free trade, the unrestricted movement of capital between countries and easy access to foreign resources, including labour markets, aimed at maximising returns and promoting the common good.

### **Required:**

- a. List and explain **FOUR** recent technological changes that have contributed to globalisation. (6 Marks)
- b. List and explain **THREE** types of globalisation. (6 Marks)
- c. State and explain **FOUR** significant aspects of globalisation. (8 Marks)

**(Total 20 Marks)**

## **QUESTION 3**

Internal controls are processes within an organisation encompassing both financial and non-financial controls to safeguard the assets of the organisation.

### **Required:**

- a. Briefly explain **FIVE** areas where internal controls are applied to strengthen the accounting and auditing processes. (5 Marks)
- b. State **FOUR** fundamental concepts that the definition of internal control reflects. (4 Marks)
- c. List and explain **THREE** examples of access control in internal control. (6 Marks)
- d. Explain **FIVE** objectives of internal control. (5 Marks)

**(Total 20 Marks)**

## **QUESTION 4**

The terms 'leadership' and 'management' are often used interchangeably in both academic and professional settings, but they embody distinct roles, responsibilities and approaches within organisational context.

### **Required:**

- a. Clearly define the concept of leadership. (2½ Marks)
- b. Provide a direct explanation of management. (2½ Marks)
- c. Identify and explain **FIVE** key distinctions between a leader and a manager. (7½ Marks)
- d. Outline **FIVE** key similarities between leadership and management in organisational practice. (7½ Marks)

**(Total 20 Marks)**

## QUESTION 5

A maximum price set below the market equilibrium can cause excess demand and lower supply, leading to a persistent shortage of the good.

### Required:

- a. Define the concept of a maximum price. (2½ Marks)
- b. Explain how a price ceiling can cause a leftward shift in the supply curve and illustrate your explanation with a diagram. (7½ Marks)
- c. List and explain **FIVE** key problems that may arise from the persistent shortage caused by a price ceiling. (10 Marks)

**(Total 20 Marks)**

## QUESTION 6

The Internet of Things (IoT) refers to a dynamic ecosystem of interconnected physical devices, ranging from everyday consumer products to complex industrial systems that are embedded with sensors, software and other technologies. These devices collect, transmit and act upon data, enabling real-time decision-making and automation across various sectors of the economy.

### Required:

- a. Identify **FIVE** key sectors that integrate Internet of Things (IoT) technologies into their operations and briefly describe how IoT is applied in each. (5 Marks)
- b. List and explain **FOUR** significant benefits of deploying IoT solutions in modern enterprises. (6 Marks)
- c. Explain **SIX** significant challenges associated with the implementation and management of IoT systems. (9 Marks)

**(Total 20 Marks)**

## **SECTION A**

### **MULTIPLE-CHOICE SOLUTIONS**

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

	<b>Marks</b>
Award 1 mark each for any correct answer stated	<b>20</b>

## **SOLUTION 1**

a) A matrix organisation is a structure in which there is more than one line of reporting. Effectively, it means that each employee of the organisation has more than one boss. The matrix organisation structure is complex but helps in achieving the ultimate goal that is, reaching higher productivity. It has various benefits. This type of structure is used in organisations which have diverse product lines and services. It breaks the monotony and gives more flexibility to the organisation. Employees work with colleagues of different departments who have expertise in different functions. When different people from diverse departments work together, it helps solve problems in a more efficient way. It does lead to overall development of employees, as each one is exposed to different functions apart from his or her core job.

b) **Advantages of matrix organisational structure**

- i. **Enhanced flexibility and adaptability:** Cross-functional teams quickly respond to changes in market conditions and evolving project requirements. It makes organisations responsive and agile, giving them a competitive edge in fast-paced industries.
- ii. **Improved resource utilisation:** Matrix structure also enables optimal utilisation of human resources. Employees work on different projects simultaneously, which enhances their skills and expertise. Better resource allocation reduces overloading or underutilisation of employees.
- iii. **Cross-functional collaboration:** Employees from different functional areas work together on projects, breaking silos. They gain a more holistic understanding of organisational goals and objectives. It leads to improved problem-solving and better decision-making.
- iv. **Specialised expertise utilisation:** Matrix structures allow project managers to build well-rounded teams with experts from different functional units. They can utilise their diverse skills and knowledge to achieve better problem-solving and high-quality project outcomes.
- v. **Faster decision-making:** Decision-making is streamlined by involving relevant stakeholders. It leads to fewer bureaucratic delays in the decision-making process and faster implementation.

- vi. **Employee development opportunities:** The matrix structure offers employees a significant advantage of continuous learning and development opportunities. They gain exposure by working on various projects and collaborating with managers from multiple departments. It enhances their versatility, adaptability and skill set.
- vii. **Global and local integration:** Matrix structure also facilitates the integration of global and regional perspectives. Employees from various regions and cultures collaborate to comprehend local market needs and develop customised strategies. It enables better market penetration and customer satisfaction.

c) **Disadvantages of matrix organisational structure**

- i. **Communication challenges:** Effective communication becomes challenging when employees report to multiple managers. Miscommunication and misunderstandings may lead to delays in decision-making.
- ii. **Conflicting information:** Diverse instructions from functional and project managers can cause confusion and hinder productivity.
- iii. **Role ambiguity:** Employee performance is impaired if they are unclear about their roles and responsibilities. They may feel overwhelmed with conflicting tasks and expectations from different managers.
- iv. **Decision-making complexities:** With multiple managers involved, reaching a consensus may be challenging, leading to delays in important decisions. It can cause frustration among employees and affect their morale.
- v. **Dissatisfaction and burnout:** Employees struggle to prioritise tasks and find it challenging to manage their time effectively. It results in lower productivity levels and increased stress.
- vi. **Power conflicts:** Each manager has their own objectives and goals, which can lead to disputes in a competitive environment. It delays decision-making and hinders teamwork.

#### **Examiner's report**

The question is presented in three parts. The first part of the question requires a description of matrix type of organizational structure. The second part demands explanation of five advantages of a matrix organization, while third part requests for stating and explaining of five disadvantages of matrix organization.

About 62% of the candidates attempted this question, and 54% of the number scored above average

**For better performance in future examinations, candidates should cover the contents of the syllabus using ICAN study text as guide.**

## **Marking guide**

	<b>Marks</b>	<b>Marks</b>
a. Correct description of matrix type of organisational structure	5	
b. (i) Listing of any five advantages of matrix organisational structure	2½	
(ii) Explanations of the advantages of matrix organisational structure	<u>5</u>	<u>7½</u>
c. (i) Stating of any five disadvantages of matrix organisational structure	2½	
(ii) Explanations of the disadvantages of matrix organisational structure	<u>5</u>	<u>7½</u>
<b>Total</b>		<b><u>20</u></b>

## **SOLUTION 2**

### **a. Technological changes that have played a role in globalisation**

- i. **Internet and internet communication:** The internet has significantly increased the global sharing and flow of information, knowledge and ideas. It has enabled cultural exchange across countries and helped reduce the digital divide between more technologically advanced and less advanced nations.
- ii. **Communication technology:** Advancements such as 4G and 5G networks have dramatically improved the speed, capacity, and responsiveness of mobile and wireless communication. This has enhanced real-time connectivity and supported global business operations, remote work and international collaboration.
- iii. **Internet of things (IoT) and Artificial Intelligence (AI):** IoT and AI technologies are enabling the tracking of assets in transit and as they move across borders, making cross-border product management more efficient.
- iv. **Blockchain:** Blockchain provides a transparent, tamper-resistant ledger for recording and verifying transactions. It enhances data security in sectors such as healthcare, finance and international trade. Blockchain has also enabled decentralised databases and systems that improve the tracking of materials across global supply chains.

## b. Three types of globalisation

- i. **Economic globalisation:** This refers to the increasing integration of international financial markets and the coordination of economic activities across borders. It includes the expansion of free trade agreements such as the North American Free Trade Agreement (NAFTA) and the Trans-Pacific Partnership (TPP) which reduce barriers to trade and investment. Multinational corporations, operating in two or more countries, play a significant role in driving economic globalisation.
- ii. **Political globalisation:** Political globalisation involves the development of policies and frameworks that bring countries together politically, economically and culturally. It includes the cooperation fostered through international organisations such as the United Nations (UN), the North Atlantic Treaty Organisation (NATO) and other bodies that encourage global governance, diplomacy and collective decision-making.
- iii. **Cultural globalisation:** Cultural globalisation focuses on the ways in which cultures become more interconnected and similar, largely due to technological and societal changes. Factors such as easier global communication, widespread use of social media and improved transportation systems enable the rapid exchange of cultural ideas, values, lifestyles and practices across borders.

## c. Significant aspects of globalisation

- i. **Solving economic problems:** Globalisation moves jobs and capital to places that need these resources. It gives more developed countries access to lower cost resources and labour and less developed countries access to jobs and the investment funds they need for development.
- ii. **Promoting free trade:** Globalisation puts pressure on nations to reduce tariffs, subsidies and other barriers to free trade. This promotes economic growth, creates jobs, makes companies more competitive and lowers prices for consumers.
- iii. **Spurring economic development:** Globalisation can give developing countries access to foreign capital and technology they would not otherwise have, thus bridging the digital divide. Foreign investment can result in an improved standard of living for the citizens of those nations.
- iv. **Promoting shared cultural understanding:** Advocates view the increased ability to travel and experience new cultures as a positive part of globalisation that can contribute to international cooperation and peace.

v. **Encouraging positive trends in human rights and the environment:** Advocates of globalisation point to improved attention to human rights on a global scale and a shared understanding of the impact of people and production on the environment.

### **Examiner's report**

The question is presented in three parts. The first part requires the listing and explaining four recent technological changes that have contributed to globalization. The second part requires three types of globalization to be listed and explained. The last part requires four significant aspect of globalization to be stated and explained.

About 72% of the candidates attempted this question and about 64% of the number scored above average

**For better performance in future examinations, candidates are strongly advised to be familiar with every topic in the syllabus. A deep understanding of each topic using the ICAN study text guarantees brilliant success.**

### **Marking guide**

		<b>Marks</b>	<b>Marks</b>
a.	(i) Listing of any four recent technological changes	<b>2</b>	
	(ii) Explanations of the four recent technological changes	<b>4</b>	<b>6</b>
b.	(i) Listing three types of globalisation	<b>1½</b>	
	(ii) Explanations of the three types of globalisation	<b>4½</b>	<b>6</b>
c.	(i) Listing of four significant aspects of globalisation	<b>2</b>	
	(ii) Explanations of the four significant aspects of globalisation	<b>6</b>	<b>8</b>
<b>Total</b>			<b><u>20</u></b>

### **SOLUTION 3**

a. Internal controls are established to further strengthen:

- the reliability and integrity of information;
- compliance with policies, plans, procedures, laws and regulations;
- safeguarding the assets;
- the economical and efficient use of resources; and
- the accomplishment of established objectives and goals for operations or programmes.

- b. Fundamental concepts that internet control reflects**
  - i. Internal control is a process:** It is an ongoing series of activities designed to help the organisation achieve its objectives — a means to an end, not an end in itself.
  - ii. Internal control is carried out by people:** It depends on the actions, attitudes, competence and integrity of individuals at all levels, not just on written policies and procedures.
  - iii. Internal control provides reasonable, not absolute, assurance:** No system can eliminate all risks; internal control aims to offer a high but realistic level of assurance to management and the board.
  - iv. Internal control is designed to help achieve organisational objectives:** It supports the achievement of key goals, including effective operations, reliable financial reporting and compliance with applicable laws and regulations.
- c. Examples of access controls are:**
  - i. Physical controls:** Examples include the locks on office building's doors, a card security terminal for gaining entry into the IT room and surveillance cameras that capture unauthorized access to areas where financial data may be stored.
  - ii. Administrative access controls:** These include the policies around who can access what information at what times. Examples are, background checks for employees handling sensitive financial data and guidelines on how to determine who should be granted access to important data.
  - iii. Technical controls:** These include implementing user accounts with unique usernames and passwords or incorporating multi-factor authentication requirements when signing into financial systems (e.g. requiring a one-time code be sent to a mobile device).
- d. Objectives of internal control**
  - i. Efficient conduct of business:** Controls should be in place to ensure that processes flow smoothly and operations are free from disruptions. This mitigates against the risk of inefficiencies and threats to the creation of value in the organisation.
  - ii. Safeguarding assets:** Controls should be in place to ensure that assets are deployed for their proper purposes and are not vulnerable to misuse or theft. A comprehensive approach to this objective should consider all assets, including both tangible and intangible assets.

iii. **Preventing and detecting fraud and other unlawful acts:** Even small businesses with simple organisational structures may fall victim to these violations, but as organisations increase in size and complexity, the nature of fraudulent practices becomes more diverse and controls must be capable of addressing them.

iv. **Completeness and accuracy of financial records:** An organisation cannot produce accurate financial statements, if its financial records are unreliable. Financial systems should be capable of recording transactions, so that the nature of business transacted is properly reflected in the financial accounts.

v. **Timely preparation of financial statements:** Organisations should be able to fulfil their legal obligations to submit their accounts, accurately and on time. They also have a duty to their shareholders to produce meaningful statements. Internal controls may also be applied to management accounting processes, which are necessary for effective strategic planning, decision taking and monitoring of organisational performance.

#### **Examiner's report**

The question is in four parts. All parts of the question examine candidates' knowledge on internal control.

It was observed that about 92% of the candidates attempted this question and about 62% 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**

	<b>Marks</b>	<b>Marks</b>
a. Explaining five correct areas where internal controls are applied to strengthen the accounting and auditing processes	5	
b. Listing four correct fundamental concepts that the definition of internal Control reflects	4	
c. (i) Listing three correct examples of access control in internal control.	$1\frac{1}{2}$	
(ii) Explaining the three correct explanations of examples of access control in internal controls	$4\frac{1}{2}$	6
d. Explaining five correct objectives of internal control	5	
<b>Total</b>		<b><u>20</u></b>

## **SOLUTION 4**

- a. Leadership is defined as the potential to influence and drive group efforts towards the accomplishment of goals. This influence may originate from formal sources, such as that provided by acquisition of managerial position in an organisation.
- b. Management in all business and organisational activities is the act of getting people together to accomplish desired goals and objectives, using available resources efficiently and effectively. Management comprises planning, organizing, staffing, leading or directing and controlling an organisation (a group of people or entities) or effort for the purpose of accomplishing a goal. Resourcing encompasses the deployment of human, financial, technological and natural resources.
- c. Key distinctions between a leader and a manager.

<b>Aspect</b>	<b>Leader</b>	<b>Manager</b>
Focus	Vision, inspiration and direction	Planning, organizing and controlling
Goal	Motivating people toward a shared vision	Achieving organisational objectives efficiently
Approach	People-oriented	Task-oriented
Decision-making	Often intuitive and based on values	Analytical and based on data and procedures
Power Source	Influence and charisma	Formal authority and position
Style	Transformational and participative	Transactional and directive
Risk Orientation	Willing to take risks	Risk-averse and focused on stability
Change Management	Drives change and innovation	Maintains order and consistency
Communication	Inspires and engages	Informs and instructs
Primary Role	Leading people	Managing work and processes

- d. Key similarities between leadership and management

<b>Aspect</b>	<b>Similarities Leadership and Management</b>
---------------	---

<b>Goal achievement</b>	Both aim to achieve organisational goals and improve performance.
<b>Influence</b>	Both involve influencing others to accomplish tasks and objectives.
<b>Decision-making</b>	Both require making decisions that affect the team or organisation.
<b>Communication</b>	Effective communication is essential in both roles to convey vision, goals and expectations.
<b>Problem-solving</b>	Both involve identifying problems and finding solutions to ensure smooth operations.
<b>Team building</b>	Both focus on building and maintaining effective teams.
<b>Motivation</b>	Both seek to motivate employees to perform at their best.
<b>Strategic thinking</b>	Both require strategic thinking to align actions with organisational objectives.
<b>Responsibility</b>	Both carry responsibility for the success or failure of their teams or departments.
<b>Adaptability</b>	Both must adapt to changing environments, challenges and organisational needs.

### **Examiner's report**

The question is in four parts. All parts of the question examine candidates' knowledge on leadership and management.

It was observed that about 88% of the candidates attempted this question and about 46% of the number scored above average.

**For better performance in future examinations, candidates should cover the contents of the syllabus using ICAN study text as guide.**

<b>Marking guide</b>	<b>Marks</b>	<b>Marks</b>
a. Correct definition of the concept of leadership		<b>2½</b>
b. Direct explanation of management		<b>2½</b>
c. Five key distinctions between a leader and a manager		<b>7½</b>
d. Five correct similarities between leadership and management		<b>7½</b>
<b>Total</b>		<b><u>20</u></b>

## SOLUTION 5

### a. Concept of a maximum price

Maximum prices (price ceilings): Maximum prices are restrictions set by the government on the cost of a commodity or service. To shield customers from exorbitant costs, they are usually set below the equilibrium price. Example: Rent control policies in cities like Lagos, New York and San Francisco, impose maximum rents to make housing more affordable for low-income residents.

### b. Illustration of leftward shift in the supply curve

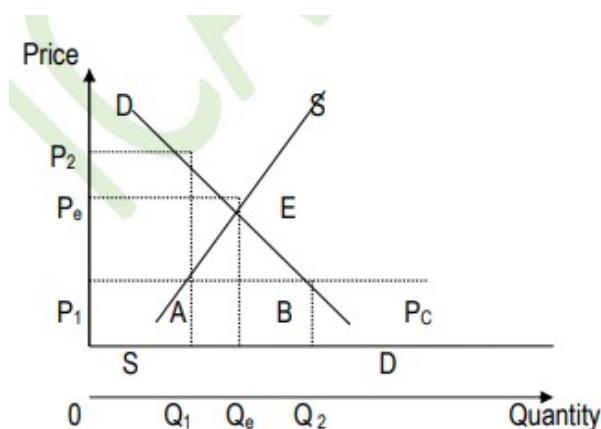


Figure 5.1: Leftward shift of the supply curve

From figure 5.1, the equilibrium market price is  $OP_e$ , while the maximum price is fixed at  $OP_1$ , below the equilibrium price. Because this price ceiling is not a market clearing price, the quantity demanded will increase from  $OQ_e$  to  $OQ_2$ , while the quantity supplied will decrease from  $OQ_e$  to  $OQ_1$ . The resulting shortage is  $OQ_2 - OQ_1$  or  $AB$ . This reaffirms the assertion that whenever a price ceiling is set for a good, it results in a persistent shortage of the good.

### c. Five key problems that may arise from the persistent shortage caused by a price ceiling

i. **Rationing:** It might be necessary for the government to divide the amount of  $OQ_1$  among consumers who wish to consume more  $OQ_2$ . This could be accomplished by issuing coupons that need to be turned in with cash in order to receive the item.

ii. **Queuing:** Whenever the good is available; people will form long queues for it. The queues may be physical lines of people outside suppliers' shops, typically in the case of essential commodities like drugs, bread, milk, etc., or long waiting lists in the case of consumer durables, such as cars, television sets, government flats or houses, etc.

- iii. **Black or parallel markets:** There will be the emergence of black or parallel markets where the product would be sold illegally. The price at which a good is sold in an illegal market is typically higher than the equilibrium price
- iv. **Selling at sellers' preferences:** First-come, first-served, selling to friends and family first and other strategies are some of the options available to sellers.
- v. **Random allocation:** This is a chance or luck sale. The goal of fixing the maximum price is to guarantee that both the rich and the poor receive the good may be defeated by this.

### **Examiner's report**

The question is in three parts. All parts of the question examine candidates' knowledge on maximum price and its implication on demand and supply.

About 42% of the candidates attempted this question and about 36% 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**

	<b>Marks</b>	<b>Marks</b>
a. Correct definition of the concept of a maximum price	<b>2½</b>	
b. Illustrative diagram on how a price ceiling can cause a leftward shift in the supply curve.	4	
	<u>3½</u>	<b>7½</b>
c. (i) Identify key problems that may arise from the persistent shortage caused by a price ceiling	<b>2½</b>	
(ii) Explaining the five key problems that may arise from the persistent shortage caused by a price ceiling	<u>7½</u>	<b>10</b>
<b>Total</b>		<b><u>20</u></b>

## **SOLUTION 6**

**a. Key sectors that integrate Internet of Things (IoT)**

Internet of Things (IoT) applications spans nearly every industry, such as:

i. **Smart homes and buildings:** Energy-saving thermostats, remote lighting control

and security systems.

ii. **Healthcare:** Remote patient monitoring, wearable fitness trackers and real time diagnostics.

iii. **Manufacturing:** Intelligent robotics, predictive maintenance and supply chain automation.

iv. **Retail:** Smart shelves, inventory tracking via Radio Frequency Identification (RFID) and personalized in-store experiences.

v. **Transportation:** Global Positioning System (GPS) enabled fleet tracking, smart traffic lights and connected vehicles.

**b. Benefits of IoT technology in transforming how businesses operate and interact with customers.**

i. **Operational efficiency:** Enhanced tracking, predictive maintenance and resource optimisation.

ii. **Data-driven insights:** Continuous data collection enables better forecasting and decision-making.

iii. **Personalised services:** Devices can adapt to user behaviour and preferences.

iv. **Innovation opportunities:** Supports new business models such as smart homes, smart cities and connected healthcare.

**c. Challenges, barriers and the future of the Internet of Things (IoT)**

The Internet of Things (IoT) presents a revolutionary paradigm in the digital age, connecting billions of smart devices to enhance real-time data exchange and informed decision-making. However, its widespread adoption and seamless functionality face numerous challenges and barriers, some of which include:

i. **Reliability:** Unreliable communication or device failure can lead to data loss, delayed responses and compromised safety. To ensure reliability, both hardware and software across all IoT layers must be designed to support consistent data availability and resilience against failures.

ii. **Performance:** Evaluating IoT performance is complex due to its dependency on diverse technologies and components. Metrics such as processing speed, data transmission rate, energy efficiency and device scalability determine performance, yet, a unified standard for assessing end-to-end performance across heterogeneous environments remains underdeveloped.

- iii. **Interoperability:** The diversity of devices, platforms and communication protocols poses significant interoperability challenges. Ensuring that devices from different manufacturers work seamlessly together requires standardisation, adherence to standard protocols (e.g., WiFi, NFC, GSM) and interoperability testing environments like ETSI Plugtests.
- iv. **Security and privacy:** The absence of a universal security architecture makes data exchange vulnerable to unauthorised access, cyberattacks and breaches of user privacy. Key management, access control and secure data handling must be integrated at both the network and application layers to address these issues effectively.
- v. **Management complexity:** Managing billions of devices entails challenges in configuration, monitoring, fault detection and performance optimisation. Protocols such as Lightweight M2M (LWM2M) and NETCONF Light are emerging to support remote management of resource-constrained devices. Real-time IoT platforms, such as MASH, also provide scalable tools for asset management and connectivity monitoring.
- vi. **Manufacturing and environmental impact:** Scalable IoT adoption requires cost-effective manufacturing, such as producing passive RFID tags for under one cent and environmentally sustainable production methods. Circular design strategies that emphasise reuse and recycling across the device lifecycle are increasingly vital.
- vii. **Lack of governance:** A fragmented global governance structure impedes standardisation and coordination. The coexistence of non-compatible identification schemes (e.g., EPC global vs. Ubiquitous Networking Lab) risks market fragmentation. A unified and neutral governance model is necessary to promote interoperability, scalability and cross-border trust.

### **Examiner's report**

The question is in three parts. All parts of the question examine candidates' knowledge on Internet of Things (IoT) and its impact on ecosystem.

It was observed that about 67% of the candidates attempted this question and about 18% of the number scored above average

**Candidates are encouraged to thoroughly cover the subject's syllabus and utilise the provided ICAN study text for future examinations.**

## **Marking guide**

	<b>Marks</b>	<b>Marks</b>
a. Five correct key sectors that integrate Internet of Things (IOT) technologies		<b>5</b>
b. (i) Four correct explanation significant benefits of deploying IOT solution in modern enterprises	<b>2</b>	
(ii) Four correct explanations of significant benefits of deploying IOT solution in modern enterprises	<b>4</b>	<b>6</b>
c. Explanations of significant challenges associated with the implementation and management of IOT systems		<b>9</b>
<b>Total</b>		<b><u>20</u></b>

INSTITUTE OF CHARTERED ACCOUNTANTS OF NIGERIA  
  
ANNIVERSARY  
FOUNDATION LEVEL EXAMINATION – NOVEMBER 2025

**CORPORATE & BUSINESS LAW**

**EXAMINATION INSTRUCTIONS**

**PLEASE READ THESE INSTRUCTIONS BEFORE THE COMMENCEMENT OF THE PAP**

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

**THURSDAY, NOVEMBER 20, 2025**

**DO NOT TURN OVER UNTIL YOU ARE TOLD TO DO SO**

**INSTITUTE OF CHARTERED ACCOUNTANTS OF NIGERIA**  
**FOUNDATION LEVEL EXAMINATION – NOVEMBER 2025**  
**CORPORATE & BUSINESS LAW**

Time Allowed:  $3\frac{1}{4}$  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. In Nigeria, the maximum number of partners allowed in general partnership is
  - A. 10
  - B. 15
  - C. 20
  - D. 25
  
2. A voluntary contract agreement between two or more persons by which they agreed to contribute money and do business for profit making and sharing is a/an
  - A. Partnership
  - B. Company Limited by Guarantee
  - C. Trust
  - D. Incorporates trusteeship
  
3. Upon incorporation, a company obtains the status of
  - A. Shared personal liability among members
  - B. Automatic public company
  - C. Automatic limited liability
  - D. Perpetual succession
  
4. The minimum age requirement for the director of a company is
  - A. 16
  - B. 18
  - C. 21
  - D. 25

5. Shareholding qualification is required of a director when
  - A. Stipulated by the Memorandum of Association
  - B. Requested by Corporate Affairs Commission
  - C. Stipulated by Articles of Association
  - D. Required by a bill
6. Which legislation governs the formation and management of companies and partnerships in Nigeria?
  - A. Corporate Regulation and Control Act
  - B. Nigerian Investment Promotion Act
  - C. Business Registration Act
  - D. Companies and Allied Matters Act
7. In a partnership, the partners are collectively referred to as
  - A. Firm
  - B. Trustees
  - C. Agents
  - D. Shareholders
8. The legal principle that requires lower courts to follow the decisions of higher courts is called
  - A. *Locus standi*
  - B. *Res judicata*
  - C. *Stare decisis*
  - D. *Res Ipsa loquitur*
9. Which legislation is primarily responsible for regulating money laundering in Nigeria?
  - A. Criminal Code Act
  - B. Economic and Financial Crimes Commission Act
  - C. Money Laundering (Prevention and Prohibition) Act 2022
  - D. Nigeria Police Act
10. Under the Nigerian law, what is the primary ethical responsibility of accountants and auditors when dealing with financial crime risks?
  - A. Maintaining confidentiality and report suspicious activity as required
  - B. Condoning suspicious activity
  - C. Ignoring suspicious activity
  - D. Sharing all client information without restraint

11. In a contract of sales, the transfer of ownership in goods from the seller to the buyer is known as
  - A. Property
  - B. Delivery
  - C. Possession
  - D. Bailment
12. A contract by which one person is authorised to act on behalf of another is known as
  - A. Joint venture
  - B. Partnership
  - C. Agency
  - D. Bailment
13. In a hire purchase transaction, ownership passes to the hirer
  - A. After payment of the last installment
  - B. After the first installment is paid
  - C. Upon delivery of the goods
  - D. After payment of the last installment and exercise of option to purchase
14. An agreement without consideration is
  - A. Void
  - B. Valid
  - C. Illegal
  - D. Requires to be in writing
15. The duty of utmost good faith in insurance is known as
  - A. Bona fide
  - B. Volenti non fit injuria
  - C. Subrogation
  - D. Uberrimae fidei
16. A postdated cheque is
  - A. Payable immediately is issued
  - B. Invalid until confirmed
  - C. Is a negotiable instrument
  - D. Not a means of payment
17. The defence to a claim of negligence include the following, EXCEPT:
  - A. Contributory negligence

- B. Violent non fit iuris
- C. Act of God
- D. Estoppel

18. The law that governs arbitration and mediation in Nigeria is the

- A. Dispute Resolution Act
- B. Conflict Resolution Act
- C. Arbitration and Mediation Act, 2023
- D. Arbitration and Mediation Act, 1988

19. A person appointed by a testator to carry out the instructions in a Will is called a/an

- A. Beneficiary
- B. Guardian
- C. Trustee
- D. Executor

20. The principal law on employment relationships in Nigeria is the

- A. Labour codes
- B. Employment Relations Act
- C. Workers protection Act
- D. Labour Act

**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. Incorporation is a privilege under the Companies and Allied Matters Act (CAMA).

**Required:**

- i. What does a company become upon incorporation? (2 Marks)
- ii. State **FIVE** consequences of incorporation (5 Marks)

b. XYZ PLC has not held any Annual General Meetings (AGM) for four (4) years.

**Required:**

State the requirements of the law on holding of AGM for:

- i. A company of more than four years (3 Marks)
- ii. A newly incorporated company (4 Marks)

c. A company and a partnership are both registered under the Companies and Allied Matters Act (CAMA), 2020.

**Required:**

State **SIX** distinctions between a company and a general partnership.

(6 Marks)

**(Total 20 Marks)**

## **QUESTION 2**

a. The law on cybercrimes has the key objectives of protecting citizens' interests in the cyber space.

**Required:**

Explain **THREE** conducts that constitute cybercrimes.

(6 Marks)

b. Wale, Bola, Sola, and Ade are friends that formed a firm of Chartered Accountants. Wale was displeased with the running of the firm, and left the partnership, but his name remains on the firm's signpost and documents. Ngozi entered into a contract with the firm, thinking that Wale is still a partner. The firm breached the contract, and Ngozi sued all the members.

**Required:**

Advise Wale on his liability, if any.

(6 Marks)

c. A driver employed by XYZ Ltd. negligently injured Sola, a pedestrian, while delivering goods during working hours. The company argues that it should not be liable to the injured pedestrian.

**Required:**

Advise Sola and the XYZ Ltd.

(6 Marks)

d. Kuti, a cashier at XYZ Bank Ltd. was found guilty of stealing money and dismissed from his employment. Kuti claims that he should be given notice before his dismissal.

**Required:**

Advise XYZ bank on his claim.

(2 Marks)

**(Total 20 Marks)**

## **QUESTION 3**

a. Money Laundering (Prevention and Prohibition) Act provides guidelines on how financial institutions should identify customers.

**Required:**

State **THREE** ways by which financial institutions are required to identify their customers.

(6 Marks)

b. Ola visited an online Baby Store, and found a freezer advertised for ₦40,000, instead of ₦400,000 due to a website glitch. Ola paid online and received an email stating, "Your order has been received and is being processed." The next day, Baby Store cancelled the order. Ola claims that he has a binding contract with Baby Store to buy the freezer for ₦40,000.

**Required:**

Advise both parties. (6 Marks)

c. Winding up is the legal way of terminating the life of a company.

**Required:**

State **FOUR** categories of persons that may petition the Federal High Court for company's winding up. (4 Marks)

d. Employment law deals with industrial relations.

**Required:**

State the rights of an employee under the Nigerian labour law. (4 Marks)

**(Total 20 Marks)**

#### **QUESTION 4**

a. In the Law of Agency, an agent could only bind his principal to the extent of his authority.

**Required:**

i. Define agency by estoppel. (2 Marks)  
ii. State **TWO** conditions for its operation. (4 Marks)

b. Personal representatives have duties in administering the estate of deceased persons.

**Required:**

State **SIX** duties of a personal representative. (6 Marks)

c. Tade applied for health insurance with God Knows Insurance Company Ltd., but failed to disclose that he had been diagnosed of high blood sugar and hypertension. Later, Tade suffered a heart attack, and he made claim on the insurance company. God Knows Insurance Company Ltd., investigated his health status, discovered the non-disclosure, and refused to pay Tade's claim.

**Required:**

i. Advise Tade. (4 Marks)  
ii. Define insurable interest. (2 Marks)

d. There are various ways by which a company could settle its debts, one of which is compromise.

**Required:**

Define compromise.

(2 Marks)

**(Total 20 Marks)**

## **QUESTION 5**

a. i. The Global System for Mobile Communications (GSM) generated evidence is a form of admissible evidence.

**Required:**

Explain the dual nature of GSM evidence.

(4 Marks)

ii. Laws are derived from sources.

**Required:**

State **TWO** sources of Nigerian law.

(2 Marks)

b. The Companies and Allied Matters Act (CAMA) requires every public company to have an audit committee.

**Required:**

State **FOUR** functions/objectives of the audit committee.

(8 Marks)

c. Hire purchase is a legal transaction in goods.

**Required:**

i. Differentiate hire purchase from sale of goods.

(3 Marks)

ii. State **THREE** elements of a hire purchase contract .

(3 Marks)

**(Total 20 Marks)**

## **QUESTION 6**

a. Alternative Dispute Resolution (ADR) comprises mechanisms of resolving disputes without litigation.

**Required:**

State **TWO** advantages of ADR.

(4 Marks)

b. Sale of goods is an important aspect of commercial transactions.

**Required:**

i. Define goods.

(2 Marks)

ii. Explain the implied terms in sale by sample.

(4 Marks)

c. i. Soji stole a cheque made payable to Fela and endorsed it to Bukky, who took it in good faith, for value, and without notice of its defect. Fela sued Bukky.

**Required:**

Advise Bukky.

(4 Marks)

ii. A negotiable instrument is a written document guaranteeing payment of a specific sum of money, transferable by delivery or endorsement.

**Required:**

State **TWO** types of negotiable instrument.

(2 Marks)

d. Charges are securities that companies create to secure corporate indebtedness.

**Required:**

Explain the differences between a fixed charge and a floating charge.

(4 Marks)

**(Total 20 Marks)**

## **SOLUTIONS**

### **SECTION A: MULTIPLE CHOICE SOLUTIONS**

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

### **Examiner's report**

The questions achieved a good spread over the entire syllabus. Attempt rate was 100% and pass rate was 90%.

The only identified pitfall was inadequate preparation by those who performed below average.

A more diligent preparation in study is advised for the future.

## **SECTION B: OPEN ENDED SOLUTIONS**

### **SOLUTION 1**

- a. i. A company becomes a distinct legal personality from its members, on incorporation
- ii. Consequences of company incorporation include:
  - separate legal personality;
  - limited liability of company members;
  - perpetual succession;
  - ability to hold and dispose of property in company's name;
  - transferability of members' shares;
  - suing and being sued in the company's name;
  - capacity to borrow money in the company's name and charge its property with the repayment; and
  - formalities, publicity, and expense.
- b. i. A company of more than four years must hold an Annual General Meeting (AGM) once every calendar year but not later than 15 months from the date of the last AGM.
- ii. A company that is newly incorporated newly must hold its first AGM within 18 months of incorporation.
- iii. The company need not hold the meeting in the year of incorporation or the next provided it holds it within the 18 months window.
- c. **The differences between a company and a general partnership**
  - i. A company is a separate legal entity but a general partnership is not.
  - ii. The liability of members of a company may be limited, but the members of a general partnership have unlimited liability.
  - iii. Whereas members of a company may not participate in managing the company, all members of a partnership (except sleeping partners) participate in managing the business.
  - iv. Registration may be optional for a general partnership but is compulsory for a company.

- v. A company has perpetual succession but the death or bankruptcy of a general partner terminates its life automatically.
- vi. The property of a company belongs to it but the properties in a general partnership belong to its members.
- vii. A company may sue and be sued in its corporate name, but it is not so with a general partnership.
- viii. A company may borrow money in its name and charge its property with its repayment but a general partnership cannot.

### **Examiner's report**

The question tests candidate's understanding of the consequences of company incorporation; the rules on holding companies' Annual General Meeting when the entity is newly incorporated as well as when it is over four years in existence; and the distinctions between a company and a general partnership.

Attempt rate was 90% of which 55% scored average marks and above.

The only identifiable pitfall of the candidates that performed poorly was their inadequate preparation for the examination.

Candidates for future examinations are advised to devote more time to their preparation.

<b>Marking Guide</b>	<b>Marks</b>	<b>Marks</b>
a. i. Legal personality as incorporation consequence ii. Consequences of incorporation (1 mark each for any 5 points)	2	
b. i. The requirements for holding AGM of company older than 4 years incorporation ii. The requirements for holding AGM of newly incorporated company	5	7
c. Distinctions of company from partnership (1 mark each point up to 6 points)	3	
<b>Total</b>	<b>4</b>	<b>7</b>
	<b>6</b>	
		<b><u>20</u></b>

## **SOLUTION 2**

- a. **Conducts that constitute cybercrimes**
  - i. Hacking of a computer device: Intentionally accessing a computer system or network without authorisation. It may take the form of password breaking, unauthorised login, and intrusion into personal or financial accounts.
  - ii. Unlawful interception of communications, that is, interception, monitoring, or surveillance of electronic communications without lawful authority, including intercepting emails, messages, or data transmissions.
  - iii. Computer related forgery: Altering, creating, or manipulating electronic documents or data with intent to deceive, including forging e-signatures, receipts, certificates, or financial records.
  - iv. Computer-related fraud - Using computers or digital systems to commit fraud, examples include online scams, phishing, ATM card fraud, and obtaining credit or money by false pretence by electronic means.
  - v. Cyber-stalking and cyber-bullying - Sending electronic messages that are pornographic, threatening, intimidating, malicious, or intended to harass, or cause harm to another person.
  - vi. Cybersquatting, that is, registering or using internet domain name or other word that is registered, business name, trademark, owned by an individual or corporate and government with criminal intent so as to interfere with the use by the legitimate owner or prior user.
  - vii. Identity theft and impersonation: Impersonating another person online, create fake social media accounts, or use another's digital identity to commit fraud or mislead others.
  - viii. Distribution of malware : Deliberate and malicious spreading of viruses or any malware (ransomware, spyware, spyware, worms, and trojans) that damage critical information in public, private, or financial institution's computers.
  - ix. Creation, sale, distribution, or possession of malicious software, such as viruses, trojans, ransom ware, or any software designed to disrupt or steal data.
  - x. Offering for sale and distribution of hardware or other tools that are employed to commit cybercrime.

- xi. System interference: Disrupting, disabling, or interfering with the functioning of computer systems, including DoS attacks, website shutdowns, or altering system configurations or unlawful and intentional hindering of the functioning of a computer system by inputting, transmitting, damaging, deleting, deteriorating, altering or suppressing computer data.
- xii. Data interference (data theft or modification): Unauthorised alteration, deletion, deterioration, or suppression of computer data. Changing examination scores, deleting company records, or manipulating bank data fall here.
- xiii. Electronic payment card fraud: Relating to payment cards, including: unauthorised card use, card skimming, or manipulating ATM/POS devices.
- xiv. Cyber-extortion: Demanding money or property by threatening to publish, delete, or compromise computer data or personal information.
- xv. Online child exploitation: Introducing, possessing, sharing, or distributing child pornography or engaging in online grooming of minors constitutes a serious cybercrime.
- xvi. Cyberterrorism: Use of computers to support terrorist acts, recruit members, spread extremist information, or attack critical national infrastructure.
- xvii. Attacks against Critical National Information Infrastructure (CNII), that is, essential systems, such as banking, defence, health, telecommunications, and power.

b. The issue is whether or not Wale is bound by the acts of the partnership after ceasing to be a member. This is in the light of his name remaining on the partnership's document, which raises partnership by holding out or estoppel. Under the Partnership Act/Law, Wale would still be jointly liable together with the other partners for the obligations that arose under the firm's contract with Ngozi.

c. This question raises the effect of the driver's negligence while driving his employer's vehicle in the course of his employment. It thus raises the application of the principle of vicarious liability.

Since the driver was acting in the course of his employment when he negligently injured Sola, his employer is vicariously liable to Sola for the driver's negligent act.

d. The issue in this hypothetical case is the legal implication of Kuti's action of stealing his employer's money, particularly his employer's right in an employer/employee relationship. Kuti's action constitutes gross misconduct for which his employer was justified in dismissing him.

### **Examiner's report**

The question tests candidate's understanding of conducts that are classified as cybercrimes at law; the apparent joint liability of a retired partner for a partnership's obligations when his name remains on the partnership's document after retirement; vicarious liability of an employer for an employee's act done in the course of employment; and dismissal as the an appropriate sanction for gross misconduct of an employee.

Attempt rate was around 90% of which about 70% scored average marks and above.

The only identifiable pitfall of the candidates that performed poorly was their inadequate understanding of the liability of a partner.

Candidates for future examinations are advised to devote more time to the study of partnership in the ICAN Study Text in their preparation.

<b>Marking guide</b>	<b>Marks</b>	<b>Marks</b>
a. Cybercrimes conducts <b>(2 marks each each for any point, subject to maximum of 3 points)</b>		<b>6</b>
b. Effect of Wale's name on partnership notepaper as fact of partnership by holding out estoppel; - Wale is jointly liable to Ngozi	<b>3</b>	<b>3</b>
c. XYZ Limited's vicarious liability		<b>6</b>
d. Kuti's action as gross misconduct justifying his dismissal		<b>2</b>
<b>Total</b>		<b><u>20</u></b>

### **SOLUTION 3**

a. Section 4(1) of the Act provides that a financial institution and designated non-financial business and profession shall:

- identify a customer by means of identification documents as may be prescribed by regulations made pursuant to the money laundering prohibitions Act (NIN, Driver's license, BVN, utility or electricity bills, other government issued identification documents, etc);

- ii. identify the customer by independent source documents, data or information (customer's physical or residential address by using utility bill, electricity bill, verification corporate bodies at the Corporate Affairs Commission, etc);
- iii. identify the beneficial owner through reliable sources such as a financial institution or designated non-financial business and profession; and
- iv. act reasonably to ascertain that a person acting purportedly for a customer has the requisite authority.

b. The issue in this question is the display of goods online or on a website, which is not an offer but an invitation to treat.  
 Ola's online payment was the offer to buy the freezer.  
 The automatic confirmation e-mail that the website sent, was an acknowledgment of the prospective buyer's offer but not an acceptance.  
 The cancellation of Ola's order was an indication of non-acceptance of the order by the online store.  
 Advising the parties, therefore, there is no binding contract between the parties.

c. The following categories of person may petition for a company's winding up:

- i. the company itself or a director if authorised by a special resolution;
- ii. the creditors of the company;
- iii. the shareholders/contributors (members) of the company;
- iv. the Corporate Affairs Commission;
- v. the (official) receiver; and
- vi. trustees in bankruptcy

d. The rights of an employee under the statute and common law include:

- i. right to wages for work done;
- ii. right to safe working conditions and equipment;
- iii. right to leave, including sick and maternity leave, with full pay; and
- iv. right to freedom from unlawful deductions from wages;
- v. rights to advance notice of termination of employment or payment in lieu of notice; and
- vi. right to join lawful trade unions.

### **Examiner's report**

The question tests candidate's working understanding of the legal means by which financial institutions should identify their customers; online display of goods as an invitation to treat; persons that may petition the court for company winding up; and the rights of an employee against his employer.

Attempt rate was about 80% of which about 75% scored average marks and above. The only identifiable pitfall of the candidates that performed poorly was their inadequate understanding of online display of goods as invitation to treat.

Candidates for future examinations are advised to devote more time to their preparation by studying the ICAN Study Text more diligently.

<b>Marking guide</b>	<b>Marks</b>	<b>Marks</b>
a. The means by which financial institutions identify customers (2 marks each for any means, subject to maximum of 3 means)	6	
b. Online goods display as invitation to treat -Order cancelation as possible event after payment	3	3
c. Categories of person that may petition for company winding up (1 mark each for any point, subject to maximum of 4 points)		6
d. Rights of an employee (1 mark each for each point, subject to maximum of 4 points)	4	
<b>Total</b>	<u>4</u>	<u>20</u>

#### **SOLUTION 4**

4a. i. Agency by estoppel arises when a principal's conduct or statement prevents him from denying his agent's authority. The agent in this situation is said to have apparent or ostensible authority.

ii. The conditions for agency by estoppel are:  
representation of the principal by words or conduct that the agent has authority;

- reliance by the third party on the representation;
- the third party must have acted in good faith believing that the agent had authority; and
- the third party must have altered his position to his detriment while relying on the agency.

b. A personal representative has the duty to:

- i. realise and protect the deceased's estate;
- ii. obtain a grant of probate or letters of administration;
- iii. settle the debts and other obligations of the estate;
- iv. keep proper accounts and records on the estate;
- v. distribute the estate to beneficiaries;
- vi. avoid conflict of interest and duty;
- vii. act in good faith; and
- viii. act with due care and diligence.

- c.
  - i. The issue in this hypothetical case is the duty of a proposed insured to disclose to the insurer all material facts to enable the latter to make an informed decision on the proposal.
  - ii. Tade's high blood sugar and hypertension were material facts that would have affected the insurer's decision to or not to insure Tade, therefore, the insurer is justified in refusing to pay Tade's claim.
  - iii. Insurable interest is a legal or equitable right in the subject matter of insurance, such that the insured would suffer a real, direct and financial loss if the insured event occurred, or would gain if it did not occur.
- d. A compromise is a debt or dispute settling mechanism through mutual concessions of the creditor and the debtor company.

### **Examiner's report**

The question tests candidate's understanding of the principle of agency by estoppel and the conditions for its application; the duties of a personal representative in the law on administration of estate; disclosure of material facts as well as the meaning of insurable interest in insurance law; and compromise as a means of settling company indebtedness.

Attempt rate was about 80% of which over 60% scored average marks and above.

The only identifiable pitfall of the candidates that performed poorly was their inadequate understanding of the law of insurance.

Candidates for future examinations are advised to study the area of insurance law more in the ICAN Study Text on Business and Corporate Law.

<b>Marking guide</b>	<b>Marks</b>	<b>Marks</b>
a. i. Concept of agency by estoppels ii Conditions for agency by estoppels (2 marks each for any point, subject to maximum of 2 conditions)	2	
b. Duties of a personal representative of a deceased's estate (1 mark each for any 6 duties; subject to a maximum of 6 duties)	4	
c. i. The importance of material facts disclosure in insurance proposal Clarification of non-disclosure as vitiating a claim ii. Definition of insurable interest	6	
Definition of compromise	2	
<b>Total</b>	<u>20</u>	

## **SOLUTION 5**

5a. i. The dual nature of GSM evidence refers to the real (physical) evidence, which is stored by telecom operators, for example SIM registration data and the documentary evidence, which comprise printable and certifiable records from the service provider, for example call logs.

ii. **The sources of Nigerian law are:**

- The Constitution
- Local legislation
- Received English Law
- Judicial Precedents (case law)
- Customary Law
- International Law

5b. The audit committee has the objectives and functions, subject to the provisions of the articles of the company, to:

- i. determine if the accounting and reporting policies of the company comply with the requirements of law and agreed ethical practices;
- ii. review the scope and planning of audit requirements;
- iii. review the findings on management matters in conjunction with the external auditor and departmental responses thereon;
- iv. keep under review the effectiveness of the company's system of accounting and internal control;
- v. make recommendations to the Board of Directors on the appointment, removal and remuneration of the company's external auditors; and
- vi. authorise the internal auditor to carry out investigations of any activities of the company which is of interest or concern to the committee. (section 404(7) CAMA)

5c. i. Hire purchase is a bailment of goods with an option to buy it, while the ownership of the property remaining with the owner until all installments

ii. The elements of a hire purchase contract are as follows:

- the parties (owner, hirer, finance company);
- the instalments payable;
- terms on delivery of goods
- hirer having possessions without ownership;
- owner retaining goods title;
- hirer's option to purchase;

- parties' right to terminate contract; and
- statutory information.

### **Examiner's report**

The question tests candidate's understanding of the nature of GSM evidence under the law on electronic evidence; functions/objectives of the audit committee of a company; the elements of a hire purchase contract the distinctions of that contract from that of sale of goods.

Attempt rate was 75% of which about 70% scored average marks and above.

The identifiable pitfall of the candidates that performed poorly was their inadequate understanding of the law on GSM evidence.

Candidates for future examinations are advised to devote more time to the study of the law on electronic evidence in the ICAN Study Text.

<b>Marking guide</b>	<b>Marks</b>	<b>Marks</b>
a. i. The dual nature of GSM evidence (2 marks each for any nature, subject to maximum of 2 nature)	4	
ii. Sources of Nigerian law (1 mark each for any source subject to maximum of 2 sources)	2	6
b. Functions/objectives of audit committee (2 marks each for any 4 functions/objectives)		8
c. i. The differences between hire purchase from sale of goods	3	
ii. Elements of a hire purchase contract (1 mark each for any element subject to a maximum of 3 elements)	3	6
<b>Total</b>		<b><u>20</u></b>

## **SOLUTION 6**

a. **The advantages of Alternative Dispute Resolution (ADR)**

- i. It is cheaper and faster than litigation.
- ii. It is able to preserve relationship.
- iii. It is a flexible and less technical procedure.
- iv. The parties have freedom to choose experts in the applicable field.
- v. The proceedings enjoy confidentiality.

b. i. Goods are defined under sale of Goods Act 1893 as “[all]chattels personal other than things in action and money, and they include emblements, industrial growing crops, and things attached to or forming part of the land which are agreed to be severed before sale or under the contract of sale

ii The terms implied into a sale by sample are as follows:

- the bulk must correspond with the sample;
- the buyer must have had a reasonable opportunity to compare the bulk with the sample; and
- the goods must be free from latent defects that are not apparent on reasonable inspection of the sample.

c. i. The issue in this hypothetical case is the ground upon which Bukky could legally have the value on the cheque.

Bukky could have it as a holder for value in due course, that is one who takes a negotiable instrument in good faith, for value, and without notice of the defect on it.

ii. Negotiable instruments are of the following types:

- cheque;
- bill of exchange; and
- promissory note.

a. A fixed charge immediately attaches to a specific asset of the company, for example land, machineries, etc. The company cannot deal with that asset without the consent of the charge holder.

Conversely, a floating charge hovers over a group of changing or circulating assets of the company, e.g. stock-in-trade. The company could use or dispose the assets in the ordinary course of business until the charge crystallizes.

## **Examiner's report**

The question tests candidate's understanding of the advantages of ADR mechanisms; definition as well as meaning of implied terms in sale of goods contract; application of the principle of holder for value in due course of a cheque as well as the types of negotiable instrument; and differences between fixed charge and floating charge.

Attempt rate was about 75% of which about 70% scored average marks and above. The identifiable pitfall of the candidates that performed poorly was their lack of understanding of the applicability of the 'holder for value in due course' principle to a stolen cheque situation.

Candidates for future examinations are advised to devote more time to the the study of the applicability of the 'holder for value in due course principle' to a stolen cheque situation as they study the ICAN Study Text.

<b>Marking guide</b>	<b>Marks</b>	<b>Marks</b>
a. Advantages of ADR (2marks each for any advantage)		4
b. i. Definition of goods ii Implied terms in sale by sample (2 marks each for any 2 terms subject to any 2)	2	
c. i. The application of 'holder for value in due course principle' - Justifying Bukky's title on basis of the principle	4	6
ii. Types of negotiable instrument (1 mark each for any 2 types)	2	
d. Differentiation of fixed charge from floating charge (2 marks each for any charge)	2	6
<b>Total</b>	<b>4</b>	<b>20</b>