



**THE INSTITUTE OF CHARTERED  
ACCOUNTANTS OF NIGERIA**

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# **PATHFINDER**

**MAY 2022 DIET  
FOUNDATION LEVEL EXAMINATIONS**

**Question Papers**

**Suggested Solutions**

**Marking Guides**

**and**

**Examiners' Reports**

## **FOREWARD**

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

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

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

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

### **NOTES**

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

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**THE INSTITUTE OF CHARTERED ACCOUNTANTS OF NIGERIA**  
**FOUNDATION LEVEL EXAMINATION – MAY 2022**  
**FINANCIAL ACCOUNTING**

Time Allowed: 3<sup>1</sup>/<sub>4</sub> hours (including 15 minutes reading time)

**SECTION A:                      MULTIPLE-CHOICE QUESTIONS                      (20 MARKS)**

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

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

1.     The document that accompanies goods returned by a customer to a supplier is called
  - A.     Credit note
  - B.     Debit note
  - C.     Invoice
  - D.     Payment voucher
  - E.     Receipt
  
2.     When a proprietor of a business withdraws cash from the organisation for private use, the proper postings are

	DR	CR
A.	Cash account	Drawings account
B.	Drawings account	Capital account
C.	Bank account	Drawings account
D.	Drawings account	Cash account
E.	Bank account	Cash account

**Use the following information to answer questions 3 and 4**

An item of plant was purchased for ₦300,000 on January 1, 2017, its expected useful life was estimated to be ten years with nil residual value. The asset was depreciated on a straight-line basis. However, a review on December 31, 2018 showed that arising from technological changes, the useful life of the plant is only five years in total and therefore, the plant has a remaining useful life of three years.

3. The of adjustment, under IAS 8 as described in the scenario above is a
- A. Change in accounting estimate
  - B. Change in accounting policy
  - C. Correction of error
  - D. Retrospective adjustment
  - E. Reclassification of non-current asset.
4. What is the amount of depreciation charged in 2018?
- A. ₦30,000
  - B. ₦52,500
  - C. ₦60,000
  - D. ₦67,500
  - E. ₦80,000
5. If the opening and closing inventories of an entity are ₦34,565 and ₦41,222 respectively, and the cost of sales is ₦160,545. How much is purchases?
- A. ₦119,323
  - B. ₦153,888
  - C. ₦167,202
  - D. ₦201,767
  - E. ₦236,332
6. Which of the following accounting records serves as both a book of original entry and a ledger?
- A. Sales day book
  - B. Purchases sales book
  - C. Returns inwards book
  - D. General ledger
  - E. Cash book
7. Habib Limited decided to treat ten stapling machines it acquired for ₦15,000 as expenses in its books. What principle of accounting did Habib rely on in this treatment?
- A. Aggregation
  - B. Materiality
  - C. Going concern
  - D. Offsetting
  - E. Substance over form

8. Owen PLC issued 140,000 shares of ₦20 each at a price of ₦120 per share and the issue cost was ₦2,000,000. What is the balance in the share premium account at the end of this transaction?
- A. ₦12,000,000
  - B. ₦12,800,000
  - C. ₦14,000,000
  - D. ₦16,000,000
  - E. ₦16,800,000
9. If an entity paid ₦1,750,000 to its employees, how is the amount classified in the statement of cashflows?
- A. Cash inflows from operating activities
  - B. Cash inflows from investing activities
  - C. Cash outflows from financing activities
  - D. Cash outflows from operating activities
  - E. Cash outflows from investing activities
10. An equipment was paid for on January 16, 2015, delivered on January 16, 2016, kept in store till January 16, 2017, commissioned January 16, 2018 and was put into use on January 16, 2019. The entity's accounting date is December 31. Which date should depreciation commence on this equipment?
- A. January 16, 2015
  - B. January 16, 2016
  - C. January 16, 2017
  - D. January 16, 2018
  - E. January 16, 2019
11. As part of the initial investment, a partner contributed office equipment that originally cost ₦20,000,000 and on which accumulated depreciation of ₦12,500,000 had been recorded. If the partners agree on a valuation of ₦9,000,000 for the equipment, what amount should be debited to the office equipment account?
- A. ₦7,500,000
  - B. ₦9,000,000
  - C. ₦9,500,000
  - D. ₦12,500,000
  - E. ₦20,000,000

12. One of the basic roles of accounting is to
- A. Detect fraud
  - B. Audit financial statements
  - C. Measure performance
  - D. Protect shareholders
  - E. Protect stakeholders
13. Which of the following transactions result in an increase in cash of the business?
- A. Drawings from the business
  - B. Payment for a new asset
  - C. Proceeds from disposal of non-current asset
  - D. Payment to a supplier
  - E. Goods sold on credit to customers
14. Which of the following can be regarded as an error in book-keeping?
- A. Intentional correct posting in the ledger
  - B. Intentional failure to record transactions completely
  - C. A deliberate manipulation of records
  - D. Incorrect records and oversights that are not intended
  - E. Double entry posting in the ledger
15. Which of the following bank reconciliation items should **NOT** be added or subtracted from the cash book balance to determine the adjusted bank balance?
- A. Bank service charges
  - B. Unpresented cheques
  - C. Direct transfers
  - D. Cash book errors
  - E. Value added tax charges

Use the following information to answer questions 16 and 17.

	N'000
Sales	1,378,650
Opening inventory	98,800
Purchases	706,000
Carriage inwards	17,500
Cost of goods sold	740,700
Operating expenses	526,000
Discount received	9,650

16. Calculate the gross profit for the period
- A. N535,650,000
  - B. N543,450,000
  - C. N637,950,000
  - D. N647,600,000
  - E. N699,000,000
17. What is the closing inventory for the period?
- A. N69,300,000
  - B. N81,200,000
  - C. N81,600,000
  - D. N104,400,000
  - E. N108,000,000
18. A company bought an equipment worth N200,000 and the equipment is to be depreciated at 5%, using the reducing balance method. What would be the value of the asset after 3 years?
- A. N170,000
  - B. N171,475
  - C. N180,505
  - D. N190,000
  - E. N200,000
19. The principal function of a sales ledger control account is to
- A. Serve as external check and provide quick information for the preparation of interim financial statements
  - B. Serve as internal check and provide quick information for the preparation of interim financial statements
  - C. Check sales fraud
  - D. Provide quick information for the control of salesmen's activities
  - E. Provide quick information for the preparation of customer's statements



20. A credit balance on a receipts and payments account of a not-for-profit organisation indicates that the entity
- Has excess cash in the bank
  - Received more cash than it paid out during the period
  - Made more cash payments than received during the period
  - Had more revenue than expenses during the period
  - Did not owe much liabilities during the period

**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**

- In accordance with IAS 1 – Presentation of Financial Statements, state the components of financial statements (6 Marks)
- The following trial balance has been extracted from the books of Wazobia PLC as at December 31, 2020.

	Dr N000	Cr N000
Accruals		4,002
Administrative expenses	65,990	
24% bank loan repayable 2023		50,000
Cash at bank	4,207	
Distribution costs	84,235	
Interest	6,000	
Inventories at January 1, 2020	73,735	
Property, plant and equipment (PPE) at cost	603,950	
Accumulated depreciation on PPE		238,932
Purchases	279,168	
Retained earnings		207,410
Revenue		531,611
Share capital		100,000
Share premium		46,875
Trade payables		23,253
Trade receivables	84,798	
	<u>1,202,083</u>	<u>1,202,083</u>

**Additional information**

- (i) The share capital of the company consists of ordinary shares with nominal value of ₦1 each.
- (ii) The revenue figure in the trial balance includes sales of ₦29,502,000 made on credit on January 1, 2021.
- (iii) The inventories at the close of business on December 31, 2020 cost ₦78,815,000. Included in the figure were inventories that cost ₦4,500,000 but which could be sold for only ₦1,688,000.
- (iv) Electricity bills of ₦1,472,000 relating to December 2020 were not included in the trial balance as the invoice was received after the year end.
- (v) Interest on the bank loan for the last six months of the year was not included in the trial balance.
- (vi) The company income tax charge for the year were calculated as ₦12,702,000.

**You are required to prepare:**

- (i) Statement of profit or loss and other comprehensive income of Wazobia PLC for the year ended December 31, 2020 (6 Marks)
  - (ii) Statement of financial position at December 31, 2020 (8 Marks)
- (Total 20 Marks)**

**QUESTION 2**

- (a) List **FOUR** general requirements of IAS 16 – Property, Plant and Equipment, as regards depreciation. (4 Marks)
- (b) The following cost items are extracted from the books of Ore Limited regarding a machine acquired on June 1, 2020:

	₦
Clearing cost	6,000
Installation and testing charge	24,000
Purchase price	600,000
Purchase of spare parts inclusive of VAT at 7.5%	6,400

**Additional information:**

Rebate is provided at 5% of maintenance cost of ₦44,600

**Required:**

Compute the initial cost of the machine.

(8 Marks)

- (c) On January 1, 2017, Jos Limited acquired a motor vehicle for ₦4,500,000. The estimated useful life of the motor vehicle is four years and its residual value at the end of the useful life is ₦300,000.

**Required:**

Calculate the depreciation charged for the first two years using:

- (i) The straight-line method (4 Marks)  
 (ii) Reducing balance method (4 Marks)

**(Total 20 Marks)**

**QUESTION 3**

Amaka runs a pharmaceutical shop. She does not keep complete accounting records. The following summary were extracted from her bank account for the year ended December 31, 2020.

		₦		₦
Balance b/d	907,500	Payment to trade suppliers	10,316,375	
Cheques from customers	17,817,250	Electricity	408,750	
Cash sales	1,470,375	Telephone	135,000	
		Rent	810,000	
		Advertising	536,250	
		Furniture and fittings	1,956,250	
		Insurance	354,750	
		Motor vehicle expenses	793,500	
		Drawings	2,278,625	
		Balance b/d	<u>2,605,625</u>	
		<b><u>20,195,125</u></b>	<b><u>20,195,125</u></b>	

All cash and cheques were paid into the bank immediately after each transaction. The following information on the business activities were made available by the proprietor.

	January 1, 2020	December 31, 2020
	₦	₦
Inventory of Drugs	1,200,000	1,523,625
Trade receivables	991,125	1,504,500
Trade payables	599,250	916,875
Motor vehicles	2,912,500	
Shop fittings	1,575,000	
Motor vehicle expenses owing	162,000	109,125
Insurance paid in advance		66,375

Depreciation of motor vehicles is at 20% per annum and the furniture and fittings is at 10% per annum. Depreciation is calculated using the reducing balance method.

**Required:**

- (a) Calculate sales and purchases for the year ended December 31, 2020 (10 Marks)
  - (b) Prepare the statement of profit or loss for the year to December 31, 2020 (5 Marks)
  - (c) Prepare the statement of financial position as at December 31, 2020. (5 Marks)
- (Total 20 Marks)**

**QUESTION 4**

- (a) Rivers Limited has trade receivables of ₦1,922,000 on April 1, 2020. At the end of its accounting year on March 31, 2021, sales on credit were ₦6,247,000, receipts from customers were ₦6,297,000 and bad debts written off were ₦172,000. In addition, Rivers Limited has a policy of providing 2% allowances on its trade receivables.

**You are required to prepare:**

- (i) Receivables control account
  - (ii) Allowances for doubtful debt (5 Marks)
- 
- (b) The following are the business transactions of Alhaji Aberuagba for the month of June 2020.
    - June 1 Balances brought forward: Cash ₦9,700, Bank ₦218,600
    - June 2 The amount due from customers were R. Hausa ₦100,000, C. Kola ₦28,000, P. Peters ₦18,000, R. Chinwe ₦60,000.
    - June 3 Cash sales paid directly into the bank ₦13,400
    - June 5 Paid rent by cash ₦8,800
    - June 6 The gross amounts, due to the following suppliers, were paid by cheque after deducting 2½% discount: J. Charles ₦40,000, H. Salam ₦64,000, D. Craig ₦20,000. Cheques were issued to pay these amounts less 2½% discount.
    - June 8 Withdrew cash from the bank for business use ₦25,000
    - June 10 Cash sales ₦20,600
    - June 12 D. Kehinde paid his account of ₦8,900 by cheque less ₦200 cash discount
    - June 14 Paid wages by cash ₦254,000.
    - June 16 Paid the following accounts by cheque: L Lucas ₦11,700 less cash discount ₦6,000, D. Fisher ₦20,600 less cash discount ₦800.
    - June 20 Bought fixtures by cheque ₦800,000
    - June 24 Bought motor van and paid by cheque ₦716,600
    - June 29 Received ₦16,900 cheque from D. Sanni
    - June 30 Cash sales ₦116,000

**Required:**

Record the above transactions in a three-column cashbook

(15 Marks)

**(Total 20 Marks)****QUESTION 5**

Jaja is a sole trader. The trial balance extracted from the balances below, as at March 31, 2021 failed to agree.

	<b>₦'000</b>
Sales	71,130
Sales returns	2,100
Purchases	22,150
Expenses	10,710
Non-current assets	22,750
Discounts allowed	740
VAT liability	6,320
Payables	14,840
Receivables	52,850
Bank overdraft	3,140
Capital as at April 1, 2020	12,500

A detailed examination of the books was undertaken, and the following errors were discovered:

- (i) The total in the purchases day book was ₦42,150,000 while the figure used when posting to the purchases account was ₦22,150,000.
- (ii) An invoice from a supplier for goods to the value of ₦8,500,000 was omitted from the books.
- (iii) During the bank reconciliation process, it was revealed that ₦105,140,000 earned as interest during the year was not accounted for.
- (iv) Sales returns of ₦1,560,000 was treated correctly in the customer's account but credited to the sales returns account as ₦560,000.
- (v) A review of the ledgers revealed that receivables were overcast by ₦29,830,000
- (vi) Cash drawings by Jaja of ₦2,170,000 was credited as cash sales in error.

**You are required to prepare:**

- a. Trial balance of Jaja as at March 31, 2021 and derive the balance in the suspense account as at that date. (6 Marks)
- b. Journal entries, with the appropriate narration, necessary to correct the above errors. (10 Marks)
- c. Suspense account (4 Marks)

**(Total 20 Marks)**

## QUESTION 6

- a. Oyin Limited purchases and sells identical articles. The table below shows the inventory movement in the store and the company has a policy of using weighted average cost method in its storekeeping. The company's accounting period ends on December 31, each year.

Month	Quantity purchased	Unit price ₦	Quantity issued sold
Brought forward	150	100	
February 2020	350	150	
April 2020			340
June 2020	440	180	
August 2020			420
October 2020	420	210	
December 2020			360

### Required:

Present a table of the inventory keeping from January to December 2020 and show the cost of inventory on December 31, 2020. (10 Marks)

- b. An important requirement of IAS 1 with regard to the financial statements is that current and non-current assets should be separately disclosed.
- Define the term "asset." (2 Marks)
  - What are the conditions to be satisfied for an asset to be termed current asset? (6 Marks)
  - State **TWO** examples each of current and non-current assets. (2 Marks)
- (Total 20 Marks)

**SECTION A - MULTIPLE CHOICE QUESTIONS**

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

## MCQ TUTORIAL

	N	
4	Cost of plant	300,000
	Accumulated depreciation (300,000 ÷ 10 x 2)	<u>60,000</u>
	Carrying amount	<u>240,000</u>
	Remaining useful years – 3 years	
	Depreciation charged in 2018 – 240,000 ÷ 3	<u>80,000</u>
5	Opening inventory	34,565
	Purchase	Xxx
	Closing inventory	41,222
	Cost of sales	<u>160,545</u>
	Purchase = 160,545 + 41,222 – 34,565	<u>167,202</u>
8	Share premium = 140,000 x 100 =	14,000,000
	Less issue cost	<u>2,000,000</u>
	Balance in share premium account	<u>12,000,000</u>
10	Depreciation commences when the asset is available for use which in this case, the date it was commissioned – January 1, 2018	
11	The asset should be taken at the agreed valuation, other stated values are not relevant	
16	Sales	1,378,650
	Cost of sales	<u>740,700</u>
		<u>637,950</u>
17	Opening inventory	98,800
	Purchases	706,000
	Carriage inwards	17,500
	Less cost of sales	<u>(740,700)</u>
		<u>81,600</u>
18	<del>N</del> 200,000 x 0.95 x 0.95 x 0.95	171,475



## **Examiner's Report**

The question tests all the areas of the financial accounting syllabus and covers concepts, principles and their application.

All the candidates attempted the questions and their performance was above average.

Few candidates displayed inadequate knowledge of some accounting concepts and application of principles, thereby choosing the wrong options.

Candidates are advised to cover all sections of the syllabus and pay more attention to accounting concepts and application of principles.

## **SOLUTION 1**

### **(a) Components of financial statements**

In accordance with IAS 1, the components of financial statements are:

- (i) Statement of financial position at the end of the period;
- (ii) Statement of comprehensive income (presented as a single statement) or a statement of profit or loss and other comprehensive income for the period made up of a separate statement of profit or loss and of other comprehensive income);
- (iii) Statement of changes in equity for the period;
- (iv) Statement of cash flows for the period; and
- (v) Notes, comprising a summary of significant accounting policies and other explanatory notes.

(b)i

**Wazobia PLC**  
**Statement of profit or loss and other comprehensive income**  
**for the year ended December 31, 2020**

	Notes	₦
Revenue	1	502,109
Cost of goods sold	2	<u>276,900</u>
Gross profit		225,209
Distribution cost		(84,235)
Admin expenses	3	<u>(67,462)</u>
Profit before interest and tax		73,512
Interest expense	4	<u>(12,000)</u>
Profit before tax		61,512
Income tax expense		<u>(12,702)</u>
Profit for the year		<u>48,810</u>

**Wazobia PLC**  
**Statement of financial position**  
**as at December 31, 2020**

	Notes	₦'000	₦'000
<b>Non-current assets:</b>			
Property, plant and equipment	5		365,018
<b>Current assets:</b>			
Inventories	6	76,003	
Trade receivables	7	55,296	
Bank		<u>4,207</u>	
			<u>135,506</u>
<b>Total assets</b>			<u>500,524</u>
<b>Equity and liabilities:</b>			
<b>Equity :</b>			
Ordinary share capital			100,000
Share premium			46,875
Retained earnings	8		<u>256,220</u>
<b>Total equity</b>			<u>403,095</u>
<b>Non-current liabilities:</b>			
24% Loan notes			50,000
<b>Current liabilities:</b>			
Trade payables	9	23,253	
Other payables (4002+1,472+6000)		11,474	
Income tax		<u>12,702</u>	
			<u>47,429</u>
			<u>500,524</u>

<b>Working notes</b>	<b>₪</b>
<b>1. Revenue:</b>	
As per trial balance	531,611
Less 2021 sales	<u>29,502</u>
	<u><u>502,109</u></u>
<b>2. Cost of goods sold:</b>	
Opening inventory	73,735
Purchases	279,168
Closing inventory (78,815 – 4,500 + 1,658)	<u>(76,003)</u>
	<u><u>276,900</u></u>
<b>3. Admin. Expenses:</b>	
As per trial balance	65,990
Accrued electricity bill	<u>1,472</u>
	<u><u>67,462</u></u>
<b>4. Interest expenses:</b>	
As per trial balance	6,000
Accrued interest	<u>6,000</u>
	<u><u>12,000</u></u>
<b>5. Property, plant and equipment schedule:</b>	
Cost	603,954
Accumulated depreciation	<u>239,932</u>
Carrying amount	<u><u>365,018</u></u>
<b>6. Inventories:</b>	
As per trial balance	78,815
Less amount written off (4,500 – 1,688)	<u>2,812</u>
	<u><u>76,003</u></u>
<b>7. Trade receivables:</b>	
As per trial balance	84,798
Less 2021 sales	<u>29,502</u>
	<u><u>55,296</u></u>
<b>8. Retained earnings:</b>	
Balance b/f	207,410
Profit for the year	<u>48,810</u>
	<u><u>256,220</u></u>
<b>9. Other payables:</b>	
As per trial balance	4,002
Electricity bill owing	1,472
Accrued interest	<u>6,000</u>
	<u><u>11,474</u></u>

### Examiner's report

The question tests candidates' knowledge of components of financial statements and their ability to prepare the statement of profit or loss and other comprehensive income and statement of financial position.

Most candidates attempted the question and their performance was below average, however many of them performed above average in the part (a) of the question.

The following pitfalls were observed:

- The candidates did not understand the format for the presentation of the financial statements.
- The candidates did not understand the end of period adjustments, such as accruals, prepayments, depreciation and inventory valuation.

Candidates are advised to pay attention to end-of-year adjustments and how to include their effects in the financial statements.

### Marking guide

	Marks	Marks
(a) <b>Components of financial statements:</b>		
• Statement of profit or loss and other comprehensive income	2	
• Statement of financial position	1	
• Statement of changes in equity	1	
• Statement of cash flow	1	
• Notes to the financial statement	<u>1</u>	6
(b)i <b>Preparation of comprehensive income</b>		
Title	1/4	
<b>Determination of</b>		
:	3/4	
Revenue	2	
Cost of goods sold	1/4	
Distribution cost	3/4	
Administration cost	1/4	
Profit before interest and tax	3/4	
Interest expense	1/4	
Profit before tax	1/4	
Income tax expense	1/2	
Profits for the year		6
(b)ii <b>Statement of financial position</b>		
Title	1/4	
<b>Determination of:</b>		
Property, plant and equipment	3/4	
Current assets	2 1/4	
Equity	1 1/2	
Non-current liabilities	1/4	
Current liabilities	<u>3</u>	
<b>Total</b>		<u>8</u>
		<u>20</u>

## **SOLUTION 2**

- (a) The general requirements include:
- (i) Each part of an item of property, plant and equipment with a cost that is significant in relation to the item's total cost should be depreciated separately;
  - (ii) The depreciation charge for an accounting period should normally be recognised as an expense when calculating profit or loss;
  - (iii) The residual value and useful life of property, plant and equipment should be reviewed at least at the end of each year;
  - (iv) A number of factors should be taken into consideration when judging the useful life of an asset;
  - (v) If the residual value of an asset is greater than or equal to its carrying amount, then the asset's depreciable amount is zero;
  - (vi) depreciation should begin when an asset is available for use and then continue until the asset is derecognised or classified as held for sale; and
  - (vii) Land and building should be dealt with separately from one another for depreciation purposes.

(b) **Ore Limited**

**Calculation of initial cost of the machine acquired on June 1, 2020**

	₤
Purchase price	600,000
Clearing cost	6,000
Installation and testing charges	24,000
Purchase of spare part	<u>6,400</u>
Rebate on maintenance 5% x ₤44,600	<u>(2,230)</u>
Cost of machine	<u><b>634,170</b></u>

(c) **Jos Limited**

**Calculation of depreciation for the year ended 2017 and 2018.**

	₤
Cost	4,500,000
Residual value	300,000
Estimated useful life	4 years

### Straight-line method

$$\text{Annual depreciation charge} = \frac{\text{₦}4,500,000 - \text{₦}300,000}{4 \text{ years}} = \text{₦}1,050,000$$

2017            ₦1,050,000

2018            ₦1,050,000

### Reducing balance method rate

$$\text{Rate} = 1 - \sqrt[4]{\frac{\text{Residual Value}}{\text{Value}}}$$

$$R = 1 - \sqrt[4]{\frac{300}{4,500}}$$

$$R = 1 - \sqrt[4]{0.0666}$$

$$R = 1 - 0.51$$

$$R = 0.49 \text{ or } 49\%$$

2017	<b>Cost</b>	₦ 4,500,000
	Depreciation charge for the year ( <del>₦</del> 4,500,000 x 49%)	<u>2,205,000</u>
	Carrying amount 31 December 2017	<u>2,295,000</u>
2018	Carrying amount 1 Jan. 2018	2,295,000
	Depreciation charge for the year ( <del>₦</del> 2,295,000 x 49%)	<u>1,125,000</u>
	Carrying amount 31 December, 2018	<u>1,170,000</u>

### Examiner's report

The question tests candidates' ability to compute initial cost of property, plant and equipment and computation of depreciation using straight-line and reducing balance methods.

Most candidates attempted the question and their performance was average. Few of the candidates displayed lack of understanding of the computation of depreciation using the reducing balance method. Most candidates could not determine the reducing balancing rate from the information supplied.

The candidates should endeavour to understand the requirements of IAS 16 as it relates to property, plant and equipment. They should also develop a better understanding of the computation of depreciation using various methods recommended by IAS 16.

**Marking guide**

	Marks	Marks
(a) General requirements of IAS 16 on depreciation of PPE – 4 requirements at 1 mark each		4
(b) Initial cost of machine		
Determination of correct cost elements	6	
Determination total cost of machine	<u>2</u>	8
(c) Calculation of depreciation		
Straight line method	4	
Reducing balance method		
- Determination of depreciation rate	1	
- Determination of depreciation charged	<u>3</u>	<u>8</u>
<b>Total</b>		<b><u>20</u></b>

**SOLUTION 3**

ai)

**Amaka Pharmaceutical  
Sales for the year ended December 31, 2020  
Sales ledger control account**

	N		N
Trade receivable 1/1/2020	991,125	Cheques from customers	17,817,250
Credit sales	<u>18,330,625</u>	Trade receivables 31/12/2020	1,504,500
	<u>19,321,750</u>		<u>19,321,750</u>
Trade receivables 1/1/2021	1,504,500		
Credit sales	18,330,625		
Cash sales	<u>1,470,375</u>		
Total sales	<u>19,801,000</u>		

ii)

**Amaka pharmaceutical  
Purchases for the year ended December 31, 2020**

**Purchases ledger control account**

	N		N
Payment to suppliers	10,316,375	Trade payables 1/1/2020	599,250
Trade payables 31/12/2020	916,875	Purchases	10,634,000
	<u>11,233,250</u>	Trade payables 1/1/2021	<u>11,233,250</u>
			916,875

**Amaka Pharmaceutical  
Statement of profit or loss for the year ended December 31, 2020**

	N	N
<b>2</b>		
Revenue		19,801,000
Opening inventory	1,200,000	
Purchases	10,634,000	
Closing inventory	<u>(1,523,625)</u>	
Cost of sales		<u>10,310,375</u>
Gross profit		9,490,625
Operating expenses		
Electricity	408,750	
Telephone	135,000	
Rent	810,000	
Advertising	536,250	
Insurance	288,375	
Depreciation	935,625	
Motor vehicle expenses	<u>740,625</u>	
		<u>3,854,625</u>
Profit for the year		<u>5,636,000</u>

**Workings**

**1. Calculation of depreciation**

		N
Motor vehicle	20% of <del>N</del> 2,912,500	582,500
Shop fittings	10% of <del>N</del> 1,575,000	157,500
Furniture & fitting	10% of <del>N</del> 1,956,250	195,625
		935,625



## 2. Motor vehicle expenses account

	<b>₦</b>		<b>₦</b>
Cash	793,500	Bal. b/d	162,000
Bal. c/d	109,125	Profit or loss	740,625
	<u>902,625</u>		<u>902,625</u>

### Amaka pharmaceutical Statement of financial position as at December 31, 2020

Assets	Notes	2020
<b>Non-current assets :</b>		<b>₦</b>
Property, plant and equipment	1	<u>5,508,125</u>
<b>Current assets:</b>		
Inventory		1,523,625
Trade receivables		1,504,500
Other receivables		66,375
Cash and cash equivalents		2,605,625
<b>Total current assets</b>		<u>5,700,125</u>
<b>Total assets</b>		<u><u>11,208,250</u></u>
<b>Equity &amp; liabilities</b>		
<b>Equity:</b>		
Capital		6,824,875
Profit for the year		5,636,000
Less drawings		(2,278,625)
		<u>10,182,250</u>
<b>Current liabilities:</b>		
Trade payables		916,875
Other payables – Motor vehicle expenses owing	2	109,125
		<u>1,026,000</u>
<b>Total equity and liabilities</b>		<u><u>11,208,250</u></u>

**Amaka Pharmaceutical  
Statement of opening capital**

<b>Assets</b>	<b>₦</b>	<b>₦</b>
Motor vehicles	2,912,500	
Shop fittings	1,575,000	
		4,487,500
Inventory	1,200,000	
Trade receivables	991,125	
Cash	907,500	
		<u>3,098,625</u>
Total assets		<u>7,586,125</u>
Less liabilities		
Trade liabilities		599,250
Motor vehicle expenses owing		162,000
		<u>761,250</u>
Opening capital		<u><b>6,824,875</b></u>

**Examiner's report**

The question tests candidates' ability to prepare financial statements from incomplete records.

Only very few students attempted the question, and their performance was below average.

Candidates did not demonstrate good understanding of double entry principle to determine sales, purchases, opening capital and end-of-period adjustments.

Candidates are advised to master their double entry principle and its application in the preparation of financial statements.

**Marking guide**

	Marks	Marks
(a) <b>Sales value and purchases value</b>		
i) Determination of credits sales	4	
ii) Determination of total sales	2	
iii) Calculation of purchases	<u>2</u>	10
(b) <b>Statement of profit or loss</b>		
i) Preparation of the statement	3½	
ii) Calculation of depreciation	1	
iii) Calculation of motor vehicle expenses	<u>½</u>	5
(c) <b>Statement of financial position</b>		
i) Preparation of the statements	3	
ii) Calculation of opening capital	<u>2</u>	<u>5</u>
<b>Total</b>		<u><b>20</b></u>

## SOLUTION 4

a i.

### Rivers Limited Trade receivables control account

		₦			₦
01/04/2020	Bal. b/d	1,922	01/04/2020	Cash received	6,297
	Credit Sales	6,247	31/12/2021	Bad debt written off	172
			31/12/2021	Bal c/d	1,700
		<u>8,169</u>			<u>8,169</u>
01/04/2021	Bal. b/d	1,700			

aii)

### Rivers Limited Allowances for doubtful receivables account

		₦			₦
31/12/2021	Bad debt expenses Acct.	4,400	01/04/2020	Bal. b/d	38,440
31/03/2021	Bal. c/d	<u>34,000</u>			
		<u>38,400</u>			<u>38,400</u>

#### Working

Balance b/d	01/04/2020	$(1,922,000 \times 2\%) = 38,440$
Balance c/d	31/03/2021	$(1,700,000 \times 2\%) = \text{₦}34,000$

b.

### Alhaji Aberuagba Three-column cash book

Date	Particulars	Disct	Cash	Bank	Date	Particulars	Disct	Cash	Bank
		₦	₦	₦			₦	₦	₦
June 2020					June 2020				
01	B/F		9,700	218,600	06	Rent		8,800	
02	Customers cheque	10,300		195,700	06	suppliers	3,100		120,900
03	Sales			13,400	08	Withdrawal			25,000
10	Sales		20,600		14	Wages		254,000	
12	D. Kehinde	200		8,700	16	L. Lucas	6,000		5,700
29	D. Sanni			16,900	16	D. Fisher	800		19,800
30	Sales		116,000		20	Fixtures			800,000
30	Bal. c/d		<u>116,500</u>	<u>1,234,700</u>	24	Motor Van			716,600
			<u>262,800</u>	<u>1,688,000</u>				<u>262,800</u>	<u>1,688,000</u>
						Bal. b/d		116,500	1,234,700

## Examiner's report

The question examines candidates' knowledge on preparation of receivables ledger control, Allowances for bad and doubtful receivables and the three-column cash book.

Most candidates attempted the question, and their performance was average. The commonest pitfalls of the candidates were as follows:

- Failure to calculate the opening balance in the allowances for doubtful receivables account.
- Their inability to determine contra entry and distinguish between discount received and discount allowed, and in which side of the cash book to post them.

Candidates are advised to master their double entry principle and understand the different types of cash book.

## Marking guide

		Marks	Marks
a(i)	Preparation Trade receivables control account	2½	
(ii)	Allowances for doubtful receivables	<u>2½</u>	<u>5</u>
(b)	<b>Three-column cash book</b>		
	Title	½	
	Discount column	2½	
	Cash columns	5	
	Bank columns	<u>7</u>	<u>15</u>
	<b>Total</b>		<u><u>20</u></u>

## SOLUTION 5

### Jaja Enterprises Trial balance as at March 31, 2021

Particulars	Dr ₦'000	Cr ₦'000
Sales		71,130
Sales returns	2,100	
Purchases	22,150	
Expenses	10,710	
Non-current assets	22,750	
Discounts allowed	740	
VAT liability		6,320
Payables		14,840
Receivables	52,850	
Bank overdraft		3,140
Capital as at April 1, 2020		12,500
Suspense account		<u>3,370</u>
	<u>111,300</u>	<u>111,300</u>

b.

**Jaja Enterprises**  
**Correcting journal entries for the year ended**  
**March 31, 2021**

	Dr ₦'000	Cr ₦'000
(i) Purchase a/c Suspense a/c Being total on purchases day book of ₦42,150,000 Posted as ₦22,150,000 to purchase account, now corrected.	20,000	20,000
(ii) Purchase a/c Trade payables control a/c Being invoice from a supplier, completely omitted from the books, now recorded.	8,500	8,500
(iii) Bank a/c Interest received a/c Being earnings from bank interest, discovered during reconciliation process, as not accounted for, now recorded	105,140	105,140
(iv) Sales returns a/c Suspense a/c  Sales returns a/c Suspense a/c  Being reversal and correct treatment of sales return wrongly recorded and understated.	560	560
(v) Suspense a/c Trade receivables control a/c Being over casting of receivables ledger, now corrected.	29,830	29,830
(vi) Sales a/c Drawings a/c Suspense a/c Being cash drawings of ₦2,170,000 by Jaja, credited to sales a/c in error, now corrected	2,170 2,170	4,340

c.	<b>Suspense account</b>		
	<b>₦'000</b>		<b>₦'000</b>
Trade receivables control	29,830	Diff. in trial balance	3,370
Bal c/d		Purchases	20,000
		Sales returns	2,120
		Sales	2,170
		Drawings	<u>2,170</u>
	<u>29,830</u>		<u>29,830</u>

### **Examiner's report**

The question tests candidates' knowledge of preparation of trial balance, use of journal entries to correct errors and preparation of suspense account.

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

Candidates' commonest pitfalls were their lack of knowledge of double entry to correct of errors. Preparation of suspense account was also a difficult task for them.

Candidates are advised to master the double entry principles and understand its application in the preparation of journal entries including suspense account.

### **Marking guide**

	<b>Marks</b>
<b>Preparation of:</b>	
(a) Trial balance	6
(b) Journal entries for correction of errors	10
(c) Suspense account	<u>4</u>
<b>Total</b>	<u>20</u>

## SOLUTION 6

a. **Oyín Limited**  
**Inventory ledger account, using weighted average cost**

Date 2020	Qty	Receipts		Qty	Issued		Qty	Balance	
		Unit Price	Value		Unit Price	Value		Unit Price	Value
		₦	₦		₦	₦		₦	₦
01/02	150	100	15,000	-	-	-	150	100	15,000
28/02	350	150	52,500	-	-	-	<u>350</u>	150	<u>52,500</u>
	-	-	-	-	-	-	<u>500</u>	<u>135</u>	<u>67,500</u>
31/04	-	-	-	340	134	45,900	<u>(340)</u>	135	<u>(45,900)</u>
	-	-	-	-	-	-	<u>160</u>	<u>135</u>	<u>21,600</u>
31/06	440	180	79,200	-	-	-	<u>440</u>	180	<u>79,200</u>
	-	-	-	-	-	-	<u>600</u>	<u>168</u>	<u>100,800</u>
31/08	-	-	-	420	168	70,560	<u>(420)</u>	168	<u>(70,560)</u>
	-	-	-	-	-	-	<u>180</u>	<u>168</u>	<u>30,240</u>
31/10/	420	210	88,200	-	-	-	<u>420</u>	210	<u>88,200</u>
	-	-	-	-	-	-	<u>600</u>	<u>197.4</u>	<u>118,440</u>
31/12	-	-	-	360	197.4	71,064	<u>(360)</u>	197.4	<u>(71,064)</u>
Closing inventory			-				<u>240</u>	<u>197.4</u>	<u>47,376</u>

b. i **Asset**

An asset refers to a resource controlled by an entity as a result of past events. An economic resource is a right that has potential to produce economic benefits. 2

ii. A current asset is one which satisfies any of the following criteria:

- it is expected to be realised, sold or consumed within the entity's normal operating cycle.
- it is held primarily for the purpose of being traded
- it is expected to be realised within 12 months after the reporting period
- it is cash or a cash equivalent.

An asset which satisfies none of these criteria is a non-current asset.

iii. **Examples of current assets are:**

- Inventories
- Accounts receivables
- Cash and cash equivalent
- Short-term loan
- Income tax asset

### Examples of non-current assets are:

- Motor vehicles
- Plant and equipment
- Furniture and fittings
- Computer
- Land and building
- Motor cycle
- Development cost
- Brand name
- Goodwill
- Deferred tax asset

### Examiner's report

The question tests candidates' ability to apply the weighted average method to determine cost of inventories. It also tests and their knowledge of current and non-current assets.

Many candidates attempted the question and performance was average.

Candidates' commonest pitfalls were:

- Lack of knowledge of the attributes of current assets; and
- Inability to apply the weighted average method to calculate the cost of inventory.

Candidates are advised to practice more related questions in these areas and use ICAN study text for better performance in future examinations.

### Marking guide

	Marks	Marks
(a) Inventory ledger account		
• Receipt	2	
• Issued	1½	
• Balance	<u>6½</u>	10
(b)i Definition of assets	2	
ii Characteristics of current assets	6	
iii • Two examples of current assets	1	
• Two examples of non-current assets	<u>1</u>	<u>10</u>
<b>Total</b>		<b><u>20</u></b>



**THE INSTITUTE OF CHARTERED ACCOUNTANTS OF NIGERIA**

**FOUNDATION LEVEL EXAMINATION – MAY 2022**

**MANAGEMENT INFORMATION**

Time Allowed: 3<sup>1</sup>/<sub>4</sub> hours (including 15 minutes reading time)

**SECTION A: MULTIPLE-CHOICE QUESTIONS (20 MARKS)**

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

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

1. Which of the following is **NOT** a carrying cost under inventory control?
  - A. Warehouse rent
  - B. Insurance cost
  - C. Stores staffing cost
  - D. Material handling cost
  - E. Set up and tooling cost
  
2. In process costing, ignoring equivalent units for normal loss has which of the following effects?
  - A. Decreases equivalent units and increases the cost per unit
  - B. Increases equivalent units and increases the total cost
  - C. Increases total cost and decreases the cost per unit
  - D. Increases cost of work in progress and decreases cost of finished products
  - E. Increases cost of completed units and decreases work in progress
  
3. Variable costing and absorption costing statements produce the same profit under which of the following conditions?
  - A. Production equals sales
  - B. Production exceeds sales
  - C. Sales exceed production
  - D. Sales equal fixed overhead
  - E. Production equals fixed overhead
  
4. Which of the following is **NOT** an example of a composite cost unit?
  - A. Cost per production run
  - B. Cost per man day
  - C. Cost per tonne mile delivered
  - D. Cost per passenger kilometre

- E. Cost per room per day
5. Which of the following is **NOT** an element involved in decision making, planning and control process?
- A. Identifying the objectives that will guide the decision
  - B. Search for a range of possible courses of action to achieve the objectives
  - C. Select an appropriate alternative course of action to achieve the objectives
  - D. Implement the decisions as part of planning and budgeting process
  - E. Maximise shareholders' value
6. A summary account, where entries are made from the totals of transactions for a period is called
- A. Cost ledgers
  - B. Control accounts
  - C. Costing profit or loss accounts
  - D. Overhead accounts
  - E. Interlocking accounts
7. Which of the following is **NOT** an advantage of Just-in-Time purchasing arrangement?
- A. Reduced investment in raw materials
  - B. Substantial savings in factory space
  - C. Low quantity discounts
  - D. Low investment in work-in-progress
  - E. Reduction in paperwork
8. Which of the following is **NOT** a category in which fixed cost can be sub-divided?
- A. Time period classification
  - B. Volume classification
  - C. Unit classification
  - D. Unavoidable classification
  - E. Policy classification
9. XYZ manufacturing was able to achieve 95 percent of budgeted labour hours. If budgeted labour hours are 44,737 and standard hours produced is 42,075, what is the efficiency ratio?
- A. 106%
  - B. 101%
  - C. 99%
  - D. 94%
  - E. 89%

10. PQR produces a single product QR which sells for ₦500 with a variable cost of ₦340. The fixed cost of ₦5,520,000 was accrued evenly over the year and the company wants to achieve a monthly target profit after tax of ₦960,000. Considering a company tax rate of 20%, calculate the level of monthly sales required to achieve the target profit
- A. 40,500 units
  - B. 39,500 units
  - C. 34,500 units
  - D. 10,375 units
  - E. 8,875 units
11. The number of layers in the OSI (Open Systems Interconnection) Model is
- A. 3
  - B. 7
  - C. 9
  - D. 11
  - E. 12
12. .doc is an extension of
- A. Image file
  - B. Video file
  - C. Audio file
  - D. Word file
  - E. Excel file
13. Which of the following is used to create web pages?
- A. RUBY
  - B. HTML
  - C. C++
  - D. FORTRAN
  - E. BASIC
14. In computing, Trojan is an example of
- A. Malware
  - B. Ransomware
  - C. Spyware
  - D. Worm
  - E. Anti-virus

15. A computer executes programs in the sequence of
- A. Decode, Fetch, Execute
  - B. Execute, Decode, Fetch
  - C. Fetch, Decode, Execute
  - D. Store, Fetch, Execute
  - E. Execute, Store, Fetch
16. Which of the following protocols is used to send e-mail?
- A. FTP
  - B. HTTP
  - C. POP3
  - D. SMTP
  - E. TCP
17. The number the computer system always use to calculate and store data in '0' and '1' is
- A. Binary
  - B. Hexadecimal
  - C. Octal
  - D. Decimal
  - E. Heptadecimal
18. In open System Interconnection (OSI) Model, TCP/IP belongs to which layer?
- A. Data Link layer
  - B. Network layer
  - C. Transport layer
  - D. Session layer
  - E. Presentation layer
19. How many bits are in a byte?
- A. 8
  - B. 16
  - C. 32
  - D. 64
  - E. 128
20. A packet of information that travels between browser and web server is known as
- A. Malware
  - B. Adware
  - C. Spyware
  - D. Cookie
  - E. Virus

**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 small manufacturing company has three production and two service departments.

The following data were extracted from the company's records.

	<b>Total</b>	<b>Spinning &amp; Weaving</b>	<b>Processing</b>	<b>Finishing</b>	<b>Maintenance</b>	<b>Stores</b>
Rent & Rates ₺	6,000,000	-	-	-	-	-
Electricity ₺	5,400,000	-	-	-	-	-
Canteen Exp ₺	420,000	-	-	-	-	-
Maintenance Exp. ₺	2,780,000	-	-	-	2,780,000	-
Stores Expenses ₺	1,431,000	-	-	-	-	1,431,000
Area Occupied (Sq.m)	12,000	3,500	2,500	3,000	2,000	1,000
Ene/rgy Consumed (Kw/h)	10,000	3,000	3,000	2,000	1,500	500
No. of Employees	120	40	20	30	20	10
No. of Requisition	2,700	600	500	790	800	10
Plant Value ₺	55,600,000	25,000,000	15,000,000	15,000,000	600,000	-
Apportionment rate	100	35%	30%	30%	-	5%
Apportionment rate	100	25%	20%	30%	25%	-

You are required to prepare the overhead analysis allocating and apportioning cost to the three production departments and giving the last four digits from the reciprocal apportionment to the Spinning & Weaving department.

**(Total 20 Marks)**

**QUESTION 2**

- State **THREE** problems associated with site and contract work and list **TWO** ways to mitigate against them. (5 Marks)
- Wazobia is a construction company currently undertaking two separate contracts.

From the following information relating to the just concluded financial year and other data extracted from the records of the company, you are required to prepare accounts for the two contracts using a columnar format.

	<b>Contract WXYZ002</b>	<b>Contract WXYZ003</b>
	<b>₦</b>	<b>₦</b>
Contract Price	5,000,000	3,500,000
Material purchased	1,650,000	950,000
Plant & Machinery transferred to site	4,500,000	3,000,000
Wages paid	1,460,000	1,200,000
Other Expenses	900,000	460,000
Wages accrued	140,000	100,000
Value of work certified	2,950,000	1,800,000
Cost of work not certified	1,600,000	1,450,000
Plant & Machinery written down	3,600,000	2,400,000
Material on site C/F	850,000	100,000

(15 Marks)

**(Total 20 Marks)**

### QUESTION 3

Paquris Limited is into manufacture of various products. The following data refer to one of its products for a one-month period.

		<b>₦</b>
Direct material – Units	120,000	3,000,000
Direct labour – Hours	120,000	6,600,000
Direct expenses		2,000,000
Variable production overhead		1,500,000
Fixed production overhead		3,600,000
Variable non-production overhead		1,020,000
Fixed non-production overhead		4,740,000
Sales – Units	115,000	25,300,000
Opening inventory	-	-

#### Required:

- Prepare the statement of profit or loss using full absorption costing (8 Marks)
- Prepare the statement of profit or loss using marginal costing (7 Marks)
- Prepare closing inventory valuation on both basis (3 Marks)
- State and explain the differences between (a) and (b) (2 Marks)

**(Total 20 Marks)**

#### **QUESTION 4**

- a. Explain the differences amongst the Internet, Extranet and Intranet? (3 Marks)
- b. What is computer forensics? Explain **FOUR** types of forensic investigations. (5 Marks)
- c. List **TWO** examples of server operating software . (2 Marks)
- d. Identify and explain **FIVE** types of Network Topology. (10 Marks)

**(Total 20 Marks)**

#### **QUESTION 5**

- a. What is an Expert system? (3 Marks)
- b. List **FIVE** areas of expert system application (5 Marks)
- c. State **FOUR** examples of IT Infrastructures (4 Marks)
- d. State and explain **FOUR** layers in the Open systems Interconnection (OSI) model. (8 Marks)

**(Total 20 Marks)**

#### **QUESTION 6**

- a. Explain the term 'digital firm'. (3 Marks)
- b. Identify **TWO** advantages and **THREE** disadvantages of a digital firm. (5 Marks)
- c. Identify **TWO** reasons why e-commerce and e-business sites fail? (4 Marks)
- d. State and explain **FOUR** benefits of office automation. (8 Marks)

**(Total 20 Marks)**

## SECTION A - MULTIPLE CHOICE QUESTIONS

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

### Workings

9. Capacity ratio = Actual hours/Budgeted hours  
=  $X/44,737 = 0.95$   
=  $X = 44,737 * 0.95 = \underline{42,500\text{hours}}$

Efficiency ratio =  $42,075/42,500 \times 100 = \underline{99\%}$

10. (Fixed cost + (Target profit/1-Tax rate))/Contribution per unit  
 $(460,000 + (960,000/1-0.2))/160$   
=  $\underline{10.375\text{ units}}$



### Examiner's report

This section contains 20 questions drawn from various parts of the syllabus.

The questions were attempted by all candidates and performance was above average as about 65% of them scored at least 10 marks out of the 20 marks.

Candidates are advised to pay more attention to definitions and simple explanations in preparing for future examinations.

### Marking guide

1 mark each for each correct option	<b>Marks</b>
<b>Total</b>	<u>20</u>
	<u>20</u>

### SOLUTION 1

	<b>Spinning &amp; Weaving</b>	<b>Processing</b>	<b>Finishing</b>	<b>Maintenance</b>	<b>Stores</b>
Rent & Rates ₦	1,750,000	1,250,000	1,500,000	1,000,000	500,000
Electricity ₦	1,620,000	1,620,000	1,080,000	810,000	270,000
Canteen Exp. ₦	140,000	70,000	105,000	70,000	35,000
Maintenance Exp. ₦	973,000	834,000	834,000	-	139,000
Stores Expenses ₦	357,750	286,200	429,300	357,750	-
First apportionment	783,213	671,325	671,325	- 2,237,750	111,888
Second apportionment	263,972	211,178	316,766	263,972	- 1,055,888
Third apportionment	92,390	79,192	79,192	- 263,972	13,199
Fourth apportionment	3,300	2,640	3,959	3,300	-13,199
	3,300			- 3,300	
	5,986,924	5,024,534	5,019,542	0	0

### Examiner's report

This question tests candidates' knowledge of apportionment of service departments' overheads to production departments on a reciprocal basis.

The question was attempted by about 70% of the candidates and performance was just average as about 55% of them scored 50% and above of the marks allocated to the question.

The major pitfall was that some candidates changed the order in which the departments were listed in the question and this had an effect on the figures arrived at.

Candidates are advised to always stick to the order of listing in the questions

## Marking guide

½ mark each for each apportionment

**Total**

**Marks**

20

**20**

### SOLUTION 2

a. Problems associated with site and contract work are:

- i. Pilferage of materials, tools and fuel;
- ii. Unauthorised use of equipment and vehicles;
- iii. General difficulties of recording and paperwork;
- iv. Wasteful use of materials;
- v. High volumes of breakages; and
- vi. Difficulties of supervision on dispersed sites.

Ways of mitigating against the problems are:

- i. Well-motivated and competent site management;
- ii. Good security procedures;
- iii. On site cost clerks providing rapid information; and
- iv. Clear, simple records and forms.

b.

	<b>Contract WXYZ002 ₦</b>	<b>Contract WXYZ003 ₦</b>		<b>Contract WXYZ003 ₦</b>	<b>Contract WXYZ003 ₦</b>
Material purchased	1,650,000	950,000	Material on site C/F	850,000	100,000
Plant & Machinery transferred to site	4,500,000	3,000,000	Plant & Machinery written down	3,600,000	2,400,000
Wages paid	1,460,000	1,200,000	Cost of work not certified	1,600,000	1,450,000
Other Expenses	900,000	460,000			
Wages accrued	<u>140,000</u>	<u>100,000</u>	Cost of work certified c/d	<u>2,600,000</u>	<u>1,760,000</u>
	<u>8,650,000</u>	<u>5,710,000</u>		<u>8,650,000</u>	<u>5,710,000</u>
Cost of work certified b/d	2,600,000	1,760,000	Value of work certified	<u>2,950,000</u>	<u>1,800,000</u>
Profit	<u>350,000</u>	<u>40,000</u>			
	<u>2,950,000</u>	<u>1,800,000</u>		<u>2,950,000</u>	<u>1,800,000</u>

Material on site					
C/F	850,000	100,000	Wages accrued	140,000	100,000
Plant & machinery written down	3,600,000	2,400,000			
Cost of work not certified	1,600,000	1,450,000			

### Examiner's report

The question tests candidates' knowledge of contract costing. It was attempted by about 85% of the candidates and performance was good as about 70% of them scored 50% and above of the marks allocated to the question.

However, some candidates had challenges differentiating between cost of work certified and value of work certified.

It is desirable that candidates devote more attention to the grey areas of contract accounting when preparing for future examinations.

### Marking guide

		<b>Marks</b>
a	1 Mark each for any three problems	
	1 Mark each for any two ways to mitigate the problem	5
b	½ Mark each for each correct posting totalling 30	<u>15</u>
	<b>Total</b>	<b><u>20</u></b>

### SOLUTION 3

#### a. Absorption costing

	N	N	N
Revenue			25,300,000
Less: Cost of sales			
Opening inventory		-	
Direct material	3,000,000		
Direct labour	6,600,000		
Direct expenses	<u>2,000,000</u>		
Prime cost	11,600,000		
Variable production overhead	1,500,000		
Fixed production overhead	<u>3,600,000</u>		
Production cost		16,700,000	
Less: closing inventory (1)		<u>(695,850)</u>	
Cost of sales			<u>16,004,150</u>

Gross Profit		9,295,850
Variable non-production overhead	1,020,000	
Fixed non-production overhead	<u>4,740,000</u>	
		<u>5,760,000</u>
Net profit		<u>3,535,850</u>

b. Marginal costing

	₦	₦	₦
Revenue			25,300,000
Less: Cost of sales			
Opening inventory			-
Direct material	3,000,000		
Direct labour	6,600,000		
Direct expenses	2,000,000		
Variable production overhead	<u>1,500,000</u>		
Marginal cost of production		13,100,000	
Variable non-production overhead		<u>1,020,000</u>	
		14,120,000	
Less: Closing inventory (2)		<u>(545,850)</u>	
Marginal cost of sales			<u>13,574,150</u>
Contribution			11,725,850
Fixed production overhead		3,600,000	
Fixed non-production overhead		<u>4,740,000</u>	
			<u>8,340,000</u>
Net profit			<u>3,385,850</u>

c. Closing inventory valuation

Absorption costing basis	<u>Total production cost</u>
	Units produced
	<u>16,700,000</u>
	120,000 = 139.17
Unsold inventory	5000 x 139.17 = <u>₦695,850</u>
Marginal costing basis	<u>Marginal production cost</u>
	Units produced
	<u>13,100,000</u>
	120,000 = 109.17

Unsold inventory  $5000 \times 109.17 = \underline{\underline{\text{N}545,850}}$

d.		N
	Net Profit (a) Absorption costing	3,535,850
	Net profit (b) Marginal costing	<u>3,385,850</u>
	Difference	<u>150,000</u>

The difference is as a result of the difference in the closing stock.

		N
	Closing inventory – Absorption costing	695,850
	Closing inventory – Marginal costing	<u>545,850</u>
	Difference	<u>150,000</u>

### Examiner's report

This question tests candidates' ability to prepare profit statements under absorption costing and marginal costing.

The question was attempted by about 75% of the candidates and performance was just above average as about 60% of them scored 50% and above of the marks allocated to the question.

The major challenge faced by candidates was the valuation of inventory consumed and closing inventory.

Candidates are advised to acquire more understanding of this critical area from the Institute's Study Text.

### Marking guide

	Marks	Marks
a.	$\frac{1}{2}$ Mark for each correct posting totaling 15	$7\frac{1}{2}$
b.	$\frac{1}{2}$ Mark for each correct posting totaling 15	$7\frac{1}{2}$
c.	$22,560,000/120000 = 188$	1
	$5000 * 188 = \text{N}940,000$	$\frac{1}{2}$
	$13,100,000/120000 = 109$	1
	$5000 * 109 = \text{N}545,000$	<u><math>\frac{1}{2}</math></u>
d.	The difference between the net profit in i and ii above is ( $\text{N}3,775,833 - 3,385,850$ ) = $\text{N} 389,983$ and this is caused by the difference in valuation of closing inventory ( $\text{N}935,833 - 545,850$ ) $\text{N}389,983$	1
	<b>Total</b>	<u><u>20</u></u>

## **SOLUTION 4**

- a) Internet is an open network which is accessible to the entire world, a global collection of computer network known as the World Wide Web.

Intranet is a private space or online network which allows restricted access to only members of a specific organisation i.e. within the organisation.

Extranet is a combination of both the Internet and an intranet. It is an Intranet that allows access only to certain outside individuals or businesses, to gain information typically about a specific company or educational institution and without granting access to the organisation's entire network, i.e, a private part of a website.

- b) **Computer forensics**

Computer forensics is the application of investigation and analysis techniques to gather and preserve evidence from a particular computing device in a way that is suitable for presentation in a court of law. The goal of computer forensics is to perform a structured investigation while maintaining a documented chain of evidence to find out exactly what happened on a computing device and who was responsible for it. A branch of forensic science pertaining to investigation and analysis techniques to gather and preserve evidence tenable in law court in case of problems in computers and digital storage media.

### **Types of forensic investigation**

- i. **Forensic Accounting/Auditing:** A forensic accounting investigation aids the victims of fraud or financial crimes. Also known as financial investigation, this kind of analysis uses intelligence-gathering techniques, accounting, business, and communication skills to provide evidence to attorneys involved in criminal and civil investigations.
- ii.
- iii. **Forensic Computer or Cyber Forensics:** Computer investigations are similar like electronic discovery (or e-discovery). These forensic investigations recover data from computers and hard drives to solve a crime or find evidence of misconduct.
- iv. **Crime Scene Forensics:** Crime scene investigations document, any physical evidence found at a crime scene in order to solve a crime or determine whether a crime has taken place. This kind of investigation also includes the analysis of what investigators collect to ensure the evidence is credible and relevant.

- v. **Forensic Dentistry:** Forensic dentists are vital when a victim cannot be identified by any other means or when a culprit bites a victim. Since teeth have distinct patterns, the marks left behind can identify a suspect or victim.
- vi. **Forensic Archaeology:** Forensic archaeology focuses on human remains that are severely decomposed. They mainly focus on clues they can glean from the bones, including carbon dating to determine their age.
- vii. **Forensic Science:** Is the general term used for all the scientific processes involved in solving a crime. Some types of forensic science include:
  - DNA Coding
  - Toxicology (drugs & the effects)
  - Serology (bodily fluids)
  - Ballistics (firearms related)

#### 4c) **Server operating systems**

- 1) Windows Server
- 2) Mac OS X Server
- 3) Red Hat Enterprise (RHEL)
- 4) SUSE Enterprise Server
- 5) Linux/Unix Servers
- 6) Netware
- 7) Cloud Servers

#### 4d) **Types of network topology**

- i. **Bus Topology:** Bus topology is the network topology where every node, i.e. every device on the network is connected to a single main cable line. Data is transmitted in a single route, from one point to the other. We cannot transmit data in both ways. It is mostly used for small networks.
- ii. **Ring Topology:** Ring Topology is a type of topology in which every computer is connected to another computer on each side, with the last computer being connected to the first, thus forming a ring shape. This topology allows for each computer to have exactly two neighboring computers.

OR

Ring Topology consists of all computers and other communication devices connected to a continuous loop with all communication or messages flowing in only one direction.

- iii. **Star Topology:** Star Topology is the network topology in which all the nodes are connected via cables to a single node called hub, which is the central node. The hub can be active or passive in nature. Active hubs contain repeaters, while passive hubs are considered as non-intelligent nodes. Each node contains a reserved connection to the central node, which the central node acting as a repeater during data transmission.
- iv. **Mesh Topology:** Mesh topology is the topology in which all the nodes are connected with all the other nodes via a network channel. Mesh topology is a point-to-point connection. It has  $n(n-1)/2$  network channels to connect  $n$  nodes.
- v. **Tree Topology:** Tree topology is the kind of topology in which the nodes are connected in a hierarchical manner, with all the nodes being connected to the topmost node or root node. Hence, it is also known as hierarchical topology. Tree topology has at least three levels of hierarchy.
- vi. **Hybrid Topology:** Hybrid Topology is basically a network topology comprising of two or more different types of topologies. It is a reliable and scalable topology, but simultaneously, it is a costly one.

### Examiner's report

This question tests candidates' understanding of various topics including internet, forensics, operating software and topology.

The question was attempted by about 50% of the candidates but performance was below average as about 40% of them scored 50% and above of the marks allocated. Among major pitfalls were differentiating among internet, intranet and extranet. Also, several candidates did not seem to have come across the term "Network Topology" before.

Candidates should understand that Information Technology covers 50% of the syllabus of Management Information and should devote quality time to it in their future preparations.

### Marking guide

	<b>Marks</b>
(a) 1 tick for correct definition	3
(b) 1 tick each for correct definition 1 tick each for correct explanation	1 4
(c) 1 tick each for correct identification	2
(d) 1 tick each for correct identification 1 tick each for correct explanation	5 5
<b>Total</b>	<b><u>20</u></b>



## **SOLUTION 5**

### **5 a. Expert system**

An expert system is a computer system emulating the decision-making ability of a human expert. Expert systems are designed to solve complex problems by reasoning through bodies of knowledge, represented mainly as if-then rules, rather than through conventional procedural code.

OR

An expert system (ES) is a computer-based system that employs knowledge about its application domain and uses an inferencing (reason) procedure to solve problems that would otherwise require human competence or expertise.

OR

An expert system (ES) is a computer system or program that uses Artificial Intelligence techniques to solve problems that ordinarily require a knowledgeable human.

### **b. Areas of Expert Systems Application**

- 1) Information management
- 2) Hospitals and medical facilities/Medical diagnosis
- 3) Help desks management
- 4) Loan analysis
- 5) Virus detection
- 6) Warehouse optimisation
- 7) Planning and scheduling
- 8) Financial decision making Knowledge publishing
- 9) Process monitoring and control
- 10) Stock market trading
- 11) Production/Manufacturing
- 12) Repairs and maintenance
- 13) Prediction and forecasting
- 14) Designs
- 15) Computer aid instructions
- 16) Discovery
- 17) Knowledge Engineering

### **c. Examples of IT Infrastructure**

- 1) Network equipment. Network equipment such as routers, servers, etc.
- 2) Telecommunication services. Services to connect to the internet and corporate facilities such as leased lines.
- 3) Computing facilities.
- 4) Power facilities
- 5) Computing platforms

- 6) Application platforms
- 7) Content platforms
- 8) Software platform
- 9) Server room/Data Center

d. **OSI Model**

1. **Application layer**

The application layer is used by end-user software such as web browsers and email clients. It provides protocols that allow software to send and receive information and present meaningful data to users.

2. **Presentation layer**

The presentation layer prepares data for the application layer. It defines how two devices should encode, encrypt, and compress data so it is received correctly on the other end. The presentation layer takes any data transmitted by the application layer and prepares it for transmission over the session layer.

3. **Session layer**

The session layer creates communication channels, called sessions, between devices. It is responsible for opening sessions, ensuring they remain open and functional while data is being transferred, and closing them when communication ends. The session layer can also set checkpoints during a data transfer—if the session is interrupted, devices can resume data transfer from the last checkpoint.

4. **Transport layer**

The transport layer takes data transferred in the session layer and breaks it into “segments” on the transmitting end. It is responsible for reassembling the segments on the receiving end, turning it back into data that can be used by the session layer. The transport layer carries out flow control, sending data at a rate that matches the connection speed of the receiving device, and error control, checking if data was received incorrectly and if not, requesting it again.

5. **Network layer**

The network layer has two main functions. One is breaking up segments into network packets and reassembling the packets on the receiving end. The other is routing packets by discovering the best path across a physical

network. The network layer uses network addresses (typically Internet Protocol addresses) to route packets to a destination node.

6. **Data Link layer**

The data link layer establishes and terminates a connection between two physically-connected nodes on a network. It breaks up packets into frames and sends them from source to destination. This layer is composed of two parts—Logical Link Control (LLC), which identifies network protocols, performs error checking and synchronizes frames, and Media Access Control (MAC) which uses MAC addresses to connect devices and define permissions to transmit and receive data.

7. **Physical Layer**

The physical layer is responsible for the physical cable or wireless connection between network nodes. It defines the connector, the electrical cable or wireless technology connecting the devices, and is responsible for transmission of the raw data, which is simply a series of 0s and 1s, while taking care of bit rate control.

**Examiner’s report**

The question tests candidates’ understanding of various Information Technology topics like Expert Systems, IT Infrastructures Open Systems Interconnection Model.

This question was attempted by about 45% of the candidates but performance was below average as only about 30% of them scored 50% and above of the marks.

The poor performance is a reflection of inadequate preparation.

Candidates are advised to prepare adequately for future examinations using the Institute’s Study Text.

**Marking guide**

	<b>Marks</b>
(a) 3 ticks for correct definition	3
(b) 1 tick each for correct answer	5
(c) 2 ticks each for correct answer	4
(d) 2 ticks each for correct listing and explanation	<u>8</u>
<b>Total</b>	<b><u>20</u></b>

## **SOLUTION 6**

6 a. Digital firm. A digital firm is a company in which almost all significant business relationships with customers, suppliers, and employees are digitally enabled and automated. This means that all the procedures relating to core business processes are completed through the use of digital networks that cover the complete organisations. Core business processes are accomplished through digital networks spanning the entire organisation or linking multiple organisations.

### **b. Advantages of a digital firm**

- Operates business continuously (time shifting)
- Operates business in a global workplace (space shifting)
- Adapts business strategies to market demand
- Drives efficiency improvements in inventory and supply chain
- Enhances management of customer relationships
- Improves organisational productivity
- Better communication among customers, suppliers, employees and managers
- Provides better operations running for better performance
- Using digital form, managers have access to data in due time for better decision making
- Better tools for record-keeping by use of databases, warehouses and electronic archiving system that are part of the digital form
- Provide opportunity to respond more quickly and flexibly to users needs and wants

### **Disadvantages of a digital firm**

- It is expensive
- Threat to employee's job
- Lower morale of workforce
- Down time costs
- Resistance to change by employees
- Use of digital form makes business organization an "open book" for competitors
- There is the need to build relationships with customers that you do not see in person
- Its campaigns can be perceived by users as unserious if not professionally designed and properly targeted
- The online reputation of firms can be destroyed by negative feedbacks
- It is not suitable for all types of products, services and companies
- It is difficult to keep up-to-date information in digital world

**c. Reasons why e-commerce and e-business sites fail**

- Lack of digital marketing strategy
- Inability to invest in online Stores
- Competition from the established platforms
- Poor website design
- Poor photography and product descriptions
- Failure to show up in search engine results
- Selling the wrong products
- No quality content
- Shipping cost is too high
- Delivery of products not immediate as soon as payment is made
- Security for it is easier for hackers to get customers' financial details

**d. Benefits of Office automation**

- **Improved accuracy:** Eliminate human errors. Office automation system limits human intervention which minimizes the occurrence of errors.
- **Reduced costs:** By automating complex business processes, organisations do not need to invest as much into hiring for those tasks. As a result, operational costs are lower, while productivity and profit margins are significantly higher.
- **Reduced time and resources:** Through automation, organisations can accomplish more with less. By eliminating tedious and time-consuming processes, employees can spend their time on more high value tasks.
- **Data storage and management:** Office automation systems simplify data storage while giving organisations the ability to monitor and control data through an electronic document management system. Common features include things like task management and reminder systems, as well as easy access to information by key stakeholders.
- **Data insights and more informed decisions:** Office automation systems give organisations access to large data base, reports, and analytics. Access to data enables more informed decisions.

**Examiner's report**

This question which is in different parts, tests candidates' understanding of various Information Technology topics like Digital Firm, e-commerce, e-business and office automation.

The question was attempted by about 60% of the candidates and performance was good as about 70% of them scored 50% and above of the marks allocated to the question.

However, some candidates mixed up e-commerce and e-business and could not differentiate them.

Candidates are advised to devote more time to studying Information Technology topics in their future preparations.

### **Marking guide**

	<b>Marks</b>
(a) 3 ticks for correct definition	3
(b) 1 tick each for correct answer	5
(c) 2 ticks each for correct answer	4
(d) 2 ticks each for correct mentioning and explanation	8
<b>Total</b>	<b><u>20</u></b>

**THE INSTITUTE OF CHARTERED ACCOUNTANTS OF NIGERIA**

**FOUNDATION LEVEL EXAMINATION – MAY 2022**

**BUSINESS, MANAGEMENT & FINANCE**

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

**SECTION A: MULTIPLE-CHOICE QUESTIONS (20 MARKS)**

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

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

1. Attempts have been made by management theorists to define management tasks. Which of the following management tasks is among the ones identified by Henri Fayol?
  - A. Organiser
  - B. Negotiator
  - C. Figurehead
  - D. Entrepreneur
  - E. Disseminator
  
2. Which of the following is a primary source of information when researching for business report?
  - A. Accounting data
  - B. Audit investigation
  - C. Bing
  - D. Customer database
  - E. Market research agencies
  
3. Recently, Nigerian government adopted a policy of subsidising imported petroleum products. The following were the intent of the policy, **EXCEPT**
  - A. Maintain low fuel prices
  - B. Reduce production costs in industry
  - C. Provide incentive to make Nigerian refineries more efficient
  - D. Promote the accessibility of transport to the wider population
  - E. Promote the accessibility of infrastructure to the wider population

4. Which of the following is a feature of a multinational company?
- A. The company produces core products
  - B. The company produces standardised products for all markets
  - C. It has the culture of the country where the head office is based
  - D. Management develops worldwide strategies for all their markets
  - E. The company produces products with only minimal design changes for individual national markets
5. Which of the following is an advantage of “sells style” of leadership?
- A. Not dictatorial
  - B. Has greater interest and involvement for subordinates
  - C. Has stronger motivation amongst subordinates
  - D. Allows subordinates to contribute their knowledge and experience to the decision-making process
  - E. Provides opportunity for subordinates to gain better insights and understanding
6. Which of the following is a limitation of video conferencing?
- A. Eye contact
  - B. Telecommuting
  - C. Hiring and retention
  - D. Competitive advantage
  - E. Short-notice meetings
7. Which of the following describes the general nature of the role of having concern for people’s feelings?
- A. Plant
  - B. Monitor
  - C. Specialist
  - D. Evaluator
  - E. Coordinator
8. Bruce Tuckman provided an analysis of how small teams develop and change character over time. The following were presented as stages of team development, **EXCEPT**
- A. Restoring
  - B. Forming
  - C. Norming
  - D. Performing
  - E. Storming



9. According to the works of Warren Bennis, which of the following characteristics describes a manager?
- A. Develops
  - B. Innovates
  - C. Administers
  - D. Inspires trust
  - E. Transforms
10. **ONE** of the essential features of Theory Z as put forward by William Ouchi is
- A. Life time employment
  - B. Collective responsibility
  - C. **Non-specialised career path**
  - D. Implicit (informal) control mechanisms
  - E. Wider concern for the employees and their families

**Use the following information to answer Questions 11 and 12**

A machine is available for purchase at a cost of ₦160 million. The company expects the machine to have a life of five years and to have a scrap value of ₦20 million at the end of the five year period. It has been estimated that it will generate additional profits over its life as follows:

Year	Estimated cashflows (₦' m)
1	40
2	80
3	60
4	30
5	10

11. The return on (original) investment is
- A. 10%
  - B. 15%
  - C. 20%
  - D. 25%
  - E. 30%

12. The return on average investment is
- A. 15.78%
  - B. 16.78%
  - C. 17.78%
  - D. 18.78%
  - E. 19.78%
13. Which of the following is **NOT** a part of the espoused values of culture as propounded by Schein?
- A. Philosophies
  - B. Ethics
  - C. Strategies
  - D. Processes
  - E. Goals
14. Consequent upon the global pandemic, a company is about to take a decision to shut down a food processing plant. The management will therefore best describe one of the stakeholder groups that has small power to influence its decision but has a strong interest on the issue as a group.
- A. Of key players
  - B. With minimal effort
  - C. To keep satisfied
  - D. To follow intently
  - E. To keep informed
15. Which of the following characteristics describes a formal organisation?
- A. Network of social relationships
  - B. Focus on people and not the work
  - C. Develop common rules of behaviour and norms
  - D. Have organisation charts with job descriptions
  - E. Network of personal relationship
16. The following are described as part of the disadvantages to offshore outsourcing, **EXCEPT**
- A. Publicity for transferring jobs to other countries
  - B. Core competences
  - C. Political risk
  - D. Language differences
  - E. Poor communication

17. An arrangement between rival firms in an industry to operate the same policies on pricing is called
- A. Cartel
  - B. Alliance
  - C. Franchising
  - D. Collaboration
  - E. Joint venture
18. The market for treasury bills is called
- A. Money market
  - B. Discount market
  - C. Financial system
  - D. Capital market
  - E. Intermediation market
19. Most e-mail systems support the use of folders to help you manage and file your e-mails. The e-mail system will normally include some standard folders, **EXCEPT**
- A. Inbox
  - B. Sent
  - C. Maps
  - D. Deleted
  - E. Drafts
20. According to the Process theory, individuals are motivated differently and the strength of their motivation depends on a variety of factors. Which of the following is **NOT** a factor of motivation?
- A. Wants
  - B. Rewards
  - C. Personality
  - D. Perceptions
  - E. Expectations

**Marking guide**

1 mark for each correct option.

20 marks

**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. Explain the following business concepts:
    - i. Business environment
    - ii. Environmental scanning (6 Marks)
  - b. State **FOUR** importance of environmental scanning (4 Marks)
  - c. State and explain the **TWO** methods of analysing environmental factors (10 Marks)
- (Total 20 Marks)**

**QUESTION 2**

The main stakeholders in a business organisation, internal or external, are those who exercise the greatest influence.

**Required:**

- a. Briefly explain the concept “stakeholder mapping” and state **FIVE** main features of employment. (10 Marks)
  - b. Define the term “communication style” and explain briefly **THREE** components of communication style. (10 Marks)
- (Total 20 Marks)**

**QUESTION 3**

- a. State **TWO** benefits and **ONE** drawback each of profession, employment and businesses with copious examples. (9 Marks)
  - b. State **FIVE** types of digital marketing. (5 Marks)
  - c. State **THREE** reasons why government develop economic policy. (6 Marks)
- (Total 20 Marks)**

**QUESTION 4**

- a. Business reports are written communication of factual information. Explain the following business report concepts:
  - i. Request for proposal
  - ii. Project progress report
  - iii. Performance appraisal report
  - iv. Feasibility report
  - v. Chairman’s annual report (15 Marks)

- b. State and explain **TWO** main policy approaches that governments use to meet macroeconomic objectives. (5 Marks)  
**(Total 20 Marks)**

### QUESTION 5

- a. Explain the following terms:
- i. Business ethics (2 Marks)
  - ii. Whistle blowing (2 Marks)
  - iii. Ethical dilemma (2 Marks)
  - iv. Conflict of interests (2 Marks)
  - v. Corporate code of ethics (2 Marks)
  - vi. Principles-based code of ethics (2 Marks)
- b. State and explain **TWO** reasons why companies develop a code of ethics. (4 Marks)
- c. It is a common assertion that the general public has high expectations of the accountancy profession. State **TWO** roles each that are expected of professional accountants and accountancy bodies in promoting ethical behaviour. (4 Marks)  
**(Total 20 Marks)**

### QUESTION 6

- a. Explain the terms “motivation” and “productivity”. (5 Marks)
- b. According to Vroom’s theory of motivation, state and explain **TWO** specific factors that determine the strength of an individual’s motivation. (5 Marks)
- c. Achievement-motivated individuals are usually the ones who make things happen and get results. State **FIVE** distinctiveness of this group of individuals. (10 Marks)  
**(Total 20 Marks)**

## **SECTION A**

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

### Workings Notes:

Question 11

Average profit per annum before depreciation =  $220/5 = 44$

Average depreciation per annum =  $160 - 20/5 = 28$

Average profit per annum after depreciation =  $44 - 28 = 16$   
=  $16/160 = 10\%$

Question 12

Average investment =  $160 + 20/2 = 90$

Return on average investment =  $16/90 = 17.78\%$

### Examiner's report

This section of the paper comprises of twenty mandatory multiple choice questions. All candidates attempted the questions in this section.

The questions tested candidates' comprehension of the various aspects of the syllabus. Performance in this section was average. For better performance in future examinations, prospective candidates should cover the entire syllabus while preparing for this subject. ICAN study text and Pathfinder offer the required guidance.

### Marking guide

	Marks	Marks
Each correct option	1	<u>20</u>

## SECTION B

### SOLUTION 1

- a. Business environment describes internal and external factors that influence the operations of an organisation. Internal business environment (also known as controllable environment) is made up of factors that are within the control of the organisation. External business environment on the other hand, is made up of factors or conditions that are outside the control of the organization and they differ according to the circumstances of the organization. Thus, stressing the need for some awareness of the business environment at all levels within the organisation.
- b. The term environmental scanning describes the process of monitoring a business environment for detecting signs of changes, opportunities and threats that may influence its current and future plans. The concept is commonly associated with strategic planning and strategic information.

- c. Environmental scanning is considered important as a result of the following:
- i. Aids in strategic planning and decision making;
  - ii. Assists with the identification of changes that are happening or likely to happen;
  - iii. Enables the decision process in relation to how the organisation should respond to the observed changes or developments;
  - iv. Helps to identify new business opportunities that can benefit the organisation;
  - v. Aids in identifying environmental threats that might affect the business;
  - vi. Facilitates the process of taking the required measures to reduce or remove significant threats; and
  - vii. Ensures survival and growth of an organisation.

- c. **PESTEL Analysis**  
**Michael Porter's 5 forces model**  
**SWOT Analysis**

### **PESTEL Analysis**

**PESTEL** analysis involves considering all the environmental influences on the organisation, recognising which are the most significant one amongst the influences, and deciding how the organisation should respond to these changes or developments.

These influences can change over time. Acquisition of knowledge in respect of the environment in which an organisation operates should always be an on-going activity.

**The environmental factors are grouped into the following categories:**

**P** – Political and legal factors. These have to do with the extent to which a government intervenes in the economy by developing and implementing policies on all aspects of governance including political stability, foreign trade, taxation, trade restrictions, etc.

**E** – Economic factors. These play significant roles in the way and manner an organisation operates. They include factors relating to growth, interest rate, unemployment rate, exchange rates, inflation, etc.

**S** – Social-cultural and demographic influences. These are factors involving shared belief and attitudes of the population. They include factors like population growth, age distribution, health consciousness, carrier attitudes etc.

**T** – Technological factors. The advent of technology has significantly impacted business environment. Artificial intelligence has replaced many mental task and intellectual jobs. Technological changes have continued to effect significant



changes on the nature of products and services being offered to customers.

**E – Environmental (Ecological) factors.** These are factors that promote and sustain organisations, increase brand loyalty/market share, leads to the appreciation of eco-friendly products/services, etc.

**L – Legal factors.** These include factors that promote health/safety, equal opportunities, advertising standards, consumer rights/laws, product labeling, etc.

Analysis of the business environment in any organisation should first involve identification of environment factors that can create threats or opportunities. The second task will involve taking adequate measures to reduce or remove the identified significant threats.

#### **Michael Porter's 5 forces model:**

The model identifies the industry that a firm or organization belongs as being a key aspect of its environment and attempts to take into account all factors that influence attractiveness of different industries.

The factors are:

- i. Market or Industry competition;
- ii. The threat of new/ potential entrants;
- iii. The threat of substitute products/ services;
- iv. Bargaining power of buyers/ customers; and
- v. Bargaining power of suppliers.

**The model can be used to:**

- i. determine the profitability of a company or its product(s);
- ii. determine factors that might affect the success of the company or otherwise; and
- iii. analyse the industry (its opportunities, profitability etc.) and rank it amongst its peers in the same industry.

#### **SWOT Analysis SWOT Analysis**

The SWOT analysis is a simple and useful technique applied for the purpose of identifying key factors or forces that might affect business strategy. It aids the determination of the strength and nature of competition in an industry or market. Simply put, it is an analysis of strength, weaknesses, opportunities and threats.

#### **S - Strength**

Internal strength/capabilities that originates from the infrastructures and other resources of the entity

#### **W - Weaknesses**

Internal weaknesses especially in relation to its core competencies and other resources of the organisation that may adversely undermine the

success of the organisation.

### **O - Opportunities**

These are developments in the environment that provide opportunities for the organisation, so that it can achieve its objectives more successfully.

### **T - Threats**

These are factors/developments in the environment that might prevent the organisation from achieving its business objectives or create an adverse risk for the entity's future prospects.

### **Examiner's report**

The question was in three parts. It examined business environment and environmental scanning which falls under Part A sub-section 3 of the syllabus.

Part (a) of the question specifically examined candidates' understanding of the concept of business environment and environmental scanning. Part (b) tested candidates' knowledge, of the importance of environmental scanning while Part(c) examined candidates understanding of the methods of analysing environmental factors. The question was attempted by about 70% of the candidates and about 45% of the candidates who attempted the question scored above 50%. Based on the statistic provided, performance is adjudged average. Candidates should study all aspects of the syllabus carefully using ICAN Study Text and Pathfinder as guides in preparing for future examination.

### **Marking guide**

	<b>Marks</b>	<b>Marks</b>
a (i) Description of business environment	3	
(ii) Description of environmental scanning	<u>3</u>	6
b Importance of environmental scanning		4
c (i) Two method of analysing environmental factor		
(ii) Method of analysing environmental factors: PESTEL Analysis, Michael Porter's 5 forces model, and SWOT Analysis	8	<u>10</u>
<b>Total</b>		<b><u>20</u></b>

### **SOLUTION 2**

- a. Stakeholder mapping concept is a technique that involves identifying, analysing and prioritising stakeholders within an organisation with a view to winning the support of the one considered most influential.

This technique aids senior managers to assess their main stakeholders and consider what should be done (if anything) to win the support of particular stakeholders for particular decisions.

All managers of businesses/organisations are expected to manage their stakeholders particularly those with the greater influence.

There are many approaches to evaluation of stakeholder group, one of which is through the usage of a 2 × 2 matrix otherwise known as Mendelow matrix.

**The main features of employment are:**

- i. It involves two parties viz: employees and employers. A person (known as an employee) works for another (known as an employer);
  - ii. In return for the labour/service rendered, an employee receives a salary (usually paid monthly) or wages (usually paid on a daily or weekly basis);
  - iii. There is usually an employment contract which binds both the employer and employee and a breach by either party permits the other party to take legal action for the enforcement of his/her legal right;
  - iv. When employment specifies the acquisition of specialist skills or technical knowledge, a certain level of basic or technical education is expected;
  - v. The motive for seeking employment is to secure assured income by virtue of wages and/or salaries; and
  - vi. Either party can terminate the contractual relationship giving adequate notice as specified in the contract of employment.
- b. The term 'communication style' connotes the broad ways in which people tend to communicate with others. It can be described as using the right words in the right order to achieve your message objective. The main communication styles include: Passive; Assertive; and Aggressive. Other styles could be a combination of any of the above.

**Tone**

Tone is the overall effect that is created when communicating. For effective communication, tone consciously aims at being warm and friendly nonetheless simultaneously firm and honest tone. It should express ideas positively rather than negatively. Tone reflects the mood and defines the applicable format e.g. personal or impersonal. Tone emphasizes appropriate techniques such as accenting spoken words or pausing before a key point, underlining or boldening written messages, or repeating key words.

**Vocabulary and syntax**

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

### Interest and personality

Incorporation of elements of interest and personality can assist in conveying your message in an interesting, impactful and persuasive manner. Notwithstanding, the fundamentals of business communication should be maintained.

### Examiner's report

The question which was presented in two parts focused on business processes and its environment with particular emphasis on stakeholders (Section A sub-section 3) of the syllabus and communication in business with particular emphasis on communication style (Section C sub-section 3 of the syllabus). Part (a) examined the concept of stakeholders mapping and features of employment while Part (b) tested communication style and its components. About 85% of the candidates who sat for the paper attempted this question and about 55% scored above average.

Candidates are strongly advised to cover the entire syllabus in the course of their preparations for this subject in future. The Institute may need to provide a video recording of the teaching of each topic covered by ICAN study text in addition to the present arrangement of making the study text and Pathfinder available in soft and hard copies.

### Marking guide

	<b>Marks</b>	<b>Marks</b>
a (i) Explanation of stakeholder mapping	2 <sup>1</sup> / <sub>2</sub>	
(ii) 5 correct features of employment stated	7 <sup>1</sup> / <sub>2</sub>	10
b (i) Correct definition of communication style	2 <sup>1</sup> / <sub>2</sub>	
(ii) 3 components of communication style	7 <sup>1</sup> / <sub>2</sub>	10
<b>Total</b>		<b><u>20</u></b>

### SOLUTION 3

a. **Benefits of a Profession**

It contributes:

- i. specialised skills
- ii. value to clients and individuals by providing service of a high standard.
- iii. to society and the economy significantly (e.g. Doctors and nurses contribute to the wellbeing of society and accountants support business by providing information).

Examples of a profession include: Accounting; Nursing; Law; Engineering, etc

### **Drawbacks of a Profession**

- i. Its contribution to the real economy might be of little value.
- ii. It creates considerable personal wealth for the individuals concerned (for example, some aspects of banking and auditing )

### **Benefits of Employment**

- i. It needs employees to carry out their operations.
- ii. Employment is at the heart of the business economy

Examples of employment include: Civil service; Hospital administration; Canteen services; Security provision; etc.

### **Drawbacks of Employment**

- i. Most employees do what they are asked to do by their employer.
- ii. It does not contribute entrepreneurship to the economy.
- iii. It cannot sustain economic growth as a growing economy needs entrepreneurs and innovation to sustain its growth.

### **Benefits of Businesses**

- i. It provides entrepreneurship.
- ii. They are the source of real value created by an economy.  
Examples include: Cobblers; bag manufacturers; fashion designers; Floor tile makers; creative artists; etc.

### **Drawback of Businesses**

Many businesses have owners who do not contribute directly to the activities of the business. (Shareholders of companies may not be involved in the activities of their company; but they benefit from the profits that the business makes).

### **b. Digital Marketing are of different types, they include:**

- i. Social Media Marketing Platforms;
- ii. Influencer Marketing;
- iii. Email Marketing;
- iv. Content Marketing;
- v. Search Engine Optimisation (SEO) Marketing;
- vi. Pay-per-click (PPC); and
- vii. Affiliate Marketing

### **c. Governments develop economic policy for various reasons including:**

- i. Growth in economic wealth;
- ii. Achievement of full employment;
- iii. Increase in aggregate demand within the economy; and
- iv. Steady annual growth in national income.

## Examiner's report

The question was presented in three parts. Part (a) examined candidates' knowledge of business processes and environment with particular reference to different classifications of economic activities based on profession, employment and businesses (Section A sub-section 1e). Part (b) focused on digital communication (Section C subsection 4) with special emphasis of the syllabus on digital marketing and the Part (c) examined micro economic policies (Section A subsection 3) with emphasis on development of government policies.

About 90% of the candidates attempted this question and about 60% performed well. Candidates need to know that the BMF is a fused paper of almost four subjects and so, no aspect of the syllabus should be overlooked. Candidates are advised to have a mastery of all the contents of the syllabus and make use of ICAN study text and suggested solution to past examinations as provided in the Pathfinder for future examinations.

## Marking guide

	<b>Marks</b>	<b>Marks</b>
a (i) Benefits of Profession	2	
Example of profession	$\frac{1}{2}$	
Drawback of profession	$\frac{1}{2}$	3
(ii) Benefits of employment	2	
Example of employment	$\frac{1}{2}$	
Drawback of employment	$\frac{1}{2}$	3
Benefits of businesses	2	
Example of businesses	$\frac{1}{2}$	
Drawback of businesses	$\frac{1}{2}$	3
B Types of digital marketing		5
Reasons why government develop economic policy		6
<b>Total</b>		<b><u>20</u></b>

## SOLUTION 4

### Business report concepts

#### i. Request For Proposal (RFP)

An RFP is a formal document that defines a project, or need for service, and invites prospective bidders to propose solutions. A proposal is either written in response to an RFP, or alternatively used to promote an idea to a relevant stakeholder.

#### ii. Project progress report

A project progress report outlines the progress made in respect of the tasks in a project. The report will cover updates on work completed, work remaining, costs incurred, remaining cost to complete the project and schedule of original and anticipated time for completion of the project.

iii. **Performance appraisal report**

Performance appraisal report documents the quality of an employee's work performance for a particular period. It identifies the strengths and weaknesses of individuals, their training and development needs and career planning. Some appraisal reports may include recommendations of salary increments/promotions though the two themes can be kept separate.

iv. **Feasibility report**

A feasibility report examines the viability of the proposed task/job from its technical, commercial and economic standpoints. It presents the benefits that the proposal or idea will yield with details of its initial capital costs, implementation schedule, recurring operating costs and returns over the useful life of the undertaking.

v. **Chairman's annual report**

The Chairman's annual report presents a summarised description of the historical financial performance of an organization. This will include its achievements and problems experienced during the period under review. It also provides information about future expectations and appropriate plans to achieve the desired results/objectives. The report also informs all stakeholders' of the achievements and future expectations of the organisations including profits and cash flow.

- a. The main policy approaches are:  
Monetary policies,  
Fiscal policies,

**Monetary policies:**

They are macroeconomic policies which regulate the changes in money supply in order to maintain price stability. Tools of monetary policies include changes to interest rates, the supply of money and credit and also changes to the value of the exchange rate;

**Fiscal policies:**

They refer to the use of taxation and government expenditure to regulate economic activity. Fiscal policies can be employed to achieve macroeconomic objectives of full employment, economic growth, external balance, price stability and equitable distribution of income and wealth.

## Examiner's report

Part (a) of the question tested the candidates' intellectual capacity with respect to communication in business (Section C) with the particular emphasis on various concepts of basic elements of report writing. Part (b) tested features relating to macro-economics and national environment (Section A subsection 3). About 78% of the candidates that sat for this paper attempted the question and 55% of the candidates scored above average.

Candidates should concentrate on all aspects of the syllabus and make use of ICAN study text and suggested solutions to past examinations as provided in the Pathfinder make for future examinations.

## Marking guide

		<b>Marks</b>	<b>Marks</b>
a	Explanation of the business report concepts		15
b (i)	Policy approaches stated	2	
(ii)	Explanation of the two main policy approaches	<u>3</u>	<u>5</u>
	<b>Total</b>		<b><u>20</u></b>

## SOLUTION 5

- a. Business ethics are moral principles that act as guidelines for how people, businesses and institutions should behave while dealing with each other or in the world of commerce. Business ethics involve the examination of appropriate constraints on the pursuit of self-interest, or (for firms) profits, when the actions of individuals or firms affects others.

They may be described as the ethics of business behaviour, and the 'rights' and 'wrongs' of how individuals act at work, especially in dealing with other people, and how different business organisations deal with each other.

i. **Whistleblowing**

This is an act of reporting suspicions of illegal or improper behaviour to a person in authority.

ii. **Ethical dilemmas**

Ethical dilemmas describe a conflict between the two morally correct courses of action. It arises when accountants have to consider two or more seemingly incompatible ethical obligations. Ethical dilemmas are often caused when an accountant faces a conflict of interest.

iii. **Conflict of interests**

Conflict of interests arises when an individual has competing interest resulting from the duty he has to two or more parties. Situations that arise when an



accountant has a duty to two or more parties are referred to as conflict of interest.

iv. **Corporate code of ethics**

Corporate code of ethics is a code of ethical behaviour, issued by the board of directors of a company. It is a formal written statement, and should be distributed or easily available to all employees. It is meant to inform workers on how to behave thereby preventing them from behaviours that are not in line with the ideals of the organization.

The decisions and actions of all employees in the company must be guided by the code.

v. **Principles-based codes of ethics.**

It is an ethical approach that provides guidance on what is right. It calls for professional judgement in the application of those principles in specific circumstances. A principles-based code of ethics for accountants is a code that specifies general principles of ethical behaviour, and requires the professional accountant to act in accordance with the principles. Examples IFAC Code and ICAN Code

b. **Management of compliance**

Management of stakeholder relations  
Creation of a value-based organisation

**Management of compliance**

The company wants to ensure that all its employees comply with relevant laws and regulations, and conduct themselves in a way that the public expects.

**Management of stakeholder relations**

A code of ethics can help to improve and develop the relations between the company and its stakeholders, by improving the trust that stakeholders have in the company.

**Creation of a value-based organisation**

A company might recognise the long-term benefits of creating an ethical culture, and encouraging employees to act and think in a way that is consistent with the values in its code of ethics. Many are of the opinion that an ethical company is more likely to be successful in business in the long term.

c. **Professional accountants are expected to:**

- i. act in the public interest
- ii. ensure that financial reporting is reliable and fair
- iii. ensure that misleading and inaccurate figures are not presented in the financial reports
- iv. observe and comply with the ethical requirements of the code of conduct issued by the professional body and IFAC.

- v. act as a safeguard against fraud.
- vi. offer protection to society against the excesses of capitalism.

**Accountancy bodies are expected to:**

- i. reinforce the public perception of an ethical profession
- ii. issue codes of conduct, including codes of ethics
- iii. enforce compliance of codes of conduct issued

**Examiner’s report**

The question examined candidates’ knowledge of the role of professional accountants in business and society. Part (a) tested candidates’ intellectual capacity with respect to popular terms often used in business ethics. Part (b) examined candidates’ knowledge of the general public’s expectations of accountants and accountancy bodies.

About 85% of the candidates attempted the question and 52% of the candidates attempted the question and about 52% of the candidates that attempted the question scored 50% of the marks allotted to the question. Candidates should get acquainted with ethical concepts and business ethics related matters through adequate usage of the study text.

**Marking guide**

	<b>Marks</b>	<b>Marks</b>
a (i) Explanation of the following terms:		
i. Business ethics	2	
ii. Whistle blowing	2	
iii. Ethical dilemma	2	
iv. Conflict of interests	2	
v. Corporate code of ethics	2	
vi. Principles-based code of ethics	<u>2</u>	<b>12</b>
b (i) State reasons why companies develop a code of ethics	2	
(ii) Explain reasons why companies develop a code of ethics	<u>2</u>	4
c (i) Roles of accountancy professional accountant	2	
(ii) Roles of accountancy bodies	<u>2</u>	4
<b>Total</b>		<b><u>20</u></b>

**SOLUTION 6**

- a. Motivation describes the reason(s) one has for acting or behaving in a particular way.  
It refers to what drives an individual to act in a particular manner. It has to do with the needs, desires, drives, that direct a person’s behaviour towards specific goals.

If an individual is motivated by his or her work, enjoys doing it, gets a feeling of satisfaction or self-actualisation from doing the work, then the individual is likely to be more productive.

Productivity is a measure of efficiency particularly in respect of the production of goods or provision of services.

Productivity is a measure of the speed or quantity of work produced. It can be measured as a ratio between the output volume and the volume of input.

A motivated individual will be more effective in what they do, because their satisfaction comes from enjoyment in doing their job well.

- b. The two factors that determine the strength of an individual's motivation are:
- Valence
  - Expectancy
  - Instrumentality

#### **Valence**

Valence can be described as the individual's preferences for a certain outcome. It is the strength of the individual's need for rewards.

#### **Expectancy**

Expectancy is the strength of the individual's belief that by putting in more effort, he will improve his performance.

#### **Instrumentality**

Instrumentality is the belief of an individual that by achieving a certain performance target, rewards will be obtained.

#### **c. Distinctiveness of achievement – motivated individuals**

- i. They set goals that they can influence (so the goals are achievable): this is a characteristic of successful businessmen and entrepreneurs.
- ii. They consider achievement more important than financial rewards.
- iii. Achieving a goal or successfully completing a task gives them more satisfaction than praise or thanks from others.
- iv. Security and status are not prime motivators for them in their work.
- v. They are constantly looking for ways to do things better.
- vi. Crucially, however, they need feedback about their performance. They must be told about their actual performance and what they have achieved.
- vii. For achievers, pay is a form of feedback about their performance. High pay and bonuses are a measurement of their success in achieving goals.

## Examiner's report

The entire question which was presented in three parts examined various aspects of management, individuals and organisational behaviour (Section C subsection 2g) with special focus on employees' motivation and its relationship with productivity.

Part (a) examined candidates' knowledge of the concepts of motivation and productivity. Part (b) tested factors that determine the strength of individual's motivation as propounded by Vroom. Part (c) of the question examined the distinctiveness of achievement -motivated individuals. About 75% of the candidates attempted the question and 48% of the candidates who attempted the question scored above average. Candidates are advised to make use of ICAN syllabus, study pack and the pathfinder before attempting future examinations.

## Marking guide

		<b>Marks</b>	<b>Marks</b>
a (i)	Explain the term "motivation"	2 <sup>1/2</sup>	
	Explain the term productivity	2 <sup>1/2</sup>	5
b (i)	Factors that determine the strength of a individual's motivation	2	
(ii)	Explain two specific factors that determine the strength of a individual's motivation	3	5
c	Five distinctiveness of achievement – motivated individual		10
	<b>Total</b>		<b>20</b>

**THE INSTITUTE OF CHARTERED ACCOUNTANTS OF NIGERIA**

**FOUNDATION LEVEL EXAMINATION – MAY 2022**

**BUSINESS LAW**

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

**SECTION A: MULTIPLE-CHOICE QUESTIONS (20 MARKS)**

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

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

1. Which of the following is **NOT** a source of Nigerian Law?
  - A. Common Law
  - B. Allocutus
  - C. Equity
  - D. Statutes of General Application
  - E. Judicial Precedence
  
2. A contract under seal need **NOT** to be supported by
  - A. Consideration
  - B. Petitioner
  - C. Offer
  - D. Acceptance
  - E. Capacity
  
3. Which of the following is **NOT** a classification of evidence in court?
  - A. Circumstantial evidence
  - B. Hearsay evidence
  - C. Real evidence
  - D. Direct evidence
  - E. Strong evidence

4. A fundamental ground upon which a partnership is distinct from a sole-proprietorship is
- A. Authorised share capital
  - B. Financial accounts
  - C. Asset turnout
  - D. Debt recovery procedure
  - E. Legal minimum of membership
5. The case of Salomon vs Salomon is an authority for the principle of
- A. Majority rule and minority right protection
  - B. Indoor management rule
  - C. Ultra vires doctrine
  - D. Corporate personality
  - E. The rule in Turquand
6. A company is said to be insolvent when the
- A. Company is in a financial distress and it is unable to pay its debt
  - B. Board of directors has refused to act
  - C. Managing Director of the company dies
  - D. Articles of association of the company is altered
  - E. Business of the company is to solve financial crisis
7. A private company may hold a virtual general meeting if
- A. Authorised by directors' resolution
  - B. Authorised by its articles of association
  - C. There is an emergency
  - D. Members agree
  - E. Creditors agree
8. Which of the following may **NOT** appoint a Company Secretary?
- A. Private company
  - B. Single shareholder company
  - C. Company limited by guarantee
  - D. Public company
  - E. Asset management company

9. Which of the following may have less than two directors?
- A. Insurance company
  - B. Tax consultancy company
  - C. Small company
  - D. Unlimited liability company
  - E. Company limited by guarantee
10. An offence committed with the aid or assistance of a computer or computer network is called
- A. Computer fraud
  - B. Computer crime
  - C. Yahoo Yahoo
  - D. Electronic crime
  - E. Cybercrime
11. A person to whom shares have been transmitted is entitled to dividends on the shares only after
- A. Registration as a member of the company
  - B. Death of the original shareholder
  - C. Proving of deceased shareholder's Will
  - D. Applying for the dividends
  - E. Notifying the company of deceased's death
12. Where an agent acts without an authority of his principal but the principal accepts subsequently to be bound by the contract, the principal's action is known as
- A. Estoppel
  - B. Ratification
  - C. Recognition
  - D. Acceptance
  - E. Approval

13. The operational expenses that a bank must write off before paying dividends include the following, **EXCEPT**
- A. Preliminary expenses
  - B. Set off
  - C. Organisational expenses
  - D. Share selling commission
  - E. Brokerage
14. In a sale of goods, fitness for purpose is an/a
- A. Implied condition
  - B. Negotiated condition
  - C. Optional condition
  - D. Exclusive condition
  - E. Express condition
15. A contract by which one person has possession of a product while paying for it in instalments is known as
- A. Bailment
  - B. Factoring
  - C. Leasing
  - D. Hire purchase
  - E. Sale in instalments
16. An agreement by which a company undertakes to provide compensation for a specified loss, damage, illness, or death in return for payment of a specified premium is known as
- A. Champerty
  - B. Insurance
  - C. Underwriting
  - D. Compensation
  - E. Distress sale



17. Which of the following is an attribute of a limited liability partnership (LLP)?
- A. Minimum membership of three
  - B. For finance business only
  - C. Minimum capitalisation of ₦10,000
  - D. Perpetual succession
  - E. Dissolution on death of designated partner
18. In law, a person is said to have died 'intestate' if he died without
- A. Leaving any estate for his children
  - B. Any money in the bank
  - C. Writing a Will
  - D. Paying for all his debts
  - E. Paying his estate agency fee
19. The principal Act which governs the relationship between employers and employee in Nigeria is the
- A. Employment Act
  - B. Labour Act
  - C. Compensation Act
  - D. Workman Act
  - E. Industrial Act
20. Which of the following is **NOT** a mode of settling disputes out of court?
- A. Counselling
  - B. Conciliation
  - C. Arbitration
  - D. Mediation
  - E. Negotiation

**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. Customary laws are derived from the customs accepted by members of a particular community as binding upon them. Since they are generally not written, they must be proved in Court.

**Required:**

State **TWO** validity tests that a customary law must pass to be recognised in Court. (4 Marks)

- b. Sola was named by Mr. Olaotan Jegede in his Will to hold his house for him in trust for his only son, Tommy. However, Sola is tired of Tommy's constant nagging and wishes to be free of his duties as a trustee.

**Required:**

Explain **FOUR** ways to terminate a trust. (8 Marks)

- c. Mrs. Ore Nnaji recently opened a bank account, and wonders what rights and duties she has on her account.

**Required:**

State **FOUR** duties of a bank customer. (8 Marks)

**(Total 20 Marks)**

**QUESTION 2**

- a. Civil law differs from criminal law.

**Required:**

State **FIVE** distinctions between criminal law and civil law. (5 Marks)

- b. In order to constitute stealing, there must be an element of fraud.

**Required:**

State **THREE** fraudulent intents as provided for by the Criminal Code.

(6 Marks)

- c. Generally, only the owner of goods can validly transfer property or ownership in them to a third party.

**Required:**

State **SIX** exceptions to the preceding rule of sale of goods. (6 Marks)

- d. Filing of annual returns with the Corporate Affairs Commission is required of some registered businesses.

**Required:**

Explain briefly the duties of a Limited Liability Partnership (LLP) to file annual returns. (3 Marks)

**(Total 20 Marks)**

**QUESTION 3**

- a. There are grounds for admitting computer evidence.

**Required:**

State **FOUR** conditions for the admissibility of computer and electronically generated evidence. (4 Marks)

- b. Christy had contracted ABANDAB Photo Studios to cover her wedding photography and made full payment for the services. However, on the day of the wedding, ABANDAB Photo Studios failed to turn up. Christy had to engage another photographer. She has come to you for advice on the remedies available to a person who is a victim of breach of contract.

**Required:**

State **FIVE** remedies available for breach of contract and identify the **ONE** that suits Christy's situation and why. (10 Marks)

- c. Bola has hired a car under a contract of hire purchase from CAB Car Rentals and wants to know if he has any rights under the contract.

**Required:**

State **TWO** rights of Bola under the contract. (6 Marks)

**(Total 20 Marks)**

#### QUESTION 4

- a. Rablowood Limited has come to you to advise it on ways to terminate the employment of some staff members.

**Required:**

State **FIVE** ways in which a contract of employment may be terminated.

(5 Marks)

- b. An agency relationship can be terminated in two main ways namely, by express acts of the parties, or by operation of law

**Required:**

State **FIVE** circumstances in which the operation of law may terminate an agency.

(5 Marks)

- c. In administration of estates, a personal representative has some duties.

**Required:**

Explain **FIVE** duties of a personal representative.

(10 Marks)

**(Total 20 Marks)**

#### QUESTION 5

- a. The Administrative Committee is a committee of the Corporate Affairs Commission (CAC).

**Required:**

State the functions of the Administrative Committee.

(6 Marks)

- b. The Corporate Affairs Commission has the power to investigate the affairs of a limited liability partnership.

**Required:**

State **FIVE** grounds on which the CAC may investigate the affairs of a limited liability partnership.

(10 Marks)

- c. In a company, there may be a reason for netting.

**Required:**

State **TWO** situations that show that netting has occurred.

(4 Marks)

**(Total 20 Marks)**

## QUESTION 6

- a. Two of the directors of ABC Limited negotiated a road construction contract on behalf of the company. The company decided not to go ahead with the contract because it intends to start oil refining at the time. Considering that the road construction contract is profitable, the two directors resigned as directors of ABC Limited and established their own construction company, named Two Limited, which executed the contract at a good profit.

ABC Limited is aware of the situation and has approached you for advice.

**Required:**

Advise ABC Limited on the implication of the action of its former two directors. (10 Marks)

- b. Ibrahim agreed to sell a vehicle to Ogogo. He subsequently incorporated Ibrahim Limited and sold the vehicle to it at a better profit.

Ogogo has approached you for an advice.

**Required:**

Advise Ogogo on Ibrahim's argument that he has sold the vehicle to Ibrahim Limited, which is a corporate entity. (6 Marks)

- c. Conciliation is an alternative means of dispute resolution.

**Required:**

Explain the purpose of conciliation and the composition of the conciliation body. (4 Marks)

**(Total 20 Marks)**

## **SOLUTIONS TO MCQ**

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

### **Examiner's report**

The questions achieved a good spread over the syllabus.

All the candidates attempted them, and about 80% of them passed.

Candidates' major pitfalls were in not covering limited liability partnership, and other amended areas of the Companies and Allied Matters Act, 2020 adequately.

Candidates are advised to cover the identified areas of syllabus in their future preparations.

**1 Mark each for the 20  
Total 20 Marks**

## **SECTION B**

### **SOLUTION 1**

- a. **The validity tests which every customary law must pass are:**
- i. The Repugnancy test;
  - ii. Incompatibility test; and
  - iii. Public policy test
- b. **A trust could be terminated in any of the following ways:**
- i. **Disclaimer:** No one can be compelled to accept the office of a trustee. Accordingly, a person appointed as a trustee may reject the office or decline the appointment and thereby disclaim the trust. This he could do by way of a deed expressly declining to accept the appointment or by some other form of writing;
  - ii. **Removal:** A trustee may be removed and thereby bring the relationship of trusteeship with him to an end. Trustees may be removed from office if they refuse to act or are found to be unfit to act or are incapable of acting or are outside of Nigeria for an unbroken period of 12 months;
  - iii. **Retirement:** A trustee who has accepted the trust office may subsequently wish to be discharged from the office and, since no one may be compelled to act as trustee, he may retire from the office by exploiting the retirement provisions in the trust instrument;
  - iv. **Death:** The death of a trustee naturally brings to an end his office as a trustee; and
  - v. **Action of the beneficiaries:** The beneficiaries of a trust could terminate the trust if they are also the trustees.
- c. **The bank customer owes the following duties to the bank:**
- i. To draw his cheque with care and diligence with a view to protecting his account from fraudulent dealings and to discourage fraud and all forms of unauthorised transactions;
  - ii. To give instructions in writing to the bank when withdrawing his money.
  - iii. To notify the bank promptly of any knowledge of suspicious dealings on his account as may come to his knowledge;
  - iv. To pay appropriate bank charges such as commissions and interests on loans; and
  - v. To protect confidential information such as ATM card PIN.

### Examiner's report

The question tests candidates' understanding of customary law validity tests, grounds for termination of trusts, and the duties of a bank customer to his bank.

About 80% of the candidates attempted the question of which about 70% passed. Candidates' major pitfall was inadequate understanding of the grounds for termination of trusts.

Candidates are advised to study the grounds for termination of trusts more diligently in ICAN's Study Text.

### Marking guide

	<b>Marks</b>
a. Two validity tests for customary law (2 marks each for any 2 points)	4
b. 4 ways of terminating trust (2 marks each for any 4 points)	8
c. 4 duties of a customer to bank (2 marks each for any 4 points)	8
<b>Total</b>	<u><u>20</u></u>

### SOLUTION 2

- a. The distinctions between civil and criminal law are as follows:
- i. Criminal law creates offences. An offence is any act or omission, which is rendered punishable by a legislative enactment. Civil law on the other hand guards the rights and interests of citizens in their interpersonal relationships;
  - ii. The aim or purpose of the criminal law is the punishment of the offender either by way of imprisonment or imposition of fine or both. Whereas the aim of civil law is compensation of the injured or aggrieved party;
  - iii. In criminal law, the standard of proof is proof beyond reasonable doubt, but in civil law, the standard of proof is preponderance of evidence or balance of probabilities;
  - iv. In criminal cases, there is no limitation of time during which a defendant can be prosecuted for the offence he has committed, but in civil cases the time limit within which a plaintiff must institute his case against the defendant ranges from six to twelve years, if not, his case is statute barred;



- v. The decision to prosecute in criminal cases is taken by the State that prosecutes the offender on behalf of the victim, whereas the decision to sue in civil cases is to be made by the injured or aggrieved party;
  - vi. In a criminal case, where the case is proved against the accused person, he is found guilty and convicted, whereas in civil cases where a plaintiff has proved his case against the defendant, the defendant is found liable and made to pay damages/compensation to the plaintiff or subjected to other equitable orders such as injunction or specific performance; and
  - vii. The parties to criminal proceedings are the State and the Accused, but the parties to civil proceedings are the Plaintiff and the Defendant.
- b. **Criminal intents as provided for in Section 383 of the Criminal Code are as follows:**
- i. An intent permanently to deprive the owner of the thing of it;
  - ii. An intent permanently to deprive any person who has any special property in the thing of such property;
  - iii. An intent to use the thing as a pledge or security;
  - iv. An intent to part with the thing on a condition as to its return which the person taking or converting it may be unable to perform;
  - v. An intent to deal with the thing in such a manner that it cannot be returned in the condition in which it was at the time of the taking or conversion; and
  - vi. In the case of money, an intent to use it at the will of the person who takes or converts it, although he may intend afterwards to repay the amount to the owner;
- c. **Generally, only the owner of goods can validly transfer property or ownership in them to a third party. However there are certain exceptions as follows:**
- i. Estoppel;
  - ii. Sales by mercantile agent or (Factor);
  - iii. Sale in market overt;
  - iv. Sale under voidable title;
  - v. Sale by seller in possession;
  - vi. Sale by buyer in possession;
  - vii. Disposition of goods under common law and statutory powers; and
  - viii. Sale by court-order.
- d. It is compulsory for a limited liability partnership to file annual returns with the Corporate Affairs Commission sixty (60) days after the close of every financial year according with the form and fee prescribed by the Commission. Failing this, the designated partners shall be liable for penalty as determined by the Commission.

## Examiner's report

The question tests candidates' understanding of differences between civil law and criminal law, fraudulent intents as an element of the offence of stealing, the exceptions to the rule of transfer of ownership of goods, and filing of annual returns by a limited liability partnership.

About 60% of the candidates attempted it, out of which 50% passed.

Candidates' major pitfalls were inadequate understanding of fraudulent intents in stealing and filing of annual returns by a limited liability partnership.

Candidates are advised to study ICAN's Study Text more thoroughly.

## Marking guide

	Marks
a. 5 differences between civil law and criminal law (1 mark each for any 5 points)	5
b. 3 types of fraudulent intent (2 marks each for any 3 points)	6
c. 6 types of transfer of goods by non-owner (1 mark each for any 6 points)	6
d. Explanation of annual returns filing by a limited liability partnership	3
<b>Total</b>	<u><u>20</u></u>

## SOLUTION 3

- a. The conditions for the admissibility of computer and electronically generated document under section 84(2) of the Evidence Act 2011 are as follows:
- i. The document containing the statement was produced by a computer during a period over which the computer was used regularly to store or process information;
  - ii. Over that period there was regularly supplied to the computer in the ordinary course of the relevant activities information of the kind contained in the statement;
  - iii. Throughout the material part of the period the computer was operating properly; and
  - iv. The information contained in the statement reproduces or is derived from information supplied to the computer in the ordinary course of those activities.

**b. Remedies available to a party whose contract right has been breached are as follows:**

- i. A right of action for damages;
- ii. A right of action on quantum meruit, that is, a right to sue in respect of what the person in breach had already done before the breach occurred;
- iii. A decree of specific performance compelling the other party to carry out his obligations;
- iv. An injunction;
- v. Rescission;
- vi. Rectification;
- vii. Action to account for profits from breach ; and
- viii. Action for price or some other sum (money had and received).

Out of the remedies, only an action for damages and money had and received suits Christy's case because the event had passed.

**c. The hirer has the right to:**

- i. Use the goods;
- ii. Quiet possession and enjoyment of the goods;
- iii. Know the exact installments to be paid and the cash price of the goods;
- iv. Choose the insurer of the car; and
- v. Choose the mechanics to maintain the car.

**Examiner's report**

The question tests candidates' understanding of admissibility of computer and electronically generated evidence, remedies for breach of contract, and the rights of a hirer.

Attempt rate was about 80% of which 75% of the candidates passed.

Candidates' major pitfall was inadequate understanding of the grounds for admitting computer and electronically generated evidence.

Candidates are advised to study their areas of deficiency which are covered adequately by ICAN's Study Text

## Marking guide

	Marks	Marks
a. 4 conditions for admissibility of computer evidence (2 marks each for any 4 points)		4
b. 6 remedies for breach of contract (1 mark each for any 6 points)	6	
Damages as one suited to case because event is past.	<u>4</u>	10
c. 2 rights of hirer (3 marks for each right)		<u>6</u>
<b>Total</b>		<u><b>20</b></u>

## SOLUTION 4

a. **Contract of employment may be terminated for the following reasons:**

- i. Natural events such as death and frustration as well as operation of law;
- ii. Compulsory winding up of the employer-company;
- iii. Dissolution of partnership in a case of personal service;
- iv. Compulsory conscription of the employee during hostility or war;
- v. Prolonged illness of the employee;
- vi. Mutual agreement as when ad-hoc job is completed and on happening of some event, or contingency, or by effluxion of a term certain; and
- vii. Termination of the employment by the employer or employee after due notice.

b. **An agency agreement may be terminated by operation of law under any of the following circumstances:**

- i. Through the death of either party;
- ii. Where either party becomes insane;
- iii. Upon either party becoming bankrupt;
- iv. By frustration;
- v. If the subject matter of the agency is found to be illegal ab initio;
- vi. Where the subject matter is no longer existent;
- vii. By expiration or effluxion of time; and
- viii. By subsequent illegality of either the transaction or of the status/capacity of either party.

c. **The duties of a personal representative include the following:**

- i. The first duty of a personal representative is to identify and define the estate by gathering together all the assets and liabilities of the estate. In other words, he takes an inventory of all the properties in the estate as well as its debts and liabilities;
- ii. The personal representative also has a duty to apply to court for an order of court granting powers to administer the estate. This is important to give validity to all their acts respecting the estate since the death of the deceased;
- iii. Where the deceased was owing any debts as at the date of his death, the personal representative is under a duty to pay such debts;
- iv. Every estate of a deceased person is subject to a tax known as estate tax upon the grant of Probate or Letters of Administration. It is the duty of the personal representative to pay this tax from the funds of the estate;
- v. The personal representative of an estate must keep clean and proper accounts and records of his administration;
- vi. A personal representative is under a general duty not to profit from the administration of the estate but will be entitled to reimbursement for all personal funds reasonably expended on the estate for purposes thereof;
- vii. A personal representative has the right to sue in relation to the estate which he administers and a duty to defend all suits on behalf of the deceased's estate; and
- viii. The final duty of a personal representative with respect to the estate is the distribution of the remainder of the assets to persons entitled thereto that is, the beneficiaries.

**Examiner's report**

The question tests candidates' understanding of ways of terminating a contract of employment, termination of agency by operation of law, and the duties of a personal representative.

Attempt rate was 80% of which 60% of the candidates passed.

Candidates' major pitfall was inadequate understanding of the ways of terminating employment contract.

Candidates are advised to study the ICAN's Study Text more thoroughly in their future preparations.

### Marking guide

	Marks
a. 5 ways of termination contract of employment (1 mark each for any 5 points)	5
b. 5 ways of terminating agency (1 mark each for any 5 points)	5
c. 5 duties of personal representative (2 marks each for any 5 points)	<u>10</u>
<b>Total</b>	<b><u>20</u></b>

### SOLUTION 5

- a. **The Administrative Committee of the Corporate Affairs Commission has the functions to:**
- i. Hear persons alleged to have violated the provisions of the Companies and Allied Matters Act (CAMA) 2020 or the regulations made pursuant to it;
  - ii. Resolve disputes and grievances that arise from the implementation of the CAMA or its regulations; and
  - iii. Impose administrative penalties for the violation of the provisions of the CAMA or its regulations in the process of settling matters that are before it.
- b. **The Corporate Affairs Commission (CAC) may appoint inspectors to investigate the affairs of a limited liability partnership on the following grounds:**
- i. Pursuant to a court order;
  - ii. On the application of one-fifth of the members of the partnership;
  - iii. On the application of the firm itself;
  - iv. If the CAC is of the opinion that the business of the firm is being or has been conducted with an intent to defraud its creditors, or any other person, or for fraudulent or unlawful purpose;
  - v. If the affairs of the firm are not being conducted in compliance with the CAMA; or
  - vi. If on the receipt of a report of the CAC or any other investigating or regulatory agency, there are reasons that the affairs of the partnership should be investigated.

**c. Netting has occurred on:**

- i. Termination, liquidation or acceleration of payment or delivery obligation or entitlement under one or more qualified financial contracts;
- ii. Calculation or estimation of a close-out value, market value, liquidation value or replacement value in respect of each obligation or entitlement or group thereof that have been terminated, liquidated or accelerated;
- iii. Conversion of any values calculated or estimated into a single currency; and
- iv. Determination of the net balance of calculated values, whether by operation of set-off or otherwise.

**Examiner's report**

The question tests candidates' understanding of the functions of the Administrative Committee of the Corporate Affairs Commission (CAC), reasons for which the CAC may investigate the affairs of a limited liability partnership, and the meaning of netting in company law.

Attempt rate was about 40% of which about 40% of the candidates passed.

Candidates' major pitfalls were inadequate understanding of the power of CAC to investigate a limited liability partnership, and the meaning of netting in company financing.

Candidates are advised to study the areas of deficiency deeper in ICAN's Study Text.

**Marking guide**

	<b>Marks</b>
a. 3 functions of Administrative Committee of CAC (2 marks each for any 3 points)	6
b. 5 reasons for which CAC may investigate a limited liability partnership (2 marks each for any 5 points)	10
c. Situations in which netting occurs (2 marks each for any 2 points)	<u>4</u>
<b>Total</b>	<u><u>20</u></u>

## **SOLUTION 6**

- a. An issue in the hypothetical case is the implication of the action of the two directors in the light of their duties to ABC Limited.

The director had the duty not to allow their interest to conflict with their duties to the company.

Since they negotiated the road construction contract on behalf of ABC Limited, they should not show personal interest in it or appropriate the benefits to themselves.

Another duty is to not misuse corporate information. That duty was breached when the two directors used the information they had for their own benefits.

The duty did not cease but survived their resignation (Canadian Aero Services Limited v O'Malley). So the benefit of contract should go to ABC Limited.

- b. **Ibrahim sold the vehicle to avoid his legal obligation to Ogogo (Jones v Lipman).** Ibrahim Limited is not a separate entity from Ibrahim considering that he incorporated the company to avoid his obligation to Ogogo.

The veil of incorporation of Ibrahim Limited would be lifted by the court to treat Ibrahim and Ibrahim Limited as one and the same person and compel Ibrahim to sell the vehicle to Ogogo.

- c. **Conciliation is aimed at getting a matter resolved amicably. Therefore, it is non-adversarial.**

The parties to the dispute appoint the conciliation body consisting of one to three conciliators. When they intend to have one conciliator, the parties make the appointment jointly. When they intend to have three, each party appoints one while they jointly appoint the third.

### **Examiner's report**

The question tests candidates' understanding of conflict of interests with directors' duties and the duration of the duties, consequence of incorporating a company to avoid legal obligation as well as the purpose of conciliation and composition of conciliation body in Alternative Dispute Resolution (ADR).

Attempt rate was 80% of which 70% of the candidates passed.

Candidates' major pitfall was inadequate understanding of conciliation in ADR. Candidates are advised to cover ADR more adequately as explained in ICAN's Study Text.



## Marking guide

	Marks	Marks
a.		
Legal issue of directors' conflict of interest and duty	3	
Director not to have personal interest in what they negotiated for the company	2	
Duty not to misuse corporate information	2	
Duty survives directors' resignation	<u>3</u>	10
b.		
Incorporation to avoid legal obligation	<u>1</u>	
Ibrahim not separated from company	2	
Lifting on incorporation veil	<u>3</u>	6
c.		
Aim of conciliation	<u>2</u>	
Composition of conciliation body	<u>2</u>	<u>4</u>
<b>Total</b>		<b><u>20</u></b>