



**THE INSTITUTE OF CHARTERED ACCOUNTANTS
OF NIGERIA**

PATHFINDER

NOVEMBER 2013 FOUNDATION EXAMINATION

Question Papers

Suggested Solutions

Plus

Examiners' Reports

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FOREWORD

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

- (i) Candidates preparing to write future examinations of the Institute of Chartered Accountants of Nigeria (ICAN);
- (ii) Unsuccessful candidates in the identification of those areas in which they lost marks and need to improve their knowledge and presentation;
- (iii) Lecturers and students interested in acquisition of knowledge in the relevant subjects contained herein; and
- (iv) The profession; 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 altered slightly so that some principles or application of them 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 – NOVEMBER 2013

FUNDAMENTALS OF FINANCIAL ACCOUNTING

Time Allowed: 3 hours

SECTION A: PART I MULTIPLE-CHOICE QUESTIONS (20 Marks)

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. Fred Manufacturing Enterprise purchased equipment for ₦150,000. The equipment was transported at a cost of ₦15,000 and installed at a cost of ₦7,500. The employees were trained in the use of the equipment at a cost of ₦50,000.

At what cost will the equipment be recognised in the books of account?

- A. ₦150,000
B. ₦157,500
C. ₦165,000
D. ₦172,500
E. ₦222,500
2. For most small businesses, accounting records are either not available or incomplete. Which of the following business equations will be most appropriate to use in determining closing net assets?
- A. Opening net assets + drawings – profit + capital introduced
B. Capital introduced + profit + drawings – opening net assets
C. Opening net assets + capital introduced + loss - drawings
D. Opening net assets + capital introduced + profit + drawing
E. Opening net assets + capital introduced + profit - drawings

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3. In preparing a set of final accounts from incomplete records, which of the following information need **NOT** be considered?
 - A. Business structure
 - B. Accounting and business equations
 - C. Credit sales and trade receivables
 - D. Purchases, inventory and the cost of sales
 - E. Stolen goods, goods destroyed or goods taken by the owner of the Business
4. Which of the following is the difference between sole traders and limited liability companies?
 - A. A sole trader's financial statements are private and never made available to third parties; a company's financial statements are given to shareholders and may be publicly filed.
 - B. Both businesses have share capital
 - C. Only drawings appear in a sole trader's financial statements
 - D. A sole trader is fully and personally liable for any losses that the business might make, while company's losses are borne by government
 - E. Both the sole trader and companies issue loan notes in order to raise fund
5. Which of the following best defines "the concept of accounting"?
 - A. An activity performed by accountants
 - B. A system comprising several interrelated and interdependent parts
 - C. A technique of managements
 - D. A discipline of study
 - E. A process of handling information of economic nature, which is useful and adaptive to varying situations
6. The "generally accepted accounting practice" (GAAP) refers to:
 - A. Complete set of regulations from all sources together with any general accounting principles and conventions
 - B. Only the principles and conventions that are enshrined in companies' legislations
 - C. The accounting regulations which apply to large companies

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- D. Financial accounting which is concerned with reporting financial results in aggregates to a variety of users
 - E. Legislation which generally sets out the broad rules with which companies must comply when preparing financial statements
7. In accordance with IAS2, which of the following statements about the valuation of inventory is correct?
- A. Selling price less estimated profit margin may be used to arrive at cost if this gives a reasonable approximation of actual cost
 - B. LIFO is an accepted valuation method for inventory
 - C. FIFO is not an accepted valuation method for inventory
 - D. The cost of goods manufactured by an enterprise will include materials and labour only
 - E. Inventory items are normally valued at the higher of cost and net realisable value
8. Accounting has been defined in several ways, each emphasising a particular feature of the subject. In general, the first phase of financial accounting is the:
- A. Preparation of financial statements
 - B. Analysis of financial statements
 - C. Writing of source documents
 - D. Drawing up of trading account
 - E. Wooing customers to buy goods
9. The suite of programs that facilitate the optimal use of the computer hardware and provide suitable environment for the running of user programs is called:
- A. Application packages
 - B. Word processing programs
 - C. Systems programs
 - D. Accounting packages
 - E. Executive programs

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10. The necessary accounting entries to write-off net decrease in the Revaluation Account of a partnership are:
- A. Dr. Revaluation Account; Cr. Partners' Capital Account
 - B. Dr. Partners' Capital Accounts; Cr. Revaluation Account
 - C. Dr. Partners' Current Accounts; Cr. Revaluation Account
 - D. Dr. Revaluation Account; Cr. Partners' Current Account
 - E. Dr. Revaluation Account; Cr. Realisation Account
11. Assets must be revalued where there is a change in the partnership composition because:
- A. Inflation affects the values of partnership assets
 - B. The economic value of the partnership must be enhanced
 - C. Deflation affects the value of partnership assets
 - D. It helps to prevent injustice to the concerned partners
 - E. The law insists that there should be a revaluation
12. Kowope Nigeria Limited paid purchase consideration of ₦900,000 for an existing partnership which has assets and liabilities valued as follows: Leasehold building - ₦500,000; Motor vehicles - ₦150,000; Furniture - ₦240,000; Inventory of stationery - ₦50,000 and Trade payables - ₦200,000. It means:
- A. The company gained ₦160,000 as capital reserve
 - B. The company anticipates profit of ₦160,000
 - C. The partnership assets and liabilities are inflated by ₦160,000
 - D. The partnership is undervalued by ₦160,000
 - E. The company is paying ₦160,000 as goodwill
13. Which of the following errors will **NOT** affect the agreement of a Trial Balance?
- A. Error in computation of balances
 - B. Transposition of figures
 - C. Errors of wrong posting in the debit and credit columns
 - D. Errors of principle
 - E. Double entry errors

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14. The best method to provide for depreciation on loose tools used in manufacturing businesses is the:
- A. Reducing balance method
 - B. Straight line method
 - C. Sum of years digits
 - D. Revaluation method
 - E. Equal instalment method
15. Which of the following best describes the meaning of "Purchases"?
- A. Items bought
 - B. Goods bought on credit
 - C. Goods bought for resale
 - D. Goods paid for
 - E. Goods returned by customer
16. In which of the following ledgers can data relating to discount be found?
- A. Nominal ledger
 - B. Cash book
 - C. Sales ledger
 - D. Private ledger
 - E. Petty cash book
17. A dividend of 10% on the nominal value of a company with 100,000 ordinary shares of 50k nominal value has been declared. How much will a shareholder receive as dividend if he has 10,000 shares?
- A. ₦200
 - B. ₦400
 - C. ₦500
 - D. ₦1,000
 - E. ₦5,000

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18. The constitution of a limited liability company is the:
- A. Register of directors and secretary
 - B. Memorandum and Articles of Association
 - C. International Financial Reporting Standards
 - D. Financial Reporting Council of Nigeria Act 2011
 - E. Annual Financial Report
19. Which of the following books is not a statutory book of a registered company?
- A. Register of directors' interest
 - B. Register of members
 - C. Register of charges and loan notes holders
 - D. Register of suppliers and contractors
 - E. Register of directors and company secretaries
20. What is the unique feature of limited companies?
- A. The owners of the company have limited liability
 - B. The proprietors' capital in a limited company consists of share capital
 - C. There are dividends for the company owners
 - D. Limited companies have access to bank loan
 - E. Limited companies prepare statement of profit or loss

SECTION A: PART II

SHORT-ANSWER QUESTIONS

(20 Marks)

ATTEMPT ALL QUESTIONS IN THIS SECTION

Write the correct answer that best completes each of the following questions/statements:

1. What are the accounting entries to record purchase of containers?
2. The "face value" of the shares in limited companies is known as
3. In a Joint Venture Account, what does the balance in a venturer's account represent
4. The responsibility for issuing International Financial Reporting Standards (IFRS) is that of

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5. According to IAS 16 (Property, Plant and Equipment), the new value as a result of revaluation exercise carried out on property, plant and equipment, within the context of historical cost system is called
6. An application package in which the accounting modules are linked together, so that data entered in one module will automatically, or at users command update affected or related modules is called
7. The amount expended on motor repairs recorded in Motor Vehicle account is an error of
8. Selling price of goods invoiced to a branch was ₦172,800 at a mark-up of one-ninth of the cost price. At the end of the accounting period, 50% of the goods remained unsold. Determine the unrealised profit on the unsold stock.
9. A venturer is entitled to commission when guaranteed any debt owed by customers.
10. The amount agreed to be paid by a tenant to a landlord for the use of his property for economic reasons is known as
11. What are the accounting entries, when the royalty payable exceeds the minimum rent?
12. The document which discloses the conditions that govern the company's relationship with third parties is called
13. The branch of accounting that offers financial and operating information to the firm's management to help in planning, controlling and taking decisions is called
14. Who can be appointed as the Chairman of Financial Reporting Council of Nigeria?
15. Gbaja Plc has always prepared financial statements to 31 December each year. The company prepared its first IFRS financial statements for the year ended 31 December 2012 with the comparative figures for the year ended 31 December 2011. State the date of transition to IFRS.
16. In accordance with IAS 16 (Property, Plant and Equipment), the amount by which the carrying amount of an asset exceeds its recoverable amount is called

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17. Adamu does not keep complete accounting records. However, you were able to extract the following information from the available records for the year ended 31 December 2012:

	₦
Cash purchases	234,000
Cash and cheque payments for goods supplied	1,671,000
Trade payables at 1 January 2012	58,200
Trade payables at 31 December 2012	43,200

What was Adamu's purchases for the period?

18. Jenson Manufacturing Company has the policy of transferring manufactured goods from the factory to the sales department at cost plus 25% mark-up. In the current accounting period, the value of goods transferred from the production to sales department amounted to ₦2,000,000.

What was the original cost of the goods to the production department?

19. The information below relates to the plant and machinery account of Perfect Fit Designers for the year ended 31 December 2012:

Plant and Machinery Account			
	₦'000		₦'000
Balance b/f	840	Plant disposal account	42
Cash & bank	252		
		Balance c/f	<u>1,050</u>
	<u>1,092</u>		<u>1,092</u>

What should be the amount of depreciation charged to the income statement during the year if the plant and machinery was depreciated at 20% per annum on a straight line basis?

20. Okocha transferred his car for use to his business. Raise journal entries to record this transaction.

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Carriage on raw materials	210
General expenses	3,375
Carriage on sales	375
Discount allowed	300
Discount received	420
Depreciation of factory machinery	675
Purchase of raw materials	22,500
Factory overhead expenses	6,000
Selling and distribution cost	6,750
Office salaries	3,975
Royalty	1,500

The following additional information is made available:

Inventories at 31 December 2012:	
	₦'000
Raw materials	4,875
Work-in-progress	5,235
Finished goods	6,000

You are required to:

Prepare statement of Profit or Loss for the year ended 31 December 2012.

(15 Marks)

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QUESTION 4

Fina and Funke who are in partnership, sharing profits and losses in ratio 2:1, decided to dissolve the partnership on 31 December 2012, at which date their Statement of Financial Position is as shown below:

Statement of Financial Position as at 31 December 2012					
	₦	₦		₦	₦
Capital Accounts			Non-current assets		562,500
Fina	487,500				
Funke	<u>187,500</u>				
		675,000	Inventory	100,000	
Current accounts			Trade receivables	56,250	
Fina	8,750		Bank	<u>26,250</u>	
Funke	<u>(1,250)</u>				182,500
		7,500			
Trade payables		<u>62,500</u>			
		<u>745,000</u>			<u>745,000</u>

The partners were unable to dispose of the business as a going concern, but sold the non-current assets and inventory for the sum of ₦483,750.

Trade receivables were collected in full and the outstanding suppliers gave discounts totalling ₦1,250, while the dissolution expenses amounted to ₦10,000.

You are required to:

Prepare necessary ledgers to close the books of Fina and Funke. **(15 Marks)**

QUESTION 5

Mosafejo Plc issued 200,000 Ordinary Shares of ₦1.00 each at ₦1.40 per share, payable as follows:

- (i) 35 kobo on application
- (ii) 65 kobo on allotment (including premium)
- (iii) 40 kobo on first and Final call

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All the monies were received on due dates except for 20,000 shares not paid on first call. The holders of 20,000 shares failed to pay up and after some reminders, the shares were forfeited. The shares were re-issued at 75 kobo per share and all the monies received.

You are required to:

- (a) Draw up journal entries to record the above transactions. (11 Marks)
- (b) The Share Premium Account may be used in certain circumstances, list any **TWO** circumstances in which Share Premium account may be used.

(4 Marks)

(Total 15 Marks)

QUESTION 6

Fatai leased his quarry site to EML Limited to mine granite at a dead rent of ₦2,000,000 per annum. The royalty payable per metric tonne was agreed at ₦100. Short-workings could be recovered in the first four years of the lease only, while irrecoupable short-workings are regarded as loss.

The output of the granite for the first five years are as follows:

Year	Output (Metric Tonnes)
2008	12,000
2009	15,000
2010	22,000
2011	26,000
2012	30,000

You are required to:

Record the above transactions in the landlord's books for the first five years of the contract. (15 Marks)

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SOLUTIONS TO SECTION A

PART I MULTIPLE CHOICE QUESTIONS

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

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Multiple-Choice Question Tutorials

Q1. Cost of Equipment in the books of accounts:

Purchase cost	150,000
Transportation cost	15,000
Installation cost	<u>7,500</u>
	<u>172,500</u>

Q12.

	₦	₦
Purchase consideration		900,000
Less: <u>Net worth of partnership</u>		
Leasehold building	500,000	
Motor vehicles	150,000	
Furniture	240,000	
Inventory	<u>50,000</u>	
	940,000	
Less trade payables	<u>200,000</u>	
		<u>740,000</u>
Positive goodwill		<u>160,000</u>

Q17. Dividend receivable on 10,000 shares

$$\frac{10}{100} \times 10,000 @ \text{₦}0.5$$

100

$$= \text{₦}500$$

EXAMINERS' REPORT

The questions adequately cover most of the topics in the syllabus.

All the candidates attempted the questions and performance was fair.

Candidates are advised to cover the syllabus to ensure better performance in future examinations.

SECTION A: PART II

SHORT-ANSWER QUESTION

1. Dr: Container stock account
Cr: Bank/cash
2. Nominal Value or Par Value

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3. It represents settlement to co-venturer
4. International Accounting Standards Board (IASB)
5. Modified historical cost
6. Integrated software
7. Principle
8. ₦8,640
9. Del credere
10. Royalty or Tenancy fee or Rent
11. Dr: Royalty payable accounts
Cr: Short workings account
Cr: Landlord accounts
12. Memorandum of Association
13. Management accounting
14. A professional accountant with considerable professional experience
15. The date of transition to IFRS is the beginning of business on 1 January 2011
16. Impairment loss
17. ₦1,890,000
18. ₦1,600,000
19. ₦210,000
20. Dr: Assets accounts or motor vehicle account
Cr: Capital or equity account
With the value of the car

Tutorial

8. Unsold stock = $50\% \times \text{₦}172,800 = \text{₦}86,400$
Unrealised profit on unsold stock $\frac{1}{9+1} \times \text{₦}86,400 = \text{₦}8,640$
17. Calculation of Adamu's purchase figure

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	₹
Cash and cheque payments for goods	1,671,000
Trade payable at the year end	43,200
Trade payable at the beginning of the year	(58,200)
Credit purchases during the period	1,656,000
Add cash purchases	<u>234,000</u>
Total purchases during the period	<u>1,890,000</u>

18. Cost of transfers = $\frac{2,000,000}{1.25} = 1,600,000$

Note

A question of this nature tests the relationship between markup and margin. The alternative solution will be to remove profit margin from transfers (sales) to arrive at cost as shown below:

	₹'000
Transfer price (Sales)	2,000
Less profit margin at 20% $\left(\frac{25}{100+25} \times \frac{100}{1} \right)$	<u>(400)</u>
Cost of production =	<u>1,600</u>
$\therefore \text{₹}1,600,000 \times 1.25 = \text{₹}2,000,000$	

Calculation of depreciation

	₹'000
Depreciation - on balance b/4 $(840 - 42) \times 20\%$	159.6
- on addition $(252 \times .2)$	<u>50.4</u>
Depreciation charged to income statement	<u>210.0</u>

EXAMINERS' REPORT

These are compulsory questions that cover all aspects of the syllabus. Candidates' performance was good. The observed commonest pitfall of candidates was their poor preparation for the examination. Candidates are advised to prepare well for the better performance in future examinations.

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SOLUTIONS TO SECTION B

SOLUTION 1

(a) **Accounting concepts**

These are the broad basic assumptions which underline the preparation and presentation of financial statements by entities. They consist of the framework of principles which regulate the picture of accounting profession.

The accounting concepts are basically fundamental rules and regulations which guide the measurement, recognition and presentation of elements of financial statements. The concepts are generally acceptable principles in jurisdictions where they apply.

The fundamental accounting concepts to be adopted in the preparation of financial statements are those stipulated in Accounting framework in IAS 1 (Presentation of Financial Statements).

(b) The accounting concepts include:

- i. Accrual concept
- ii. Going concern
- iii. Entity concept
- iv. Consistency
- v. Comparability
- vi. Maturity and aggregation
- vii. Dual concept
- viii. Money measurement

Benefits

i. **Accrual concept**

- This concept ensures that revenue and expenses are recognised in the relevant accounting periods.
- It promotes truth and fairness in reporting profits or losses.

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- It ensures that profits or losses are recognised in the proper segments of profit or loss account and other comprehensive income. For example, while holding gains (i.e. income earned and not realisable in cash), are reported in other comprehensive income, those earned and realisable in cash are reported in profit or loss.

ii. Going concern

- The concept is a measure of the financial position of an entity.
- It enables users of the financial statements to make economic decisions on the concerned entity.
- It determines how assets should be measured, recognised and presented in the Statement of Financial Position.

iii. Entity concept

- This concept makes a clear distinction between business entity and the owners.
- It ensures the entity's resources are applied in its management.
- It discourages the owners of the entity from using its resources for their personal interest, thereby putting a check on their personal spending.

iv. Consistency

- Consistency concept encourages the adoption of the appropriate accounting policies by an entity.
- It encourages an entity to use a single policy over a reasonable time and derive the full benefit or otherwise of that policy before a change is made.
- It has external focus since accounting policies are laid down by the relevant standards.

v. Comparability

- Comparability facilitates the measurement of performance overtime.
-

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- It ensures that a common accounting policy is used in the measurement, recognition and presentation of common elements of financial statements.
- It facilitates trend analysis.

vi. **Materiality and aggregation**

- This concept ensures that items of significant values are given separate recognition.
- It enables users of financial statements to assess the risks associated with the entity.
- It leads to savings in human and material resources through the aggregation of immaterial items.

vii. **Dual concept**

- The dual concept is fundamental in the reporting of financial transactions.
- It ensures that the golden rule of book-keeping is complied with.
- It facilitates the location and correction of errors and mistakes in the treatment of financial transactions.

viii. **Money measurement concept**

This concept has the following benefits:

- It ensures that transactions and financial statements are recorded and prepared using the appropriate presentation currency.
- It indicates that economic resources are basically accounted for in monetary terms.
- Monetary measurement of transactions facilitates financial measurement of business performance.
- It measures the financial position, liquidity and financial adaptability of an entity.

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EXAMINERS' REPORT

The question tests candidates' understanding of accounting concepts.

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

Candidates' commonest pitfall was their inability to properly differentiate between the accounting concepts' and their respective benefits.

Candidates are advised to prepare adequately for the future examinations.

SOLUTION 2

(a)

- i) Menu is the drop down lists of options displayed on the visual display-unit of a micro computer to enable the user to create a new file and perform or carry out a task on such file. Menu system is the use of menu to carry out a task on a micro computer.
- ii) A typical initial menu would include the following options:
 - Create a new account or file
 - Edit account data
 - Post transactions
 - Create report layouts
 - Print reports
 - Quit

(b)

- (i) Payroll fields are columns or heading of information within a payroll record. Payroll fields are to employees records what accounts are to a general ledger. A field contains related information on a specific record.

Example: Gross earnings; Employee's name; Employee's code; taxes', contributions and deductions.

- (ii) Payroll formulae defines how the field is calculated. A payroll field can have a formula attached to it.
Example: Tax table, Pension Scheme Contribution Table, Housing loan, Deduction table and Insurance Scheme.

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EXAMINERS' REPORT

The question tests candidates' knowledge on accounting packages to process employees' data for business management.

Few candidates attempted the question and performance was poor. It was observed that the candidates did not understand the topic and they lacked proper understanding of the requirements of the question.

Candidates are advised to prepare adequately for future examinations.

SOLUTION 3

EMEKA'S STATEMENT OF PROFIT OR LOSS FOR YEAR ENDED DECEMBER 31 2012

	₦'000	₦'000
Opening inventory -Raw materials		6,375
Purchases - Raw materials		22,500
Carriage inward - Raw materials		<u>210</u>
Cost of raw materials available		29,085
Closing inventory - Raw materials		<u>(4,875)</u>
Cost of raw materials used		24,210
Manufacturing wages		14,100
Royalty		<u>1,500</u>
PRIME COST OF PRODUCTION		39,810
<u>FACTORY OVERHEADS:</u>		
Depreciation - Factory machinery	675	
Factory overhead expenses	<u>6,000</u>	6,675
<u>CHANGE IN WIP:</u>		
Opening inventory - WIP	3,750	
Closing inventory - WIP	<u>(5,235)</u>	<u>(1,485)</u>
<u>COST OF PRODUCTION</u>		<u>45,000</u>
Revenue		42,000
<u>COST OF SALES:</u>		
Opening inventory - Finished goods	4,500	
Cost of production	<u>45,000</u>	
	49,500	
Closing inventory -Finished goods	<u>(6,000)</u>	<u>(43,500)</u>
GROSS LOSS		(1,500)
Discount received		<u>420</u>

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(1,080)

OPERATING EXPENSES:

Office rent and rates	681	
General expenses	3,375	
Carriage on sales	375	
Discount allowed	300	
Selling and distribution cost	6,750	
Office salaries	<u>3,975</u>	(15,456)
NET LOSS		(16,536)

EXAMINERS' REPORT

The question tests' candidates' understanding on how to prepare Statement of Profit or Loss.

Majority of the candidates attempted the question and performance was above average. The major pitfall of candidates was wrong classification of items.

Candidates are advised to prepare adequately for future examinations.

SOLUTION 4

FINA AND FUNKE Realisation Account

	₦		₦
Non-current assets	562,500	Bank (Non-current asset & inventory)	483,750
Inventory	100,000	Bank (trade receivables)	56,250
Trade receivables	56,250	Trade payables control (discount received)	<u>1,250</u>
Bank (Dissolution expenses)	10,000		541,250
		Loss on realisation:	
		Capital a/c - Fina (2/3 x ₦187,500)	125,000
		Capital a/c - Funke (1/3 x ₦187,500)	<u>62,500</u>
	<u>728,750</u>		<u>728,750</u>

Trade Payables Control Account

	₦		₦
Realisation (Discount received)	1,250	Bal b/f	62,500

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Bank	<u>61,250</u>	
	<u>62,500</u>	<u>62,500</u>

Partners' Capital Account

	Fina	Funke		Fina	Funke
	N	N		N	N
Current a/c b/f	-	1,250	Bal b/f	487,500	187,500
Realisation (Loss)	125,000	62,500	Current a/c b/f	8,750	-
Bank	<u>371,250</u>	<u>123,750</u>			
	<u>496,250</u>	<u>187,500</u>		<u>496,250</u>	<u>187,500</u>

Bank Account

	N		N
Bal a/c	26,250	Realisation (Dissolution expenses)	10,000
Realisation (Non-current assets & inventory)	483,750	Trade Payables Control	61,250
Realisation (trade receivable)	<u>56,250</u>	Capital a/c - Fina	371,250
	<u>566,250</u>	Capital a/c - Funke	<u>123,750</u>
			<u>566,250</u>

EXAMINERS' REPORT

The question tests candidates' knowledge on how to prepare necessary ledgers to dissolve a partnership business.

Few candidates attempted the question and performance was good. Candidates are advised to prepare adequately for better performance in future examinations.

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SOLUTION 5

JOURNAL ENTRIES

	Dr ₹	Cr ₹
Bank account	70,000	
Application and allotment account		70,000
Being application money received for 200,000 ordinary shares		
Application and allotment account	70,000	
Ordinary share capital account		70,000
Being application money transferred to ordinary share Capital account		
Application and allotment account	130,000	
Ordinary share capital account		50,000
Share premium account		80,000
Being allotment of 200,000 shares		
Bank account	130,000	
Application and allotment account		130,000
Being amount received in allotment of 200,000 shares		
First call account	80,000	
Ordinary share capital account		80,000
Being amount called-up on 200,000 shares		
Bank account	72,000	
Call in arrears account	8,000	
First call account		80,000
Being amount received on first call and the amount of default		
Forfeited shares account	8,000	
Call in arrears account		8,000
Being forfeiture of 20,000 shares for non-payment of first call money		
Share capital	20,000	
Forfeited shares account		20,000
Being amount called up on 20,000 Shares before forfeiture		

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Forfeited shares account	20,000	
Share capital account		20,000
Being re-issue of shares earlier forfeited		
Bank account	15,000	
Forfeited shares (re-issue) account		15,000
Being amount received on re-issue of forfeited shares		
Forfeited shares		
Forfeited shares account	7,000	
Premium account		7,000
Being premium on re-issue of forfeited shares		

- b. Share Premium Account may be applied for the following:
- i. Paying up unissued shares to be issued as fully paid bonus shares.
 - ii. Writing off preliminary expenses.
 - iii. Writing off the expenses of or commission paid or discount allowed on issue of shares or debentures.
 - iv. Providing any premium payable on the redemption of redeemable preference shares or debentures.

EXAMINERS' REPORT

The question tests candidates' understanding of accounting for the issue of shares.

Most candidates attempted the question and performance was above average.

The major pitfall of candidates was that some of the candidates lacked detailed knowledge of how to prepare journal entries.

Candidates are advised to prepare well for future examinations.

SOLUTION 6

LEDGERS IN THE BOOKS OF LANDLORD (FATAI) Royalties Receivable Account

		N'000			N'000
2008	Income statement	<u>1,200</u>	2008	EML Ltd	<u>1,200</u>
2009	Income statement	<u>1,500</u>	2009	EML Ltd	<u>1,500</u>

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2010	Income statement	<u>2,200</u>	2010	EML Ltd	<u>2,200</u>
2011	Income statement	<u>2,600</u>	2011	EML Ltd	<u>2,600</u>
2012	Income statement	<u>3,000</u>	2012	EML Ltd	<u>3,000</u>

EML Ltd Account

		N'000			N'000
2008	Royalties receivable	1,200	Bank		2,000
	Short workings	<u>800</u>			<u>2,000</u>
		<u>2,000</u>			<u>2,000</u>
2009	Royalties receivable	1,500	Bank		2,000
	Short workings	<u>500</u>			<u>2,000</u>
		<u>2,000</u>			<u>2,000</u>
2010	Royalties receivable	2,200	Bank		2,000
		<u>2,200</u>	Short workings		<u>200</u>
		<u>2,200</u>			<u>2,200</u>
2011	Royalties receivable	2,600	Bank		2,000
		<u>2,600</u>	Short workings		<u>600</u>
		<u>2,600</u>			<u>2,600</u>
2012	Royalties receivable	3,000	Bank		2,500
		<u>3,000</u>	Short workings		<u>500</u>
		<u>3,000</u>			<u>3,000</u>

Short workings account

		N'000			N'000
2008	Balance c/d	<u>800</u>	2008	EML Ltd	<u>800</u>
2009	Balance c/d	1,300	2009	Balance b/d	800
		<u>1,300</u>		EML Ltd	<u>500</u>
		<u>1,300</u>			<u>1,300</u>
2010	EML Ltd	200	2010	Balance b/d	1,300
	Balance c/d	<u>1,100</u>			<u>1,300</u>
		<u>1,300</u>			<u>1,300</u>
2011	EML Ltd	600	2011	Balance b/d	1,100

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Balance c/d	<u>500</u>		<u>1,100</u>
	<u>1,100</u>		<u>1,100</u>
2012 EML Ltd	<u>500</u>	2012 Balance b /d	<u>500</u>

Tutorial

Schedule of Royalties Receivable

Year		₦
2008	₦100 x 12,000	1,200,000
2009	₦100 x 15,000	1,500,000
2010	₦100 x 22,000	2,200,000
2011	₦100 x 26,000	2,600,000
2012	₦100 x 30,000	3,000,000

EXAMINERS' REPORT

The question tests candidates' understanding of accounting for Royalty/Lease.

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

Candidates' major pitfall was their inability to present accounting entries in the books of the Landlord.

Candidates are advised to prepare very adequately for future examinations.

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THE INSTITUTE OF CHARTERED ACCOUNTANTS OF NIGERIA

FOUNDATION – NOVEMBER 2013

ECONOMICS AND BUSINESS ENVIRONMENT

Time Allowed: 3 hours

SECTION A: PART I MULTIPLE-CHOICE QUESTIONS (20 Marks)

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. A means of payment whose value or cost as a commodity is greater than its value as money is
 - A. A token money
 - B. A paper money
 - C. A coin money
 - D. A fiduciary issue
 - E. An intrinsic money

2. The following are structural features of under-development **EXCEPT**
 - A. Low per capita income
 - B. Low capital formation
 - C. Low level of production
 - D. Low literacy rate
 - E. Low level of poverty

3. Which of the following has a positive relationship with household saving?
 - i. The real interest rate
 - ii. Disposable income
 - iii. Expected future income
 - A. i and ii
 - B. ii only

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- C. ii and iii
 - D. i, ii and iii
 - E. iii only
4. The basic problem in economics is
- A. Consumption
 - B. Production
 - C. Money
 - D. Scarcity
 - E. Allocation
5. The following are the advantages of division of labour **EXCEPT**
- A. Increase in total output
 - B. Saving of time
 - C. Monotony of work
 - D. Economy of tools
 - E. Improved skills
6. In microeconomic analysis, the focus is with reference to consumption and production decisions, the behaviour of markets and prices. Thus, microeconomics is sometimes referred to as
- A. Economic theory
 - B. Price theory
 - C. Welfare theory
 - D. Price mechanism
 - E. Market theory
7. The concept of “invisible hand” was developed by
- A. Lionel Robbins
 - B. J. S. Mill
 - C. Adam Smith
 - D. Alfred Marshall
 - E. Thomas Robert Malthus
8. Which of the following is the major objective of OPEC?
- A. Making loans available to needy member countries

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- B. The marketing of oil products
 - C. Protecting newly industrialising countries

 - D. Encouraging bilateral trade among member countries
 - E. Stabilising oil price in the world market
9. A bank is said to be distressed when it
- A. Is unable to deal with the Central Bank
 - B. Has a low capital base
 - C. Has low level of deposit
 - D. Experiences serious liquidity crisis
 - E. Is unable to meet its social responsibility obligations
10. A major factor for locating a cement factory is the availability of
- A. Power supply
 - B. Presence of large market
 - C. Availability of labour
 - D. Limestone
 - E. Transportation and Communication
11. When a measure taken to cushion the effects of inflation leads to a further rise in the general level of prices, it is called
- A. Spiral inflation
 - B. Deflation
 - C. Hyperinflation
 - D. Stagflation
 - E. Creeping inflation
12. The 'natural rate' of unemployment can be reduced by
- A. Expansionary monetary policy
 - B. Policies which improve competition in the labour market
 - C. Contractionary fiscal policy
 - D. Contractionary monetary policy
 - E. Expansionary fiscal Policy

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13. Which of the following **BEST** describes Corporate Social Responsibility (CSR)?
- A. The ability of an organisation to relate its operations to the social environment in ways that are mutually beneficial to the company and society.
 - B. The voluntary activities of an organisation that goes beyond profit making to encompass activities that will contribute to the welfare of the people, their communities and the society.
 - C. The act of efficient production by business organisations that result in profit maximisation and therefore revenue optimisation for government and optimum employment for the populace.
 - D. The ability of an organisation to produce in such a manner that maintains a sustainable environment.
 - E. The ability of an organisation to operate efficiently and in a manner that is ethical.
14. Which of the following is a feature of Just-In-Time Inventory System?
- A. Maintaining supply of inventory to meet operational needs.
 - B. Maintaining production levels to meet customers' needs.
 - C. Procurement of materials as and when needed for production operations.
 - D. A system of getting raw materials and work-in-progress through the manufacturing process timely and economically.
 - E. A process of analysing every step in the manufacturing process for the purpose of minimising the time required for operations.
15. Which of the steps listed below is **NOT** required in the use of Program Evaluation and Review Technique (PERT)?
- A. Identify all major activities to be performed in the project.
 - B. Determine the sequence in which the tasks must be completed and whether tasks can be performed simultaneously.
 - C. Determine the amount of time required to complete each task.
 - D. Estimate the probabilities of each outcome occurring.
 - E. Draw a PERT network for controlling the project.

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16. The principle that states that managers should be informed of a situation only if data shows a significant deviation from standards is known as
- A. Management by wandering around
 - B. Management by experimentation
 - C. Management by objectives
 - D. Management by exception
 - E. Management by standards
17. A decision situation in which the decision-maker has clear-cut goals and adequate information, but future outcomes associated with each alternative are subject to chance is referred to as
- A. Decision-making under risk
 - B. Decision-making under uncertainty
 - C. Decision-making under ambiguity
 - D. Decision-making under certainty
 - E. Decision-making under probability
18. Which of the following is **NOT** among the category of firms that help a given company to promote, sell, facilitate selling or distribute its goods and services to final buyers?
- A. Resellers
 - B. Physical distribution firms
 - C. Marketing services agencies
 - D. Suppliers
 - E. Financial intermediaries
19. The fastest and cheapest means of sending a copy of a document to a client or customer abroad is
- A. E-mail
 - B. Air mail
 - C. Telegraphic mail Transfer
 - D. Intranet
 - E. Courier Service

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20. The act of dividing a market into distinct groups of buyers with different needs, characteristics or behaviours who might require separate products or marketing mix is
- A. Marketing process
 - B. Marketing strategy
 - C. Market segmentation
 - D. Market targeting
 - E. Market segment

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SECTION A: PART II

SHORT-ANSWER QUESTIONS

(20 Marks)

ATTEMPT ALL QUESTIONS IN THIS SECTION

Write the correct answer that best completes each of the following questions/statements

1. A form of economic integration in which there is free internal trade, a common tariff and free movement of labour and capital among partner states is called.....
2. The portion of a balance of payment that portrays the market value of a country's visible and invisible exports and imports with the rest of the world is called
3. The income that is available to households for spending and savings after personal income taxes have been deducted is referred to as.....
4. Unemployment rate (UR) is measured by the following equation.
$$UR = \frac{\text{unemployment}}{y} \times 100$$
where $y =$
5. The price that reflects the true opportunity cost of a resource is called.....
6. The price elasticity of linear supply curve which passes through the origin is.....
7. The economic system in which the market price is determined by the invisible forces of demand and supply is known as.....
8. The part of after-tax-profits that is ploughed back into the business rather than paid out to shareholders as dividends is called.....
9. An example of is the coming together of an oil extracting firm and a firm of filling stations
10. To economists, the cost of producing any good and service is its.....
11. Money made of any metal such as gold, silver, copper etc is called.....

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12. The policies and instruments employed by a country to regulate its money supply are known as.....
13. Staff at the lowest level of management who are directly responsible for overseeing the work of production employees are called.....
14. The aspect of the environment over which organisations have no control is.....
15. The management techniques that involve active participation of all members of an organisation towards continuous improvement of quality to meet and exceed customers' expectation are called.....
16. The process of selecting missions, objectives and actions to be taken to achieve them is known as.....
17. Standing plans which guide thinking in decision-making is called.....
18. The activities carried out by employees in checking the quality of products/services in order to ensure adherence to the organisation's quality standard is known as.....
19. The managerial process by which individuals and groups obtain what they need/want through creating and exchanging products and value with others via the internet is.....
20. The process of determining the fundamental elements of jobs through systematic observation and analysis is.....

SECTION B:

ATTEMPT ANY FOUR QUESTIONS

(60 Marks)

QUESTION 1

A friend has just qualified as a chartered accountant and wants to set up a practising firm.

You are required to:

- (a) Suggest a suitable form of business organisation to her. (3 Marks)
- (b) Advance any **FOUR** justifications for your suggestion in (a) above.

(12 Marks)

(Total 15 Marks)

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QUESTION 2

- (a) Define elasticity. (3 Marks)
- (b) Enumerate any **FOUR** types of demand elasticity. (4 Marks)
- (c) At a recent international conference in Abuja, the Nigerian Economic Society claimed that “point elasticity and arc elasticity of demand for rice can never be the same”. Reacting, Nigeria’s Finance Minister said that the performance indicators in the country show that in the last few years, there has been no difference between the two economic concepts. To buttress her point, she said that the aggregate demand for rice in Nigeria fell from 60 million bags in 2011 to 40 million bags in 2013 as a result of a price increase from ₦400 to ₦500 per “congo” of rice over the same period.
You are required to:
Explain whether the Minister’s statement is correct or not. (8 Marks)
(Total 15 Marks)

QUESTION 3

- (a) Distinguish between “economic growth” and “economic development”. (6 Marks)
- (b) Explain any **THREE** major obstacles to economic development in Nigeria. (9 Marks)
(Total 15 Marks)

QUESTION 4

- (a) What is Millennium Development Goals (MDGs)? (5 Marks)
- (b) State any **FIVE** targets of MDGs. (10 Marks)
(Total 15 Marks)

QUESTION 5

- (a) (i) What is globalisation? (2 Marks)
- (ii) Outline and explain **FOUR** effects of globalisation on contemporary businesses. (8 Marks)

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(b) (i) What is managerial ethics? (2 Marks)

(ii) Explain **THREE** reasons why ethics is important in contemporary management practice. (3 Marks)

(Total 15 Marks)

QUESTION 6

(a) Management usually groups organisational activities into departments to enhance efficiency. Identify and explain **THREE** bases by which organisational activities may be departmentalised. (9 Marks)

(b) Distinguish between programmed decision-making and non-programmed decision-making. (6 Marks)

(Total 15 Marks)

SOLUTIONS TO SECTION A

PART 1 MULTIPLE-CHOICE QUESTION

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

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16. D
17. A
18. D
19. A
20. C

EXAMINERS' REPORT

The questions test candidates' understanding of concepts and principles of the various sections of the Syllabus.

Candidates demonstrated a good understanding of those requirements.

Performance was generally good.

PART II SHORT ANSWER QUESTIONS

1. Common market
2. Current account
3. Disposable income
4. Labour force
5. Shadow price
6. One or Unity
7. Free market economy/profit after tax
8. Profit after Tax
9. Vertical integration/merger
10. Opportunity cost
11. Commodity money
12. Monetary policies
13. First-line managers
14. External environment
15. Total Quality Management
16. Planning
17. Policies

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18. Inspection/Quality control
19. Electronic marketing/E-marketing/Online marketing
20. Job Analysis

EXAMINERS' REPORT

The questions tests candidates' knowledge of concepts and principles in Economics and Business Environment.

Candidates showed inadequate understanding in some areas of the questions and performance was generally fair. Candidates should endeavour to cover the whole syllabus.

SOLUTIONS TO SECTION B

QUESTION 1

- (a) A sole proprietor or partnership is suitable for such a business.
- (b) **Sole Proprietorship**

This type of business is recommended for the following reasons:

- (i) **Start-up capital**
The amount of capital required for the formation of the business is small compared to other forms of businesses because it does not necessarily require a particular structure. The accounting firm can be set up using personal money and borrowed funds from family members and friends.
- (ii) **Legal restrictions**
The legal processes or requirements and formalities needed to register the firm with the Corporate Affairs Commission (CAC) are not as stringent and complex as other forms of business organisations.
- (iii) **Decision-making**
This form of business affords her a high degree of independence and freedom of action. The implication is that she can take quick decisions particularly in circumstances of emergency and effect the decisions without delay since she is not accountable to any other

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person. She needs not consult with anybody before taking decisions or take instructions from anyone to act.

(iv) **Privacy**

A sole proprietorship business enjoys a high degree of privacy because it does not need to publish its statement of accounts.

(v) **Success or Failure**

The sole proprietor takes full responsibility for either the success or failure of the business. In particular, she enjoys all the profits alone if the firm is successful.

(vi) **Ease of exit**

The sole proprietor could decide to disengage from the business as the need arises without any legal inhibitions.

Partnership

This type of business is suggested for the following reasons:

- (i) Larger capital base
- (ii) Pooling together of knowledge, expertise and skills
- (iii) Better decision-making
- (iv) Joint efforts to solve business problems
- (v) Sharing of business risks between/among partners

EXAMINERS' REPORT

The question tests candidates' knowledge of the various forms of business organisations, most especially the simple forms – sole proprietorship (one-man business) and partnership business.

About 60% of candidates attempted the question and performance was good.

QUESTION 2

- (a) Elasticity is a measure of the degree of responsiveness of a dependent variable to a little change in an explanatory variable (e.g. price elasticity of demand).

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- (b) Types of demand elasticity:
- (i) Perfectly elastic demand
 - (ii) Elastic demand
 - (iii) Unitary elastic demand
 - (iv) Inelastic demand
 - (v) Perfectly inelastic demand
- (c) To verify the Minister's assertion, we need to calculate point elasticity and arc elasticity of demand for rice based on the information given by the Minister using the following elasticity formulae.
- i) Point elasticity of demand = $\frac{\Delta Q / Q}{\Delta P / P} = \frac{\Delta Q}{\Delta P} \times \frac{P}{Q}$
 - ii) Arc elasticity of demand = $\frac{\Delta Q}{\Delta P} \times \frac{P_1 + P_2}{\frac{Q_1 + Q_2}{2}}$

where:

Q = Either new quantity or old quantity

ΔQ = New quantity (Q_2) – old quantity (Q_1)

P = Either new price or old price

ΔP = New price (P_2) – old price (P_1)

As such,

Q_1 = 60 million bags of rice

Q_2 = 40 million bags of rice

P_1 = ₦400 per 'Congo'

P_2 = ₦500 per 'Congo'

ΔQ = (40 – 60) million bags = -20 million bags

ΔP = ₦(500 – 400) = ₦100

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Hence,

$$\begin{aligned}\text{Point elasticity of demand} &= \frac{\Delta Q}{\Delta P} \times \frac{P}{Q} \\ &= \frac{-20}{100} \times \frac{500}{40} \\ &= -5/2 \\ &= -2.5\end{aligned}$$

$$\begin{aligned}\text{Arc elasticity of demand} &= \frac{\Delta Q}{\Delta P} \times \frac{P_1 + P_2}{2} \\ &\quad \frac{Q_1 + Q_2}{2} \\ &= \frac{-20}{100} \times \frac{500 + 400}{2} \\ &= \frac{60 + 40}{2} \\ &= \frac{-20}{100} \times \left[\frac{900}{2} \times \frac{2}{100} \right] \\ &= \frac{-18}{10} \\ &= -1.8\end{aligned}$$

Since point elasticity of demand for rice is -2.5 and arc elasticity of demand is -1.8, the Minister's claim that the two economic concepts are the same is wrong.

EXAMINERS' REPORT

The question tests candidates' understanding of the concept of elasticity and the forms of demand elasticity.

About 70% of candidates attempted the question and performance was fair.

However, candidates' understanding of the application of the concept of elasticity in a real-world situation, using the formulas to calculate the point and arc elasticities was inadequate.

Candidates should endeavour to study and understand the application and calculation of the concept of elasticity.

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QUESTION 3

(a) **Economic growth**

Economic growth refers to a sustained growth in the national income index and the real per capita income in a country over a given period of time. It is as such, a measure of the quantitative increase in goods and services produced in a country over a given period of time.

Economic development

Economic development refers to a structural transformation of the economic system that guarantees economic growth and ensures sustainable reduction in poverty, unemployment, income inequality etc.

(b) **Obstacles to Economic Development in Nigeria:**

(i) **Uneven distribution of natural resources**

Since resources are not evenly spread, there is the tendency for unequal regional development as some regions would benefit more than others – even the share of the excess crude oil profit is not evenly distributed among the states of the Federation. Some regions would be better developed than others.

(ii) **Large population**

A densely populated area would witness pressure in usage of infrastructure and facilities. The per capita income of any country is the GDP per the total population. A faster growth of the population relative to the GDP leads to a slower growth in the per capita income.

(iii) **Unemployment and under employment of human resources are widespread**

The migration from rural areas to urban cities have caused serious unemployment problems in the cities as the few jobs available are being chased by several people. The irony of the situation is that many people settle for menial jobs in their struggle to keep soul and body together.

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- (iv) **Low labour productivity**
Poor attitude to work, poor remuneration, lack of proper training, poor infrastructure, general poor working conditions, all these lead to low labour productivity.
- (v) **Corruption**
Corruption is endemic in Nigeria and deprive the country of resources that would have been available for development.
- (vi) **Inconsistencies in government policies**
Frequent policy somersault by various governments at various levels are obstacles to economic development.
- (vii) **Political instability**
Unhealthy rivalry among political class usually causes confusion and no meaningful development will take place under this situation.
- (viii) **Insecurity of lives and properties**
Religious disturbances, political disturbances, ethnicity, etc, hinder economic development of the country.
- (ix) **Economic saboteurs**
Theft of natural resources, vandalization of infrastructure such as pipe lines, telephone cables, power cables, etc, will have negative effect on the economy.

EXAMINERS' REPORT

The question tests candidates' knowledge of the concepts of economic growth and economic development.

About 80% of candidates attempted the question and the performance was good.

QUESTION 4

- (a) The Millennium Development Goals (MDGs) are development targets issued by the United Nations Organisation to member countries all over the world to be pursued in their developmental efforts. MDGs were adopted in the year 2000 by all governments as a blue print for building a better world. MDGs represent a global partnership to foster global development. It consists of agreed framework of eight goals and 18 targets complemented by 48

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technical indicators to measure progress towards the Millennium Development Goals.

- (b) The Millennium Development Goals are to:
- (i) Eradicate extreme poverty and hunger
 - (ii) Achieve universal primary education

 - (iii) Promote gender equality and empower women
 - (iv) Reduce child mortality
 - (v) Improve maternal health
 - (vi) Combat HIV/AIDs, malaria and other diseases
 - (vii) Ensure environmental sustainability
 - (viii) Develop a global partnership for development

EXAMINERS' REPORT

The question tests candidates' understanding of Millennium Development Goals as a current worldwide development strategy.

30% of the candidates attempted the question and performance was poor.

Candidates did not understand the concept of MDGs. They are advised to be more exposed to various international development programmes, most especially those that have to do with issues of economic growth and development, globalization and poverty alleviation.

QUESTION 5

- (a) (i) Globalisation is the world-wide integration of ideas, perspectives, markets, technology and culture. Globalisation results in greater interdependence among nations with the dismantling of barriers that limit the flow of resources among them. It therefore makes the world to be a global village.
- (ii) The effect of globalisation on contemporary businesses are:
- **Competition:** Globalisation has brought about an increase in the level of competition among businesses. Globalisation facilitates the entry of foreign firms into a country. Also the removal of trade barriers between

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countries enhances the flow of goods and services into a country. These activities result in increased competition in a country.

- **Higher consumer expectations.** Globalisation makes it possible for consumers to become aware of the availability of products and services of international standards. This raises the appetite of consumers for products and services that meet international quality standards.
- **Increased scale of production.** Globalisation makes it possible for firms to access both local and international markets with their products and services. Accessing international markets increases sales opportunities which then result in increased scale of operations.
- **Greater usage of information and communication technology in business operations.** With globalisation vast amounts of goods and services are bought and sold across the world through the internet. Financial transactions are done speedily at a minimum cost using information and communications technology.
- **Higher rate of product obsolescence.** As product innovations occur across the world, new products are immediately available to consumers anywhere in the world by virtue of globalisation. This makes existing products to be readily obsolete.
- **Availability of variety of products and services:** Due to globalisation several companies with their different brands compete internationally. This means they make available to consumers a large variety of products and brands.
- **Transfer of technological know-how:** When companies operate in another country because of the opportunities created by globalisation, technological know-how is transferred to the receiving country.
- **Exchange of knowledge and skills:** Globalisation results in closer interaction between businesses from different nations and in the process new knowledge and skills are exchanged.

(b)

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- (i) Managerial ethics is the code of moral principles and values that govern the behaviour of managers and organisations. It sets standards as to what is good or bad in conduct and decision-making in businesses.
- (ii) Importance of ethics are as follows:
- Ethics enhances the reputation of businesses.
 - Organisations with sound ethical standards are more attractive to job seekers, particularly those that are highly skilled and experienced.
 - High ethical standards endear investors to organisations.
 - Organisations with high ethical standard experience lower labour turnover because they tend to be able to retain their staff more effectively.
 - Ethics have also been proven to attract customers to organisations with the attendant positive effect on profit and other outcomes.

EXAMINERS' REPORT

The first part of this question tests candidates' knowledge of globalization and its implication for contemporary businesses. The second part tests candidates' knowledge of managerial ethics and its importance in management practice. About 8% of candidates attempted this question and showed understanding of it.

However, performance was average. Many candidates confused globalisation with the internet or ICT and hence could not effectively explain the effects of globalisation on contemporary business.

In the second part of the question, many candidates could not demonstrate adequate knowledge of managerial ethics; neither could they explain its importance in management. Performance in this part of the question was below average.

Candidates are advised to cover the syllabus effectively.

QUESTION 6

- a. The bases by which organisational activities may be departmentalised are by
- i. enterprise function
 - ii. territory or geography

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- iii. customer group
- iv. product
- v. matrix or grid or project
- vi. process
- vii. time
- viii. number

(i) **Departmentalization by enterprise function**

This is the grouping of organisational activities according to the functions performed by an enterprise, such as marketing, production, engineering, personnel, finance, research and development, legal etc. departmentalization by enterprise function follows the principle of occupational specialisation.

(ii) **Departmentalization by territory or geography**

This is the grouping of organisational activities by area or territory. This is common in enterprises operating over wide geographical areas. For example, an organisation that departmentalises on the basis of North, South, East or West regions or on the basis of the 36 states in Nigeria is said to adopt departmentalization by territory. Departmentalisation by territory places responsibility at a lower levels and improves coordination in a region.

(iii) **Departmentalization by customer group**

This is the grouping of organisational activities on the basis of target customers. An organisation can group its activities in order to serve the needs of different customers more efficiently. For example, a bank may have different departments for corporate customers and individual account holders.

(iv) **Departmentalization by product**

Departmentalization by product is the grouping of organisational activities according to products or product lines. For example, Nigerian Bottling Company can be departmentalised on the basis of its different product lines such as soft drinks, water and Five Alive. Departmentalization by product facilitates the use of specialised facilities, skills and knowledge.

(v) **Matrix or project departmentalization**

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Matrix departmentalization is the combination of functional and product patterns of departmentalization in the same organisation. For example, matrix organisation is used in the construction industry. Personnel from different functional areas are brought together to work on different projects such as bridges, dams and hospitals.

(vi) **Departmentalization by process**

This is the structuring of the organisational activities according to specific production processes performed. For example, the activities in a canning industry may be grouped as follows: butchering, pre-cooking, post-cooking, cleaning and canning.

(vii) **Departmentalization by time**

Here, organisational structures or activities are designed to cater for different times workers present themselves for work. For example in the health sector, doctors and nurses may be grouped on the basis of morning, afternoon and night shifts.

(viii) **Departmentalization by number**

This is the grouping of activities of the organisation on the basis of numbers. For example in military formation, people are grouped as company, squadron, battalion and placed under a commander.

- b) Programmed Decision are those decisions that are structured or routine and repetitive. Examples include purchase of low cost items to replenish stock, decision to hold regular meetings in the department while non-programmed decisions are those decisions that are unstructured, complex, important and non-routine often under new and largely unfamiliar circumstances. Examples include mergers and acquisitions, marketing an entirely new product.

EXAMINERS' REPORT

The question tests candidates' knowledge of the different bases by which the activities of organisations could be grouped. The second part of the question requires candidates to distinguish between programmed and non-programmed decision-making. Less than 50% of candidates attempted the question and performance was average. However, some misunderstood the question and tried to explain why organizational activities are departmentalized rather than how the activities are departmentalized.

Candidates should therefore read and understand the question before attempting it.

PATHFINDER

THE INSTITUTE OF CHARTERED ACCOUNTANTS OF NIGERIA

FOUNDATION – NOVEMBER 2013

CORPORATE AND BUSINESS LAW

Time Allowed: 3 hours

SECTION A: PART I MULTIPLE-CHOICE QUESTIONS (20 Marks)

ATTEMPT ALL QUESTIONS IN THIS SECTION

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

1. Which of the following is a received English law?
 - A. Delegated legislation
 - B. The 1999 Constitution
 - C. Common law
 - D. International law
 - E. Customary law

2. The decision of a higher court which is binding on a lower court is called
 - A. *Obiter dictum*
 - B. *The res*
 - C. *Res sua*
 - D. *Stare decisis*
 - E. *Judicial Lapse*

3. A remedy for a tort or civil wrong is
 - A. Imprisonment
 - B. Punishment
 - C. Damages
 - D. Court fine
 - E. Court penalty

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4. The rejection of an original offer is called
 - A. Conditional offer
 - B. Conditional acceptance
 - C. Lack of consideration
 - D. Counter offer
 - E. Communication offer

5. The fundamental terms of a contract are called
 - A. Warranties
 - B. Conditions
 - C. Customs
 - D. Representations
 - E. Implied terms

6. Agreements made through electronic medium are called
 - A. E-contracts
 - B. Valuable agreements
 - C. Written agreements
 - D. E-Mere agreements
 - E. Formal agreements

7. An agent who can perform all acts on behalf of the principal is called
 - A. A broker
 - B. A *del credere* agent
 - C. A general agent
 - D. An estate agent
 - E. A factor agent

8. In a Sale of Goods transaction, goods in the possession of the seller are called
 - A. Sellable goods
 - B. Ascertained goods
 - C. Common goods
 - D. Existing goods
 - E. Future goods

9. In Hire Purchase transactions, goods are in possession of the hirer in consideration of

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- A. Instalmental payments
 - B. Full payments
 - C. Non payments
 - D. Future payment
 - E. The close relationship between the parties
10. In an Insurance contract, the insured is indemnified on payment of the
- A. Price
 - B. Subsidy
 - C. Premium
 - D. Amount
 - E. Interest
11. The right to transfer an interest in the share of a company can be limited by the
- A. Memorandum of Association
 - B. Articles of Association
 - C. Policy Manual of the company
 - D. Company's directors
 - E. Secretary of the company
12. The liability of the members of a company limited by guarantee to contribute to the assets, in the event of its being wound up, shall not be less than each.
- A. ₦ 10,000
 - B. ₦ 20,000
 - C. ₦ 30,000
 - D. ₦ 40,000
 - E. ₦ 50,000
13. The following disqualifies a Director of a company **EXCEPT**
- A. Insanity
 - B. Conviction
 - C. Bankruptcy
 - D. Being a principal partner
 - E. Court order

PATHFINDER

14. On incorporation, a public company must hold its Statutory meeting within
- A. 6 months
 - B. 5 months
 - C. 3 months
 - D. 2 months
 - E. 1 month
15. The membership of a Partnership for the practice of accountancy is
- A. 20
 - B. 30
 - C. 40
 - D. 50
 - E. Unlimited
16. The death of a partner leads to
- A. Amendment of the partnership register
 - B. Change in the partnership business
 - C. Sharing of profit
 - D. Dissolution of partnership
 - E. Sharing of business information
17. A bill lacking in some material particular is known as
- A. Inland bill
 - B. Incomplete or inchoate bill
 - C. Promissory bill
 - D. Esoteric bill
 - E. Accelerated bill

PATHFINDER

18. A cheque is said to be generally crossed if it
- A. bears two parallel lines across its face
 - B. is not dated
 - C. not signed
 - D. not stamped
 - E. has two postage stamps on it.
19. A debtor is said to be bankrupt when
- A. A creditor obtains final court order against him
 - B. A court declares that he is solvent
 - C. He pays his debts
 - D. He promises to pay his creditors
 - E. The creditors do not trust him
20. A Trustee is not paid a remuneration because
- A. He is a friend of the testator
 - B. He is a volunteer
 - C. He is a rich man
 - D. His reward is in the hereafter
 - E. He has no need of money

PATHFINDER

SECTION A: PART II

SHORT-ANSWER QUESTIONS

(20 Marks)

ATTEMPT ALL QUESTIONS IN THIS SECTION

Write the correct answer that best completes each of the following questions/statements:

1. The supreme law of the Federal Republic of Nigeria is
2. Equity imputes an intention to fulfil an.....
3. In tort, *res ipsa loquitur* means.....
4. A contract in which the obligations of the parties are yet to be carried out is known as.....
5. In a contract, the situation in which both parties are mistaken as to the subject matter is known as.....
6. The modern day mode of entering into contracts over the internet is called.....
7. The authority of an agent stated in writing is known as
8. The right to retake possession of goods before they are delivered to the buyer is
9. The relationship between the owner and the hirer in a hire purchase transaction is that of.....
10. In life insurance, no insurer can carry on the business of life insurance except it has and maintains a paid up share capital of
11. The court that has jurisdiction to wind up a company is the.....
12. A corporate body in liquidation is disqualified from joining in the formation of
13. The length of notice required for all types of general meetings from the date the notice is sent is.....
14. The Annual Returns of a company must be sent to Corporate Affairs Commission within after the Annual General Meeting

PATHFINDER

15. In a Partnership, a person who holds himself out as a Partner would be regarded as a Partner by
16. The consequence of the incidence of insanity of a General Partner, to the Partnership, is
17. The body that regulates the monetary policy in Nigeria is the.....
18. The person in whose favour a Bill is drawn, is known as.....
19. A Trustee occupies a fiduciary position in relation to the.....
20. A creditor shall not be entitled to present a bankruptcy petition against the debtor where the debt is less than.....

SECTION B: ATTEMPT ANY FOUR QUESTIONS IN THIS SECTION (60 Marks)

QUESTION 1

- (a) In Nigeria, Courts are arranged in hierarchy for settlement of disputes. The jurisdiction of the various courts is provided for in the Constitution. Some are original, while others are exclusive and appellate in nature.

You are required to

State **FOUR** matters in which

- (i) The Supreme Court has exclusive jurisdiction
- (ii) The Court of Appeal has exclusive jurisdiction (8 Marks)

- (b) Anjori Engineering Company Limited has a bus that conveys its staff to work, and employed Okan as the driver of the bus. It is clearly written on the bus that non-staff passengers are not allowed on board. Okan, on his way to work one morning, used the company's bus to convey non-staff passengers and had an accident with the bus, injuring some of the passengers. Efe, one of the non-staff passengers, threatens to sue Anjori Engineering Company Limited for damages for the injury he suffered as a result of the accident.

You are required to

Advise Anjori Engineering Company Limited, stating the applicable principle of law. (4 Marks)

PATHFINDER

- (c) As society progressed, technology also advanced to meet the needs of the Society in terms of internet facilities.

You are required to

State **THREE** advantages of e-contract.

(3 Marks)
(Total 15 Marks)

QUESTION 2

- (a) In the law of contract, there is the principle of privity of contract. However, there are some exceptions to this principle.

You are required to

- (i) Explain briefly the principle of privity of contract (3 Marks)
(ii) Explain **THREE** exceptions to the principle of privity of contract (6 Marks)

- (b) Meke is a medical doctor who got married to Neki five years ago. Neki is a smoker, a fact unknown to Meke before the marriage. Because of Meke's love for his wife, he promised to buy her a gold wrist watch if she stopped smoking. Neki has stopped smoking for more than one year now, but Meke has reneged on his promise. Neki has been reminding her husband that if he refused to fulfil his promise, she would enforce her right by suing him for breach of contract.

You are required to

State the law applicable to this case and advise Neki accordingly. (6 Marks)
(Total 15 Marks)

QUESTION 3

- (a) In contract of sale of goods, the seller must transfer to the buyer goods bought, and the goods must have certain qualities.

You are required to

State **FIVE** essential elements of a contract of sale of goods. (5 Marks)

PATHFINDER

- (b) In modern society, no one person can do all things. Therefore, power or authority to act has to be given to other persons to act or do certain things on behalf of another. As such, agents must be appointed one way or the other.

You are required to

State **FIVE** types of agents under the law of agency. (5 Marks)

- (c) Explain briefly **TWO** characteristics of a hire purchase transaction. (5 Marks)
(Total 15 Marks)

QUESTION 4

Directors of a company are the executives that direct the “mind and will” of the company. Persons who occupy such important positions must have certain attributes.

You are required to

- (a) Explain briefly **TWO** types of persons that are disqualified from being Directors of a company. (5 Marks)
- (b) Explain briefly **FIVE** circumstances under which a person must vacate office as a Director. (10 Marks)
(Total 15 Marks)

QUESTION 5

- (a) When a company is not well managed, it may need to be wound-up either voluntarily or by court order.
You are required to
State **FIVE** reasons for which a court may order that a company be wound-up. (5 Marks)
- (b) State **FIVE** implied authorities of partners under the Law of Partnership. (5 Marks)
- (c) Yaya and Omegie contributed money to do business together and they both invited Obi to join them in the business. The firm traded for four years without making profit from the business, but incurred a huge debt of ₦45,000,000. Yaya wants to leave the business and the debts to Omegie and Obi to pay.

PATHFINDER

You are required to

Advise Omegie, Yaya and Obi.

(5 Marks)
(Total 15 Marks)

QUESTION 6

- (a) State and explain **THREE** types of Bills of Exchange. (6 Marks)
- (b) A debtor who could not pay his debts or meet his legal financial obligations may be insolvent.

You are required to

State **THREE** acts of bankruptcy for which bankruptcy proceedings may be instituted against a debtor. (3 Marks)

- (c) Ade is a Trustee of the Estate of late Konga. Konga's Will empowered the Trustees of his Estate to invest in securities authorised by the Trustee Investments Act.

You are required to

State **THREE** of such authorised securities, without stating the limit of the investment. (6 Marks)
(Total 15 Marks)

PART 1: MULTIPLE – CHOICE QUESTION

1. C
2. D
3. C
4. D
5. B
6. A
7. C
8. D

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9. A
10. C
11. B
12. A
13. D
14. A
15. E
16. D
17. B
18. A
19. A
20. B

EXAMINERS' REPORT

The questions in this part test candidates' understanding of the meaning and implication of the key principles and technical expressions in business law. They achieved a good coverage of the syllabus. Candidates' performance was excellent.

PART II– SHORT ANSWER QUESTIONS

1. The Constitution
2. Obligation
3. The matter speaks for itself
4. Executory contract
5. Common mistake
6. E-Contract
7. Actual or express authority
8. Stoppage-in-transitu
9. A bailor and bailee
10. ₹2 Billion

PATHFINDER

11. Federal High Court
12. A Company
13. 21 days
14. 42 days
15. estoppel
16. dissolution
17. Central Bank of Nigeria
18. The drawee
19. Beneficiaries of an Estate/Trust property
20. ₦2,000

EXAMINERS' REPORT

The questions in this part test candidates' understanding of basic principles of business law and their application. Candidates' performance was slightly above average.

SECTION B

SOLUTION 1

- (a) (i) The Supreme Court has exclusive jurisdiction in matters relating to
- Any dispute between States
 - Interpretation of the Constitution
 - Such original jurisdiction as may be conferred upon the court by any Act of the National Assembly
 - Appellate jurisdiction on electoral matters concerning the post of President and State Governors.
- (ii) The Court of Appeal has exclusive jurisdiction in matters relating to
- Whether any person has been validly elected to the office of President or Vice President of Nigeria
 - Whether the term of office of the President has ceased.
 - Whether the office of President or Vice President has become vacant,

PATHFINDER

- Appeals from High Courts
- Unresolved cases from election tribunals

(b) The principle of law in this case is vicarious liability. It provides that a master is liable for the torts of his servant committed within the scope of his employment. In order for the master to be liable, a master-servant relationship must be established, and the act must be in the course of duty. In this case, the act was committed in the course of duty, but it was unauthorised as it was written on the bus that it was not to convey non-staff passengers.

Since the accident occurred in the course of duty, Anjori Engineering Company Limited would be vicariously liable. It is immaterial that the company prohibited the act. Efe would thus succeed in an action against the company.

If the accident had happened outside the course of employment, the company would not be liable.

(c) The following are some of the advantages of e-contract:

- (i) It saves time;
- (ii) It saves energy;
- (iii) It is less cumbersome;
- (iv) It saves cost and overheads;
- (v) Business needs not be concluded in a formal office setting; and
- (vi) It saves paper work
- (vii) Face to face contract becomes unnecessary.

EXAMINERS' REPORT

The question tests candidates' understanding of the exclusive jurisdiction of the Supreme Court and Court of Appeal in the Nigerian legal system, the principle of vicarious liability in the law of torts, and the advantages of the e-contract. Candidates' performance was average.

The commonest pitfall was that the candidates mixed up the jurisdiction of the two courts and did not know the condition for the application of vicarious liability. Candidates should understand that knowledge of the court system is important for full understanding of judicial precedent.

PATHFINDER

SOLUTION 2

- (a) (i) The general rule of privity of contract is that, a person who is not a party to the contract cannot bring an action or be sued on it. *Dunlop v Selfridge (1915)*. For a person to be a party to a contract or be privy to it, he must have furnished consideration unless the contract is under seal.
- (ii) Exceptions to the general rule of privity of contract are as follows:
- A principal, who is not a party to the contract, can sue in respect of a transaction entered into on his behalf by the agent.
 - The right of a beneficiary under a Will is that the beneficiary can sue to enforce a Will even though he is not a party to its making.
 - An assignee of a debt may sue the original debtor if the assignment is a legal one.
 - An injured party's right: An injured party can sue the insurer of the wrongdoer in an accident case to enforce his right.
- (b) The Principle of law applicable to the case in question is that of intention to create legal relations. This is one of the essential elements of a valid contract. In family, social and domestic agreements, the presumption of law is that parties do not generally intend to create legal relations, unless there is strong evidence to the contrary. *BALFOUR v BALFOUR*; *JONES v PADAVATON* etc.
- From the foregoing, Neki, the wife of Meke, may not succeed in her action for breach of contract, as there was no evidence of an intention to create legal relations. In addition, the couple still live together under the same roof.

EXAMINERS' REPORT

The question tests candidates' understanding of the principles of privity of contract and contractual element of intention to create legal relations. Candidates' performance was above average. The commonest pitfall was candidates' inadequate understanding of the exceptions to the privity rule. Candidates are advised to study more this area of the syllabus.

PATHFINDER

SOLUTION 3

(a) The essential elements in a contract of sale of goods are:

- A seller who is an owner of the goods
- A buyer who is capable of buying
- Goods which are moveable or severable
- Transfer of property, but not necessarily possession
- Price-in the form of money or otherwise
- Place of sale of the goods
- Identity of the goods

(b) The following are the different types of agents:

- (i) A General Agent
- (ii) A Special Agent
- (iii) A Broker
- (iv) An Estate Agent
- (v) A Factor
- (vi) An Auctioneer
- (vii) A *del credere* Agent
- (viii) A Solicitor

(c) Generally, the characteristics of a hire purchase transaction are as follows:

- (i) It is a contract between the owner of goods and the hirer, which is required to be in writing.
- (ii) The relationship between the parties is that of a bailor and bailee. The bailor is the owner while the bailee is the hirer.
- (iii) The property does not pass when the agreement takes effect, but at the stipulated time and when the conditions are satisfied.

PATHFINDER

- (iv) The hirer is entitled to return the goods at any time and thereby determine the contract. Thereafter, he is not liable for further payment of instalments.
- (v) The hirer enjoys the option to purchase the goods if he so desires by meeting the agreed conditions.

EXAMINERS' REPORT

The question tests candidates' knowledge of the essential elements of a contract of sale of goods, classification of agents and the characteristics of a contract of hire purchase. Candidates performed well, as 75% of them scored above 50% of the allocated marks.

SOLUTION 4

- (a) The following persons are disqualified from being Directors of a company:
- An infant, that is, a person who is below the age of eighteen years.
 - A lunatic, that is, a person who is medically certified as being of an unsound mind.
 - A person who has been convicted for an offence in connection with the promotion, formation and management of a company. However, this disqualification is not to exceed a period of ten years.
 - A person who has vacated or is being made to vacate his office as a Director
 - A corporation other than its representative appointed to the Board for a given term.
- (b) The office of Director shall be vacated in the following circumstances:
- (i) If the Director does not pay for his minimum qualification shares within two months of his becoming a director.
- (ii) If the Director becomes bankrupt or makes any arrangement or composition with his creditors

PATHFINDER

- (iii) If he has been convicted of any offence in connection with promotion, operation or management of a company.

- (iv) If he resigns his office by notice in writing to the company, and such notice is accepted by members.

- (v) If he becomes of unsound mind and is so medically certified.

- (vi) If the Director ceases to hold his qualification shares as fixed by the Articles of Association

- (vii) If any additional provision for vacation of office in the Articles becomes applicable, for example, expiration of his term of office.

- (viii) If a Receiver is appointed to take over the management of the company, following debenture holders' action against the company.

- (ix) If the company is wound up, either voluntarily or by order of the court.

EXAMINERS' REPORT

The question tests candidates' understanding of the qualifications of Directors of a company and the grounds for their disqualification. The candidates displayed a good understanding of the question, and the performance was very good.

SOLUTION 5

- (a) A company may be wound up by the Court if:
- It has passed a special resolution to that effect;
 - It defaults in delivery of the statutory report to the Corporate Affairs Commission;
 - It is a public company and it defaults in holding the statutory meeting;

PATHFINDER

- The number of members is reduced to below two (2)
- The Company is unable to pay its debts; and
- The Court is of the opinion that it is just and equitable that the company should be wound up.

(b) The implied authorities of partners in a partnership are:

- Buying and selling of goods by the partnership;
- Receiving payment of debts owed to the partnership;
- Issuing valid receipts in the name of the partnership;
- Engaging and dismissing employees or servants of the firm;
- Borrowing money on the firm's credit;
- Pledging the firm's goods and assets as security for loans; and
- Instructing solicitors for recovery of debts owed the firm.

(c) The law of partnership deals with the rights and duties of partners. Partnership is the relationship that subsists between two or more persons carrying on business in common with a view of making and sharing profits and losses.

The basis of a partnership is an agreement which may be oral or in writing. All the members of the partnership are jointly liable for the debts and other obligations of the partnership. In this case, Yaya, Omegie and Obi are jointly liable in equal shares for the debt of ₦45,000,000 owed by the partnership. Thus, Yaya cannot leave the debt for Omegie and Obi to pay.

EXAMINERS' REPORT

The question tests candidates' knowledge of the reasons for a company's winding up, the implied authority of partners, as well as their liability for a partnership's debts and other obligations.

Overall performance was good as 60% of the candidates scored above 50% of the allocated marks.

PATHFINDER

Candidates' commonest pitfall was their lack of understanding of the implied authorities of partners. Candidates are advised to study harder using the recommended text books.

SOLUTION 6

- (a) Bills of exchange are of these types:
- (i) Inland Bill: This is a bill either drawn and payable within Nigeria, or payable to some persons resident in Nigeria.
 - (ii) Incomplete or Inchoate Bill: This is a bill lacking in some material particular, for example, where the amount to be paid is left blank.
 - (iii) Accommodation Bill: This is a bill signed by an accommodation party who is a person that has not received value for the bill but merely signs it.
 - (iv) Foreign Bill: This is any bill, other than an inland bill of exchange.
 - (v) Bearer Bill: This is a bill payable to bearer when so expressed, and is negotiated by delivery.
 - (vi) Order Bill: This is a bill drawn and payable to a specified person or his order e.g pay Esther or her order.
- (b) A debtor commits an act of bankruptcy in any of the following ways:
- (i) If a creditor obtains a final judgment against him;
 - (ii) If execution against him has been levied;
 - (iii) If he files in the Court a declaration of his inability to pay his debts;
 - (iv) If he suspends the payment of his debts to any of his creditors;
 - (v) If he is under credit agreement with his creditors and a bankruptcy petition has been filed against him;

PATHFINDER

- (vi) If the aggregate amount he owed his creditors is more than ₦2,000; or
 - (vii) If, with intent to defeat claims of his creditors he left his house or departed from Nigeria.
- (c) Ade has the discretion to invest in any of the following securities authorised by section 3 of the Trustee Investments Act:
- (i) All securities created or issued by or on behalf of the Government of the Federation;
 - (ii) Securities created or issued by or on behalf of the President by notice in the Federal Gazette to be securities to which the Trustee Investments Act applies;
 - (iii) Securities declared by the President in the Federal Gazette to be those to which this Act applies, being securities of companies or corporations directly under an Act or Law; and
 - (iv) Debentures and fully paid-up shares of a public company quoted on the stock exchange with value of at least one million naira.

EXAMINERS' REPORT

The question tests candidates' understanding of the various types of Bills, actions that translate to Bankruptcy and the investments that a Trustee is authorised to make by law.

Performance was poor. More than 70% of the candidates scored less than 50% of the allocated marks.

Their commonest pitfall was inadequate understanding of the three segments of the question.

Candidates are advised to cover more of this section of the syllabus, using recommended text books and the Institute's Pathfinders.