

**THE INSTITUTE OF CHARTERED ACCOUNTANTS OF NIGERIA****PROFESSIONAL LEVEL EXAMINATION – MARCH/JULY 2020****CASE STUDY****EXAMINATION INSTRUCTIONS**

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

1. Check your pockets, purse, mathematical set, etc. to ensure that you do not have prohibited items such as telephone handset, electronic storage device or any form of written material on you in the examination hall. You will be stopped from continuing with the examination and liable to further disciplinary actions including cancellation of examination result if caught.
2. Write your **EXAMINATION NUMBER** in the space provided above.
3. Do **NOT** write anything on your question paper **EXCEPT** your examination number.
4. Do **NOT** write anything on your docket.
5. Read all instructions in each section of the question paper carefully before answering the questions.
6. Do **NOT** answer more than the number of questions required in each section, otherwise, you will be penalised.
7. All solutions should be written in **BLUE** or **BLACK INK**. Any solution written in **PENCIL** or **RED INK** will not be marked.
8. All solutions **MUST BE** on the **CASE STUDY** answer booklet.

**THURSDAY, SEPTEMBER 17, 2020**

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

**THE INSTITUTE OF CHARTERED ACCOUNTANTS OF NIGERIA  
PROFESSIONAL LEVEL EXAMINATION – MARCH/JULY 2020**

**CASE STUDY**

**Time Allowed: 4 hours (including reading time)**

**INSTRUCTION: YOU ARE TO USE THE CASE STUDY ANSWER BOOKLET FOR THIS PAPER**

This case material is issued prior to the examination to enable candidates familiarise themselves with the case scenario and to undertake any research and analysis as necessary. This pre-seen part of the Case Study examination was published on the Institute's website: [www.ican.org/students](http://www.ican.org/students).

Candidates **MUST NOT** bring this case material to the Examination Hall. On receipt of the material, candidates are to spend few days to the examination to familiarise themselves with the information provided, carry out additional research and analysis about the industry and analyse the financials provided in preparation for the examination. Candidates should note that the use of pre-seen part of the Case Study will not significantly help them in their preparation for this examination. It is essential that they carry out sufficient study and analysis on their own in order to have a good understanding of the pre-seen part of the case scenario.

At the start of the examination, candidates will receive the complete case scenario which will include both the pre-seen and the unseen which includes the requirements. Candidates must use the answer booklet provided by ICAN in the Examination Hall. Any solution presented with other papers **WILL NOT** be marked.

**Assessment of the Case Study**

The marks in the Case Study examination are awarded for professional skills and are approximately allocated as follows:

- |  |     |
|--|-----|
| ▶ Assimilating and using information                     | 20% |
| ▶ Structuring problems and solutions                     | 20% |
| ▶ Applying judgement                                     | 20% |
| ▶ Drawing conclusions and making recommendations         | 20% |
| ▶ Demonstrating integrative and multidisciplinary skills | 10% |
| ▶ Presenting appropriate appendices                      | 10% |

Of the total marks available, approximate 10% for the relevant discussion of ethical issues within your answer to the requirements. Although ethical issues do not form a specific requirement, as this has been deemed to have been tested in other subjects of the professional examination, but will be tested within a requirement which may include the following areas:

- ▶ Lack of professional independence or objectivity;
- ▶ Conflicts of interest among stakeholders;
- ▶ Doubtful accounting and/or creative accounting practice;
- ▶ Unethical business/commercial practice; and
- ▶ Inappropriate pressure to achieve a reported result.

Candidates should note that marks are not awarded for just simply restating facts from the case scenario but marks are awarded for demonstrating professional skills and technical depth. Therefore, to succeed, candidates are required to:

- ▶ Show sufficient evidence of knowledge of the case scenario;
- ▶ Be able to carry out appropriate analysis of the issues involved and suggest feasible solutions to the problems identified;
- ▶ Demonstrate ability to make informed judgement on the basis of analysis carried out; and
- ▶ Generate reasoned conclusions upon which relevant recommendations are made.

Candidate that omits any one of these will have a slim chance of success in the examination.

## **March/July 2020 Case Study:**

### **List of exhibits**

- 1 About you (John Adepoju) and your employer, Chartered Institute of Business Advisors (CIBA)
- 2 Chartered Institute of Business Advisors (CIBA)
- 3 Chartered Institute of Business Advisors' (CIBA's) 4- year financial summary
- 4 Request from management of Dalop University's Business School (DUBS)
- 5 Extract from the 21<sup>st</sup> President's acceptance speech

## **Exhibit 1**

### **About you (John Adepoju) and your employer, Chartered Institute of Business Advisors (CIBA)**

You are John Adepoju, a final-year trainee Chartered Accountant working as Manager - Finance at the secretariat of the Chartered Institute of Business Advisors (CIBA). You report to Frank Eboka, the Finance and Accounts Director of the Institute.

Your responsibilities include:

- Preparing detailed financial analyses and reports on the performance of the Institute's revenue streams;
- Preparation of the Institute's annual budget and the monthly report on the Institute's budgetary performance;
- Assessing operational and strategic business opportunities to see how each aligns with the Institute's mission, its impact on business and professional risks;
- Assessing the Institute's financial and business forecast together with the assumptions upon which they are based to form judgements and recommendations to the council; and
- Drafting reports for the Finance and Accounts director to be submitted to the council on the result of the Institute's financial, operational and strategic business analysis you have carried out.

Your responsibilities demand that you keep yourself abreast with the profession, both nationally and internationally, so as to be able to carry out the above tasks effectively.

## **Exhibit 2**

### **Chartered Institute of Business Advisors (CIBA)**

The Chartered Institute of Business Advisors was set up in 1979 by a group of consultants that specialise in business advisory services. The need for the Institute arose from the perceived benefits of having a body to regulate the practice of business advisory services in Nigeria. The Institute was first registered as a company limited by guarantee in 1979 but later received a government charter in 1985 and is saddled with the responsibility of regulating business advisory services in Nigeria.

#### **Vision**

To take business advisory services in Nigeria to a world - class level.

#### **Mission statement**

To produce world-class business advisors, regulate and continually enhance high ethical standards and technical competence in business advisory services.

#### **Council and management**

The Institute is run by a Council of 20 members who are drawn from members of the Institute with proven records of high – level business advisory services in the public and private sector of the country. Each council member is elected by members of the Institute and they are to serve for a period of four years. They have opportunity to re-contest after the expiration of their terms, however, a council member cannot serve more than a period of 16 years, i.e. four terms.

The most senior member of the council is usually appointed as the president of the Institute and has a term of two years. The president has no executive power, as he/she is just a ceremonial president. All the activities of the Institute are run on the basis of committees. The committees are made up of members of the Institute and do not receive any remuneration for their services, other than transport and incidental expenses. The secretariat of the Institute is run by appointed career officers and it is headed by a Registrar/Chief Executive officer. The secretariat is structured along the following departments:

- Finance and Accounts;
- Technical and Business Research;

- Membership/Student Affairs;
- Examination;
- Information, Communication and Technology (ICT);
- Support Services (Administration, Marketing, Secretarial/Legal services and Corporate communication).

The current management staff of the Institute are:

- |  |                     |
|--|---------------------|
| • Registrar/Chief Executive                  | Dr. Daniel Ighodalo |
| • Director – Technical and business research | Dr. Tayo Adedun     |
| • Director – Examination                     | Dr. Yaya Garuba     |
| • Director – Finance and accounts            | Frank Eboka         |
| • Director – Support services                | Josephine Duru      |
| • HOD – Membership/students affairs          | Thomas Okechukwu    |
| • Head ICT                                   | Oluwole Adetoro     |

## **Membership**

The membership of the Institute is through two routes, as follows:

a. **Direct membership:**

- A qualified professional in any of the business areas, such as accountancy, insurance, taxation, management or finance are admitted as a member of the Institute, provided they have acquired five years cognate experience in business advisory services, working in a recognised consulting firms; and
- A person with at least a Master's degree in any of the business courses, such as accounting, finance, insurance, marketing, business administration, management, taxation and allied discipline.

b. **Membership through examination:**

A graduate of any discipline that wants to go into business advisory services will have to take and pass examination in twelve subjects arranged under three levels, Preliminary; Technical and Professional, each with four subjects.

## Other programmes

Apart from its examinations, the Institute normally run three other programmes. These are:

- **Members' Continuing Education (MCE):** This is a programme aimed at improving members' technical knowledge and ensure members are up to date in the profession and could cope with the global challenges of business advisory. The programmes are run throughout the year and are normally on various areas of interest. Members are free to enrol for any of the programmes during the year. As part of their continuing membership that are expected to have attended at least three of such programmes in any particular year.
- **Academy for Business Advisors (ABA):** This programme is directed at young graduates who are presently working in consulting firms or are generally interested in business consulting. The purpose of the academy is to equip these young graduates with the rudiments of business advisory. It will assist them to perform better in their various offices. Also, people working in organisations who are required to provide technical advice to other executives in their organisations will benefit from the programme of the academy. The academy usually runs three short programmes of three months each year. A certificate is issued to participants after successfully completing the programme and passing a written examination.
- **Business Seminars for Corporate Organisations (BSCO):** These are special seminars organised for business entities on request. The seminar could be an in-house facility in the organisation or at the secretariat of the Institute, depending on the preference of the business entities.

## Revenue streams

The Institute derives its revenues from the following streams:

- Members subscriptions
- Examinations fees
- Members' Continuing Education (MCE)
- Academy for Business Advisors (ABA)
- Business Seminars for Corporate Organisations (BSCO)



## **Development in the country**

The country recently experienced a rare plague that causes strange sickness that has no known cure. This plague made the government to restrict social, business, educational and religious gatherings. This restriction has affected all sectors of the economy, including the educational sector. As a result, the Institute has not been able to conduct its examinations this year, which usually comes up twice in a year, March and September. Furthermore, the Institute has not been able to run all its other programmes.

### Exhibit 3

**Chartered Institute of Business Advisors (CIBA)**  
**Financial statements summary**  
**Year ended: 31 December**

	<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>
	<b>₦million</b>	<b>₦million</b>	<b>₦million</b>	<b>₦million</b>
<b>Statement of financial position</b>				
<b>Assets</b>				
Property, plant and equipment	202.1	200.5	208.0	214.9
Intangible assets	1.4	0.2	-	-
Available for sale financial assets	<u>3.7</u>	<u>4.9</u>	<u>3.6</u>	<u>3.2</u>
	<u>207.2</u>	<u>205.6</u>	<u>211.6</u>	<u>218.1</u>
<b>Current assets</b>				
Inventories	5.6	6.4	4.4	3.5
Receivables	12.1	14.4	11.5	9.3
Prepayments	5.5	1.3	1.5	1.9
Financial assets held to maturity	234.9	43.8	18.8	-
Cash and cash equivalents	<u>11.9</u>	<u>13.5</u>	<u>10.5</u>	<u>45.9</u>
	<u>270.0</u>	<u>79.4</u>	<u>46.7</u>	<u>60.6</u>
<b>Total assets</b>	<b><u>477.2</u></b>	<b><u>285.0</u></b>	<b><u>258.3</u></b>	<b><u>278.7</u></b>
<b>Funds and reserves</b>				
Accumulated fund	381.4	220.4	185.4	219.4
Building fund	41.3	30.5	23.2	10.4
Other funds	31.0	16.7	35.9	16.7
Fair value reserves	<u>0.9</u>	<u>2.1</u>	<u>0.8</u>	<u>0.5</u>
<b>Total funds and reserves</b>	<b><u>454.6</u></b>	<b><u>269.7</u></b>	<b><u>245.3</u></b>	<b><u>247.0</u></b>
<b>Current liabilities</b>				
Payables	9.3	3.4	4.1	8.7
Other payables	1.0	4.1	3.5	7.1
Deferred income	12.3	7.8	5.4	15.9
	<u>22.6</u>	<u>15.3</u>	<u>13.0</u>	<u>31.7</u>
<b>Total funds, reserves &amp; liabilities</b>	<b><u>477.2</u></b>	<b><u>285.0</u></b>	<b><u>258.3</u></b>	<b><u>278.7</u></b>

	2018	2017	2016	2015
	₦million	₦million	₦million	₦million
<b>Statement of income &amp; expenditure and other comprehensive income</b>				
Fees and subscriptions	677	419	462	476
Self – financing programmes	606	432	404	475
Publications	32	20	37	9
Investment income	47	71	5	14
Other income	63	56	71	53
<b>Total income</b>	<b>1,425</b>	<b>998</b>	<b>979</b>	<b>1,027</b>
<b>Expenditure</b>				
Personnel cost	303	282	270	287
Affiliations' costs	24	23	28	15
Administrative expenses	581	464	469	443
Depreciation & amortisation	131	125	117	91
Impairment charges	213	82	132	142
<b>Total expenditure</b>	<b>1,252</b>	<b>976</b>	<b>1016</b>	<b>978</b>
<b>Operating surplus/deficit for the year</b>	<b>173</b>	<b>22</b>	<b>(37)</b>	<b>49</b>
<b>Other comprehensive income</b>				
Items that may be reclassified to income and expenditure				
Changes in financial assets at fair value through other comprehensive income	(12)	13	3	(10)
<b>Total comprehensive surplus/deficit for the year</b>	<b>161</b>	<b>35</b>	<b>(34)</b>	<b>39</b>

## **Exhibit 4**

### **Request from management of Dalop University's Business School**

Thank you for the meeting we had at your secretariat yesterday in respect of the above.

This correspondence is to reinforce our discussions during the meeting. Dalop University is interested in contracting the running of its business school to your institute for a period of five years. During this period, we expect that the school would have been on its footing and could run on its own as an arm of the university.

As discussed, your institute will be responsible for providing tuition materials and faculty members, while the university will provide all other infrastructural facilities and administrative set up for the school.

The school will be run online during the period and intends to continue to run online after the expiration of the contract period. You will be responsible for designing and installing the online platform on which the school will run during the contract period, as we could not accommodate the school's programmes on the current platform the university is using for its mainstream students.

The following courses are programmed to run during the contract period:

- Master of Business Administration, specialising in General Management, Finance and Accounts Management, Marketing Management, Human Resources Management and Supply Chain Management;
- Master of Science degree in Accounting, Management, Taxation and Fiscal Policy, Insurance and Business Administration; and
- Bachelor of Science degree programmes in Accounting, Finance, Insurance, Business Administration, Management and Taxation.

It is agreed that the tuition fees payable by the students of the school will be shared in the ratio 4:6 between the University and the Institute.

We have obtained the required approval from the National University Commission, the regulatory body for universities in Nigeria.

I look forward to your final decision on this.

Thank you.

Thompson Jones

Registrar

## **Exhibit 5**

### **Extract from the 21<sup>st</sup> President's acceptance speech**

As I agreed to take the mantle of leadership of this great Institute, as its 21<sup>st</sup> President, it is my intention to take the Institute to a higher height within the two years of my presidency. Specifically, I intend to achieve the following milestones:

- Take the Institute to a level where it can compete effectively with all similar global Institutes;
- Grow the Institute's financial indicators by 25 % from its current level;
- Achieve a 25% increase in its membership, for students, associates and fellows of the Institute;
- Collaborate with fellow professional bodies in the country to enhance professional practice; and
- Collaborate with similar institutes in the continent so as to establish a continental body for business advisors.