



INSTITUTE OF CHARTERED ACCOUNTANTS OF NIGERIA

ICAN PROFESSIONAL – CORPORATE REPORTING

END OF DIET MOCK EXAMINATION QUESTION FOR NOVEMBER, 2025 DIET

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QUESTION 1:

The following statements of financial position are as at 31 March 20X9:

	Paisley	Tartan	Check
	Nm	Nm	Nm
Assets			
Tangible non-current assets	1,280	440	280
Investment in Tartan	413		
Investment in Check	60		
Current assets	531	190	130
Total assets	2,284	630	410
Equity and liabilities			
Share capital of ₦1	800	240	200
Share premium	150	20	30
Revaluation reserve	90		
Retained earnings	390	210	94



Total equity	1,430	470	324
Non-current liabilities	640	30	16
Current liabilities	214	130	70
Total equity and liabilities	2,284	630	410

Paisley acquired the following shareholdings in Tartan and Check.

		Fair value		
	Date of acquisition	Holding acquired	of net assets Nm	Purchase consideration Nm
Tartan	1 April 20X6	30%	325	120
	1 April 20X8	50%	460	260
Check	1 April 20X8	25%	200	60

You are also provided with the following information which will be relevant to the consolidated financial statements of Paisley.

- (1) None of the companies have issued any additional share capital since 1 April 20X6.
- (2) The financial statements of Paisley have not yet been adjusted for the gain or loss arising on gaining control of Tartan.
- (3) At 1 April 20X6, the carrying value of the net assets of Tartan was the same as their fair value, N325 million.
- (4) Paisley wishes to use the full fair value method of accounting for the acquisition of Tartan, and at 1 April



20X8 the estimated value of goodwill attributable to non-controlling interests was ₦3 million. The estimated fair value of the initial investment in 30% of the shares of Tartan was ₦150 million at 31 March 20X8.

- (5) Included in the tangible non-current assets of Tartan is land valued at cost which on 1 April 20X8 had a fair value of ₦25 million in excess of its carrying value. There has been no subsequent significant change in that value.
- (6) At 1 April 20X7 the fair value of Check's land was ₦16 million in excess of its carrying value. There has been no subsequent significant change in that value.
- (7) Goodwill arising on acquisition is tested for impairment at each year end. At 31 March 20X9 an impairment loss of ₦15 million was recognised for Tartan.
- (8) There has been no impairment of the investment in Check.
- (9) During the year the directors of Paisley decided to form a defined benefit pension scheme for its employees. The company contributed cash to it of ₦250 million but the only accounting entry for this has been to include it in receivables at 31 March 20X9.
- (10) At 31 March 20X9 the following details relate to the pension scheme:

₦m

Present value of obligation	317
Fair value of plan assets	302
Current service cost	276
Interest cost on pension scheme liabilities	41
Expected return on pension scheme assets	26

In the consolidated financial statements the directors wish to recognise any actuarial gain or loss immediately.

Required

- (a) Prepare the consolidated statement of financial position of the Paisley group as at 31 March 20X9.
(30 marks)



- (b) Explain why IFRS has been adopted for use in so many jurisdictions across the world. **(7 marks)**
- (c) What three factors must exist in order for an investor to control an investee according to the guidance set out in IFRS 10 *Consolidated financial statements*? **(3 marks)**

(Total: 40 marks)



QUESTION 2:

Waters plc acquired the following financial assets and liabilities in 20X9.

- 1 On 1 September, Waters acquired 2,000 ₦100 nominal units of 7% treasury stock 20Y5 for ₦104.10 per unit. The gross redemption yield at the date of purchase was 6.30%. Waters does not intend to hold the treasury stock until maturity, as the cash may be required in the meantime. Interest is paid annually in arrears.
- 2 Waters buys and sells goods in Constantia, a country whose currency is the Prif (PR). On 3 December Waters enters into a futures contract to sell PR500,000 on 30 April 20Y0 at an agreed price of PR1.98/₦1. This contract is not part of a designated hedge. The cost of entering into the contract was ₦750.
- 3 On 5 February Waters acquired 250,000 ordinary shares in Gilmour plc at ₦4.85 per share incurring ₦35,000 attributable transaction costs.
- 4 On 1 July Waters sells goods to Mason for ₦500,000 on interest free credit payable 30 June 20Y0. The imputed rate of interest is 11%.
- 5 On 30 April Waters acquired 1,000 ₦100 nominal units of 8.5% treasury stock 20Y1 at ₦107.10 per unit. The gross redemption yield is 5.9%. Waters intends to hold the investment to maturity. Interest is paid annually in arrears.
- 6 On 26 December Waters purchased ₦25,000 of quoted company loan notes. This asset has been designated as being held for short-term trading purposes.
- 7 On 24 December Waters sold 10,000 shares 'short' in Wright plc for ₦3.60 each, hoping that the share price would fall so that it could clear its position by buying the shares in January 20Y0 at a lower price. (This means that it sold 10,000 shares without actually owning them).
On 31 December 20X9, the values are as follows:
 - 1 ₦100 nominal units of 7% treasury stock 2020 are trading at ₦98.07 per unit at 31 December 20X9. The gross redemption yield at that date is 7.3%.



- 2 The futures rate for a Prif contract with a delivery date of 30 April 20Y0 is PR1.99/£1.
- 3 The shares in Gilmour are now trading at £5.20 – £5.25 per share, having an average of £5.05 during the year. Disposal costs would be 2% of the sale proceeds.
- 4 Amounts receivable from Mason remain outstanding at the reporting date. The imputed interest rate for current sales is 12%.
- 5 The 8.5% treasury stock 20Y1 is now trading at £101.50 per unit and the gross redemption yield is currently quoted at 7.48%.
- 6 The loan notes are now worth £25,500 due to the market being more confident that the interest will be paid in full and on time.
- 7 Shares in Wright plc are now trading at £3.30 each.

Required

Explain and calculate the impact of the above transactions on the financial statements of Waters plc for the year ended 31 December 20X9. *(20 marks)*



QUESTION 3:

Calabar Energy Limited, a public limited company has a reputation for ensuring the preservation of the environment in its business activities.

The directors of Calabar Energy Limited have heard that their main competitors are applying the 'Global Reporting Initiative' (GRI) in an effort to develop a worldwide format for corporate environmental reporting. However, the directors are unsure as to what this initiative actually means. Also, they require advice as to the nature of any legislation or standards relating to environmental reporting, as they are worried that any environmental report produced by the company may not be of sufficient quality and may detract and not enhance their image if the report does not comply with recognised standards.

Further the directors have collected information in respect of a series of events which they consider to be important and worthy of note in the environmental report but are not sure as to how they would be incorporated in the environmental report or whether they should be included in the financial statements.

The events are as follows.

- (a) Calabar Energy Limited is a company that pipes gas from offshore gas installations to major consumers. The company purchased its main competitor during the year and found that there were environmental liabilities arising out of the restoration of many miles of farmland that had been affected by the laying of a pipeline. There was no legal obligation to carry out the work but the company felt that there would be a cost of around ₦150 million if the farmland was to be restored.
- (b) The company produced statistics that measure their improvement in the handling of emissions of gases which may have an impact on the environment. The statistics deal with:
 - (i) Measurement of the release of gases with the potential to form acid rain. The emissions have been reduced by 84% over five years due to the closure of old plants.
 - (ii) Measurement of emissions of substances potentially hazardous to human health. The



emissions are down by 51% on 20W8 levels.

- (iii) Measurement of emissions to water that removes dissolved oxygen and substances that may have an adverse effect on aquatic life. Accurate measurement of these emissions is not possible but the company is planning to spend ₦70 million on research in this area.
- (c) The company tries to reduce the environmental impacts associated with the siting and construction of its gas installations. This is done in the way that minimises the impact on wild life and human beings. Additionally when the installations are at the end of their life, they are dismantled and are not sunk into the sea.

Required

- (a) Discuss the current reporting requirements and guidelines relating to environmental reporting. *(9 marks)*
 - (b) Explain the nature of any disclosure (if any) which would be required in an environmental report and/or the financial statements for the above events. *(6 marks)*
 - (c) Explain the role of the Sustainability Accounting Standards Board (SASB) and how their standards might improve Calabar's environmental reporting. *(5 marks)*
- (Total: 20 marks)*



QUESTION4:

Division X is an African division of a European holding company. It operates in a regime where IFRS is the norm but as a wholly owned division it has not been required to file financial statements but does have to complete a periodic accounting package to provide accounting information to its parent.

Division X is now subject to a management buy-out. The director owners intend to establish the division as a limited company and as such it will become subject to IFRS.

Division X partly finances its land and buildings and motor vehicles using leases. The information supplied to the European owner has not been based on IFRS 16. Instead the European owners required that the package simply showed lease rentals as an expense.

Statement of profit or loss for the year ending 31 December 20X9

	\$m
Revenue	580
Profit on ordinary activities before taxation	88
Taxation on profit on ordinary activities	(30)
Profit on ordinary activities after taxation	58

Statement of financial position as at 31 December 20X9

Non-current assets	200
Net current assets	170



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	370
Share capital	200
Accumulated profits	120
	320
Non-current liabilities (interest free loan from holding company)	50
	370

Notes

Lease rentals for the year – paid 31 December 20X9:

	\$m
Land and buildings	30
Motor vehicles	10

Future lease payments payable on 31 December each year are as follows:

Year	Land and Buildings	Motor Vehicle
	gs	s
	\$	\$
	m	m



31 December 20Y0	28	9
31 December 20Y1	25	8
31 December 20Y2	20	7
Thereafter	500	–
Total future lease payments	573	24

The company is concerned about the potential impact that applying IFRS 16 will have on its profitability and its key financial ratios.

The directors, for the purpose of determining the impact of the transition to IFRS, have decided to value current and future lease rentals at their present value.

The appropriate interest rate for discounting cash flows to present value is 5% and the current average remaining lease life for lease rentals after 31 December 20Y2 is deemed to be 10 years.

Depreciation on land and buildings is 5% per annum and on motor vehicles is 25% per annum with a full year's charge in the year of acquisition. The rate of income tax is 30%.

Assume that lease payments are allowable for taxation purposes and that capitalised leases attract tax relief in respect of finance costs and depreciation of the lease. Also assume that the lease agreements commenced on 31 December 20X9.

Required

- (a) Show the effect on the statement of profit or loss for the year ending 31 December 20X9 and the Statement of financial position as at 31 December 20X9 of Division X capitalising the leases in accordance with IFRS 16;

(12 marks)

- (b) Discuss the specific impact on the key performance ratios and the general business impact of Division X the leases in accordance with IFRS 16. *(8 marks)*

(Total: 20 marks)



QUESTION5:

Sekibo Plc has carried out the certain transactions denominated in foreign currency during its financial year ended 31 October 20X9 and has also conducted foreign operations through a foreign entity. Its functional and presentation currency is the dollar.

The foreign currency activities are summarised below.

- (1) Sekibo Plc has a 100%-owned foreign subsidiary, Cloud, which was formed on 1 November 20X7 with a share capital of 200 million dinars. The cost of the investment has been recorded as 200 million dinars. The total equity of Cloud as at 31 October 20X8 was 280 million dinars and 31 October 20X9 was 320 million dinars. Cloud has not paid any dividends. The only equity reserve in its statement of financial position is its retained earnings reserve. The subsidiary was sold on 31 October 20X9 for 390 million dinars.

Sekibo Plc would like to know how to treat the sale of the subsidiary in the parent company accounts and the group accounts for the year ended 31 October 20X9. **(10 marks)**

- (2) On 31 July 20X9 Sekibo Plc purchased goods from a foreign supplier for 16 million dinars. At 31 October 20X9, the supplier had not yet been paid and the goods were still held in inventory by Sekibo Plc. On 31 July Sekibo Plc sold goods to a foreign customer for 8 million dinars and it received payment for the goods in dinars on 31 October 20X9. Sekibo Plc had also purchased an investment property on 1 November 20X8 for 56 million dinars. At 31 October 20X9, the investment property had a fair value of 48 million dinars. The company uses the fair value model in accounting for investment properties.

Sekibo Plc wants advice on how to treat these transactions in the financial statements for the year ended 31 October 20X9. **(10 marks)**



Exchange rate	Dinar: N1	Average rate for year to:
1 November 20X7	1.1	
31 October 20X8	1.4	1.2
1 November 20X8	1.4	
31 July 20X9	1.6	
31 October 20X9	1.3	1.5

Required

Discuss the accounting treatment of the above transactions in accordance with the advice required by the directors.

(You should show detailed workings as well as a discussion of the accounting treatment used.) **(20 marks)**