



JUNE 2018 EXAMINATIONS

CHIEF EXAMINERS REPORTS

IN

DIPLOMA IN ACCOUNTANCY

SUBJECT: DA 1-FINANCIAL ACCOUNTING

The paper consisted of SIX (6) questions. The total candidature in the June 2018 examination diet was 317 out of which 165 candidates passed representing a pass rate of 52.1%.

Analysis of Questions:

QUESTION ONE

This was compulsory question comprising of ten (10) multiple questions. Most candidates got above 10 marks.

QUESTION TWO

The question was on partnership.

- i. Candidates were required to prepare statement of profit or loss and most performed very well.
- ii. Appropriation account, here equally they performed well.
- iii. The partnership current accounts was also well answered by most candidates

QUESTION THREE

- a) Required candidates to explain the uses of any four (4) books of prime entry and most candidates performed very well.
- b) i) Required candidates to prepare revised cash book and most candidates performed well.
ii) Required candidates to prepare bank reconciliation statement starting with the balance as per revised cash book and most candidates performed above average.

QUESTION FOUR

- a) Required candidates to explain any five advantages of converting a business from a sole trader to a private limited company and performance was not very well as many candidates explained the differences between a sole trader and private limited company instead of explaining advantages.
- b) Required candidates to state five advantages of computerized accounting packages and most candidates performed well.
- c) Required candidates to list five disadvantages of computerized accounting packages and only a few candidates managed to score the maximum marks.

QUESTION FIVE

- a) i) Required candidates to prepare statement of profit or loss and most candidates performed well.
ii) Required candidates to prepare statement of financial position and most candidates managed to score maximum marks.
- b) i) Required candidates to prepare the equipment account and the performance were bad.

ii) Required candidates to prepare allowance for depreciation on equipment and the performance were equally bad.

QUESTION SIX

This question was on incomplete records and very few candidates attempted it.

- a) Required candidates to prepare a computation of total purchases and most candidates performed poorly.
- b) i) Required candidates to prepare statement of profit or loss and most candidates managed to score above average.
ii) Required candidates to prepare a computation of opening capital amount and most candidates performed well.
iii) Required candidates to prepare statement of financial position and most candidates performed well.

Overall performance of candidates

| | |
|--------------------------------------|-------|
| Highest mark obtained in this paper: | 83% |
| Lowest mark obtained in this paper: | 11% |
| The average score in this paper: | 47.7% |

SUBJECT: DA 2-QUANTITATIVE ANALYSIS

The paper consisted of SIX (6) questions. The first question was ten (10) compulsory multiple choice. The total candidature in the June 2018 examination diet was 368 out of which 184 candidates passed representing a pass rate of 50%.

Analysis of Questions:

QUESTION ONE

This was a multiple choice question covering the entire syllabus. Candidates were required to answer questions that required both solving and interpreting results. The general performance on this question was good with an average mark of 10 out of the total marks of 20 in this section.

QUESTION TWO

This was one of the optional questions. It was observed that 90% of candidates attempted this question. The average mark was 8 out of 20. The question was divided into four parts:

- a) This question required the candidates to calculate the present value of using the simple interest method. Few candidates managed to get the correct answer due to mis-understanding on the formula to use.
- b) Part (b) required candidates to find the present value using the compounding interest method. It was observed that candidates (up to 50%) managed to solve the question correctly. The candidates who failed used wrong formulas and failed to convert annual compounding to monthly.
- c) Part (C) involved discrete probability results in a table and required candidates to summarise the data into the mean and standard deviation. Most of the candidates correctly solved the question.
- d) Part (D) required candidates to use the binomial distribution to solve given problems. Majority of candidates were able to identify the correct probability distribution and the correct formula. The major challenge observed was wrong final answers due to addition of more or less number of values of random numbers than the question required.

QUESTION THREE

Part (a) of this question required candidates to find the mean and variance of grouped data. It was observed that around 60% of candidates attempted this question and the general performance was poor with an average of 6 out 20 marks.

Part (b) applied business mathematics requiring candidates to the age of a machine at which it would be required to be replaced and also the yearly cost of owning and operating the machine. Most candidates failed to find the correct answers to this question hence it significantly contributed to the poor general performance in the question.

QUESTION FOUR

This question was divided into two parts, compound interest calculation and summarizing grouped data. The general performance in this question was 10 out of 20 marks.

Part (a) required candidates to use the given grouped data to calculate average, standard deviation and the median. Candidates were able to calculate the required values which greatly contributed to the good average performance in this question.

Part (b) required candidates to use the method of compound interest to find the future value given present value and percentage and years. Few candidates correctly solved this question due to use of wrong formula.

QUESTION FIVE

Few candidates (40%) attempted this question. It was observed that most candidates performed very well with an average performance of 12 out of 20 marks.

The first part of the question required candidates to use the method of net present values (NPV) to find the most profitable project between the Banana and Orange project. Most candidates were able to calculate and found the most profitable project (the orange project)

Part (b) of the question required candidates to summarize data given as depreciation value (y) and depreciation (x) then find the correlation coefficient. There was a good performance in this question contributing greatly to the good average performance in the whole question.

QUESTION SIX

This was the least attempted question with only 30% of candidates attempting the question. The general performance was 8 marks out of 20 marks.

In part (a) candidates were supposed to use the Bayes probability method to find the required probability. Only few candidates solved the question correctly with most errors coming from use of wrong probability formulas.

Part (b) required candidates to use random numbers to simulate the sale values for seven days. Most candidates managed to simulate the sale values but could not indicate the final results as amount (value) in; thousand kwacha hence losing much of the marks.

Overall performance of candidates

| | |
|--------------------------------------|-------|
| Highest mark obtained in this paper: | 88% |
| Lowest mark obtained in this paper: | 6% |
| The average score in this paper: | 46.3% |

SUBJECT: DA 3-BUSINESS ECONOMICS

The paper consisted of SEVEN (7) questions. The first question was ten (10) compulsory multiple choice. The first part of section (B) had three questions on Microeconomics while the second part had three questions on Macroeconomics. The total candidature in the June 2018 examination diet was 285 out of which 126 candidates passed representing a pass rate of 44.2%.

Analysis of Questions:

QUESTION ONE

This was a compulsory multiple choice question. It was divided into 10 questions each carrying 2 marks. All candidates attempted this question. The question covered the entire DA 3 syllabus. The performance was fair though at extreme some candidates got 0. Such candidates overall performance even in the other questions was poor.

QUESTION TWO

This question was divided into three parts namely (a), (b) and (c). Part (a) tested candidates' understanding on the difference between movement along a demand curve (iii) and a shift in a demand curve (i) and (ii) with respect to demand for air transportation. Good candidates scored well here while weak candidates could not answer the question as required.

Part (b) tested candidates understanding of short run and long run equilibrium positions for a firm operating under perfect competition. The question was poorly answered yet this is the key topic in DA 3. The graphs were very poor in general.

(c) Tested candidates' knowledge on the difference between an import quota and an import tariff. Performance was fair.

QUESTION THREE

This question tested candidates' understanding of demand and supply and elasticity of demand calculations. It was divided into three parts (a), (b) and (c).

Part (a) required candidates to outline any two factors affecting demand and any two factors affecting supply. The answers were fair.

Part (b) tested candidates on equilibrium calculations and also what effect a sales tax has on equilibrium and on total revenue. This was poorly done. No candidate got the full marks on b (ii) and b (iii).

Part (c) required candidate to calculate elasticity of demand using the elasticity of demand formula. Many candidates did not use the formula hence failed this part of the question. Surprisingly, many candidates did not know the uses of elasticity of demand calculations!

QUESTION FOUR

This question tested candidates on their understanding of costs of production and revenue curves. It was divided into four parts:

Part (a) required candidates to define Marginal Revenue. Weak candidates even included Marginal Cost in the definition!

Part (b) required candidates to determine the output and price where the firm would maximize profits. Logically, to answer this question one has to calculate MR and MC for each unit. Once this is done then the candidate can state the condition $MR = MC$ and pick required output and price. Well prepared candidates performed well here but weak candidates did not do well as they failed to calculate MR and Mc.

Part (c) simply required picking the maximum profit

Part (d) required candidates to explain the relationship between MC and ATC using a graph. The graphs were very disappointing as well as the explanation that followed. 'Candidates are urged to pay particular attention to this topic.' Performance was poor on this part.

QUESTION FIVE

This question was divided into three parts:

Part (a) required candidates to describe three roles or functions of financial intermediaries in the economy. Good candidates did very well here but weak candidates kept on repeating the same point and could not be awarded any further marks.

Part (b) required candidates to distinguish government deficit from government debt. Weak candidates mistook government deficit to mean Balance of Payment deficit. Further, government debt was defined as money the government owes external parties like the IMF!

Part (c) required candidates to demonstrate understanding of equilibrium income and the Aggregate demand function. This question was very popular possibly because it was examined in the exact manner and marks in December 2017 paper. Despite this over performance was not very impressive. Some weak candidates failed their algebra along the way. Good candidates performed very well here.

QUESTION SIX

This question required candidates to demonstrate understanding of inflation and unemployment.

Part (a) required candidates to describe any two consequences of inflation and any two for deflation. To answer the question, candidates needed to understand what inflation is and what deflation is. Performance was fair.

Part (b) required candidates to use the quantity Theory of Money equation i.e. $MV = PT$ and conclude the direct proportionality between M and P when V and T are held constant.

Part (c) required candidates to explain how monetary policy instrument of discount Rate policy, Reserves Policy and Open market Operations can be used to control inflation. Weak candidates could not bring out the monetary policy instruments and others even included fiscal policy in their answers.

Part (d) required candidates to describe any four types of unemployment. Since the types of unemployment were asked in Q 1 part 1.6 many candidates managed to list the types of unemployment but the attendant explanations were wayward.

QUESTION SEVEN

This question examined candidates on their understanding of International trade covering barriers to trade, economic integration, and exchange rates. It was divided into four parts:

Part (a) required candidates to explain any two reasons or arguments in favour of the use of barriers to trade. It is a question of any two arguments that a country can use to support the use of barriers to trade. The question was fairly answered.

Part (b) required candidates to describe the stages of economic integration given. Majority of the candidates failed terribly to describe them.

Part (c) required candidates to outline any two advantages of a fixed exchange rate regime.

Part (d) required candidates to illustrate graphically what the Bank of Zambia can do to keep the value of the kwacha low. This can be done by increasing the supply of the kwacha hence the supply curve shifts to the right.

CONCLUSION

Candidates are urged to seriously study the entire syllabus. Question spotting was implicitly assumed by the markers and indication that students fail to cover the syllabus in their preparation for the exam. The DA 3 Study Guide has all the materials that students have to use to pass the examination. Perhaps some students have never used the DA 3 Study Guide going by the answers given.

Overall performance of candidates

| | |
|--------------------------------------|-------|
| Highest mark obtained in this paper: | 78% |
| Lowest mark obtained in this paper: | 12% |
| The average score in this paper: | 42.6% |

SUBJECT: DA 4-INFORMATION TECHNOLOGY AND COMMUNICATION

The paper consisted of SEVEN (7) questions. The first question was ten (10) compulsory multiple choice. The first part of section B had three questions on Information Technology while the second part had three questions on Communication. The total candidature in the June 2018 examination diet was 277 out of which 167 candidates passed representing a pass rate of 60.3%.

The general performance on each question was well done. Most candidates generally performed very well. Most candidates were reasonably prepared for the examination as evidenced from the total grades which were good. Question one which was compulsory assisted most candidates to improve on the total grade obtained. However, most candidates did not perform very well in question four (4). The candidates who attempted question four (4) had grades below ten (10) out of 20. Candidates who did not do well failed to express themselves correctly. Most of the responses given were not correct.

Analysis of Questions:

QUESTION ONE

Question one was multiple choice where ten questions were given and candidates were required to select the best answer. Most candidates performed very well on this question. The pass rate on this question was 80%. However, there were other candidates who obtained poor grades in question one, giving a failure rate of 20%.

This was a multiple choice question and only the best answer was required. Some candidates indicated answers which were almost close to the best answer. This simply demonstrated that they did not thoroughly understand the topics on which multiple choice questions were asked.

QUESTION TWO

In question two there were three parts; part (a) required candidates to briefly explain the term accounting information system, part (b) required them to briefly explain six benefits of the computerized accounting system while part (c) required them to briefly explain the classification of computers.

The following were the common mistakes on this question:

- (a) Explanation of the accounting information system was not clear in most cases, especially with what the application is able to do
- (b) Few cases of candidates did not clearly explain the benefits of the computerized accounting information system.
- (c) Candidates had problems in the classification of computers correctly. The candidates mixed or interchanged the explanation of mainframe and super computers. On microcomputers the explanation was also not clear. The concentration was on mobile computers or desktop computers, which are not classified independently but fall under microcomputers.

QUESTION THREE

Question three required candidates to explain the meaning of a data base and its use. Part (b) required candidates to explain any (4) security threats in the information systems and the last part required them to state any four (4) advantages of using databases in an organization.

Candidates failed to provide a clear explanation on the component of expert Systems, what the fire safety takes into consideration and the definition of the term TQM. Other parts, (a, and b) were equally responses that were not clear.

QUESTION FOUR

Candidates were required to state any three (3) main business functions of the computerized accounting system in part (a) of the question. In part (b) they were required to explain how Electronic Point Of Sale (EPOS) works in practice while part (c) required candidates to briefly explain three advantages of a peer to peer network.

- (a) Candidates failed to explain how the Electronic Point of Sale (EPOS) functions. They mixed it up with the Electronic funds transfer system
- (b) Few candidates were not clear in the explanation of the advantages of a peer to peer network as well as the main business functions of the computerized accounts information systems

QUESTION FIVE

This question had two parts. Part (a); It required candidates to write a memo to a subordinate highlighting any five (5) hints/tips on how to organize meetings from a scenario that was given in the question paper.

Part (b) of the paper required candidates to explain the types of minutes

The following were common mistakes were noted:

- (a) - format such as letter and reports were presented instead of writing a Memo
 - Failure to include correct hints/tip of organising meetings in a memo
 - No tips were included at all in the memo.
 - The way some items of the agenda were explained was not clear.
 - Wrong subjects were presented in most cases
 - In some cases just wrong content was presented.
- (b) General explanations on the terms were presented which were not correct
 - Some candidates wrote about the roles of a chairperson and a secretary in a meeting.

QUESTION SIX

Question six required candidates to explain the following parts of a formal report, Introduction, procedures, findings, conclusions and recommendations.

The following were common mistakes were noted:

- Wrong content was mostly presented on this question
- Candidates mixed the different parts of a report especially on the conclusions and recommendations. Findings were mixed up with procedures.
- Generally there was lack of clarity in expressing ideas.

QUESTION SEVEN.

This question required candidates to explain with relevant examples how the three models; 6C's, KISS and PASS can work to achieve effective communication during training from a give scenario in the question paper.

The following were common mistakes were noted:

- Failure to identify the correct 6 C's, the PASS and KISS models
- Failure to provide a correct explanation on the three models of effective communication
- Other wards such as coordination, communication, cost , and many more words that start with the letter C were presented as the 6 Cs of effective communication
- Other wards such as presentation, simple and sentence and many more words that start with the letter P were presented as the PASS model of effective communication. This mistake was also the same with the KISS model

Overall performance of candidates

| | |
|--------------------------------------|-------|
| Highest mark obtained in this paper: | 79% |
| Lowest mark obtained in this paper: | 17% |
| The average score in this paper: | 49.9% |

SUBJECT: DA5- COST ACCOUNTING

The paper consisted of SIX (6) questions. The first question was ten (10) compulsory multiple choice. The total candidature in the June 2018 examination diet was 260 out of which 62 candidates passed representing a pass rate of 23.8%.

The general performance of the candidates was not satisfactory

QUESTION ONE

The questions (1.1 to 1.10) were within the confines of the syllabus.

It contained a series of compulsory objective test questions from different syllabus areas. Some questions required candidates to undertake computations whilst others were discursive in nature.

Being a compulsory, most of the candidates scored below average. Candidates must take seriously this question as easy marks might be obtained.

QUESTION TWO

This was on process costing where candidates were required to prepare a schedule of the equivalent units for process 2 in part (a), while as in Part (b) a calculation of the full cost per unit that would be used to value output in process 2 was the requirement and finally was to prepare the process 2 account. Candidates overwhelmingly attempted the question. Generally the scoring was good. There were fewer difficulties for computation of the Process Account but the computation of equivalent units seemed a challenge.

QUESTION THREE

The requirements in part (a) were discursive and these were easy marks. In part (b) Economic order quantity was examined together with the frequency of placing orders for procurement. Finally part (c) examined labour costing.

This was one of the most popular questions that students picked yet it was poorly answered as explained below.

The question was within the syllabus and it was expected that students would score well in this question as such questions have been examined in several sessions in the past.

However, it was disappointing to note that this question was not properly attempted and most students failed to calculate the economic order quantity.

Determination of the gross earnings of each employee slightly caused challenges to candidates who were ill prepared. However for those who were ready scored highly.

QUESTION FOUR

The question centred on the basic variances. It was surprising that most candidates had challenges with the basic understanding of the variances. Only very candidates managed to successfully score well. However the question was relatively manageable.

QUESTION FIVE

The question is covered the computation of accounting for overheads using Absorption and Marginal costing and some bit of discursive.

Generally, the performance was good but surprisingly was not a popular question for the candidates.

QUESTION SIX

The question was on ABC and was within the syllabus. Only few candidates attempted the question. Generally the pass mark was good.

Overall performance of candidates

| | |
|--------------------------------------|-------|
| Highest mark obtained in this paper: | 75% |
| Lowest mark obtained in this paper: | 0% |
| The average score in this paper: | 37.1% |

SUBJECT: DA 6 -BUSINESS LAW

The paper consisted of SIX (6) questions. The first question was ten (10) compulsory multiple choice. The total candidature in the June 2018 examination diet was 583 out of which 344 candidates passed representing a pass rate of 59%.

Analysis of Questions:

QUESTION ONE

This was a multiple choice compulsory and was attempted by all candidates. The performance was fairly good under this part with about 60% of the candidates scoring from 10 and above out of 20. It appears that candidates are familiar with similar multiple choice questions so as to go for the correct answers for multiple choice questions which is not easy to identify the best answer.

Prospective students must take time to study all topics in full, this section can only be dealt with by candidates who thoroughly go through topics and mastering the principles under each topic

QUESTION TWO

Most students managed to deal with the matter on damages. Roughly 80% managed to answer it correct. Students managed to pick out the contractual obligations from the scenario and the breach leading to a claim for damages.

Candidates were able to deal with the remedy of specific performance. They managed to pick out legal issues with ease.

In future, students are encouraged to deeply study these topics as they don't miss in the exam.

Details:

a) Most students managed to deal with the matter on damages. Roughly 80% managed to answer it correct. Students managed to pick out the contractual obligations from the scenario and the breach leading to a claim for damages. They managed to advise the parties in relation to the facts.

Future students are encouraged to study the topic and appreciate the principles. Almost 75 % of the students got the question correct.

Future candidates must read contractual obligations and damages in full.

b) Candidates were able to deal with the remedy of specific performance as they relate to the law of contract. The performance was about 65 % of candidates who attempted it. Students must know that a remedy is not general but must be answered in relation to what the plaintiff need or wants.

Nevertheless, they managed to pick out legal issues with ease.

Future students are advised to revise the topics and appreciate all its incidents in relation to remedies that are available in each and every type of injury or damage.

c) Almost 100 % of students got this one correct which is a sign that students appreciate the Sale of Goods as a topic and how it relates to our society today. Students are further encouraged practice a lot and exhaust the manual given for study purposes. About 50% of the students responded to the question well despite its issues.

Future students are encouraged to study harder in relation to damages.

QUESTION THREE

The question was answered by an average number of students who attempted correctly that the questions came from the law on partnership and the effects that are present in relation to the redress to be obtained herein. The question was well answered by about 80% of students.

Details:

The question was made up of two parts (A) and (B).

(a) The first part was very ok and it was testing the student's ability to identify what is needed. Most of the candidates were able to show a creation of a Partnership and how they ought to be related to company law and how each of them is created and how the procedure ought to be done. The question was well answered by about 80% of students.

Prospective students must study fully the business associations

(b) This part further was also very ok as most students were able to answer without hardships. Students did well as most of them were able to see that the question was on company law and its effect today.

In future, students are encouraged to look at how entities are and how they created

QUESTION FOUR

This scenario was well understood by most of the students as shown in the responses in the scripts. The question was based on the law of contract in relation to labour employment and how the 2 basic facts are able to be applied.

The students were able to identify the redress that can be there in the event there is a breach in the employment course.

Details:

(a) A majority of students who attempted this question on average got a fair mark under this part which is an indication that at least students had an idea.

The other group that did not do well where unable to pick the essence of the scenario which is aimed at giving them an idea of what is to be done. This question was looking at a contract of service and a contract for service.

Prospective students are encouraged to read the law of employment fully so as to answer full question like this one.

(b) This part of the question was looking at the tests that are employed at law to distinguish on several employees who are employed on whether they are under a contract of service or contract for services and how the two affect the said employee/employer when there is liability.

Most of the students were able to discuss the forms of tests that are employed to identify and employee on whether it is under contract of service or for service.

Prospective students are advised look at the difference in relation to several employees who are employed on whether they are under a contract of service or contract for services. This helps to apportion liability of the employee once such occurs.

QUESTION FIVE

Question five was relatively easy. It was made dealing with the effect of vitiating factors on a contract, and how dealing with undue influence/coercion: to prove these vitiating factors, the injured party must show that there was application of unlawful force which prevented him or her from exercising his or her free will. Candidates ought to have noticed that there

were disparities between the wrongdoer (the son) and the person threatened into agreement of mortgaging his property to the bureau, (the father).

Prospective students are encouraged to read thoroughly the scenario question and understand what is needed before they start answering.

Details

- (a) This part was dealing with the effect of vitiating factors on a contract, and how to prove these vitiating factors. The issue was to show that the injured party must show that there was application of unlawful force which prevented him or her from exercising his or her free will.

Those did not do well were supposed to notice that there were disparities between the wrongdoer (the son) and the person threatened into agreement of mortgaging his property to the bureau, (the father) whose effect was going to a vitiating factor.

- (b) This part also was dealing with undue influence/coercion and how the same affects a contract. This topic looks at how a contract that appears to be valid may be deemed not to be valid because of several factors that invalidate their validity. Many who attempted this question did not do well, perhaps due to lack of differentiating what the vitiating factors are and how they affect a contract.

Prospective Candidates are advised to study harder as contract law is the root of all contracts and is found in almost all relationships that include 2 or more parties. Students must also endeavor attend tuition at the right tuition centers and also master relevant case law from which most scenarios are structured for examinations.

QUESTION SIX

Question six was attempted by almost 90% of the candidates who sat for this paper and Candidates managed to state the position for the law, although about half of the candidates were of the opinion that there was unfair dismissal while other were of the opinion that the dismissal was justified. Nevertheless, the most important thing going forward is that candidates must take enough time to master the principles of employment law so as respond well to questions such as this.

Details:

Question six was attempted by almost 90% of the candidates who sat for this paper.

(a) Candidates managed to state the position for the law, although about half of the candidates were of the opinion that there was unfair dismissal while other were of the opinion that the dismissal was justified. Nevertheless, the most important thing going forward is that candidates must take enough time to master the principles of employment law so as to respond well to questions such as this. In most cases, such questions may attract opposing views from candidates which can still stand correct as long as they are properly supported.

Prospective students are advised to read widely and always be wise in choosing what questions to attempt in the examination room. Where one question appears to be hard or is not understood, avoid it and pick a question which you fully understand and can write on. Your ability to choose the right question

(b) This question was looking at the students' ability to identify or distinguish between summary and unlawful dismissal in relation to employment contracts. Students were being called to respond on the types or ways in which an employee can be dismissed. Out of the whole number of students who attempted this question, only half of them were able to properly distinguish between summary and unlawful dismissal.

Prospective students are advised to look at how an employment contract is made, how it terminates and how an employee can be dismissed from employment.

Overall performance of candidates

| | |
|--------------------------------------|-------|
| Highest mark obtained in this paper: | 73% |
| Lowest mark obtained in this paper: | 14% |
| The average score in this paper: | 47.1% |

SUBJECT: DA 7–PRINCIPLES OF MANAGEMENT

INTRODUCTION

This paper had two sections A and B with the total of six (6) questions. Section A (multiple choice section) was compulsory and in section B, candidates were to attempt any 4 questions.

218 candidates sat for this paper and 155 passed and 63 failed the average pass representing 71.1% pass and 28.9% fail respectively. In preparing this report input was sought from the markers in the marking panel, and their opinions are here in presented:

Analysis of Questions:

QUESTION ONE

218 candidates attempted this question. The section had 10 multiple choice questions covering the syllabus. 155 candidates got more than an average mark of 60 % representing while, 63 failed representing a 71% and 29 % fail and pass rate respectively. The syllabus coverage was sufficient.

This part was well answered

QUESTION TWO

The question was scenario based on organizations, co-operatives and management. A total of 188 candidates attempted this question and 148 passed and only 40 failed below the average pass rate representing 79% and 21% pass rate respectively. The question had two parts, and required candidates to:

- (a) Advise on the four benefits of joining the cooperative.

The question was very familiar to most of the candidates and they gave a good solutions and earned marks

- (b) Explain how relationships and motivation contributes to productivity and organizational growth

Most candidates gave good reasons. The question was fair.

QUESTION THREE

95 candidates attempted this question. Out of which only 44 passed, representing a pass rate of 46% and 51 candidates failed to answer this question, representing 54% fail rate. The question had two parts, and required candidates to:

- (a) Advise five ways managers can use to develop future leadership succession plans.

The part of the question was poorly answered as most of the candidates could not understand the question and the context of succession plan.

- (b) Explain any five factors that influence the extent of centralization and decentralization.

The question was straightforward but most candidates lost marks because they were only defining the two terms without giving the factors as the question demands.

QUESTION FOUR

181 candidates attempted this question. Out of which 139 (77%) passed while 42 (23%) failed. This question was straightforward and it had two parts. Candidates were required to:

- (a) Justify the existence of Human resource department in an organization.

Most candidates got this part of the question correct.

- (b) By citing examples, explain non-profit making organizations.

The markers views were that most candidates were able to define the NGO business but could not give appropriate examples. Most candidates gave examples of parastatals.

QUESTION FIVE

208 candidates attempted this question. Out of which 167 passed and 41 failed representing 80% pass and 20 % fail. The question was on management theories and motivation. The question had three parts, and required candidates to:

- (a) Identifying the theory Mr Bwalya uses, who is an authoritarian by using the Douglas McGregor theory X and Y

This part was well answered by most candidates.

- (b) Explain the given concepts which relates to Maslow's hierarchy of needs (Esteem needs, Self-actualization needs and Physiological needs)

The question was fair and most candidates were able to give good definitions and got full marks

- (c) List any five external triggers to organizational change.

Most students gave correct response to the question. However, some failed to understand the meaning of the question and lost marks.

QUESTION SIX

189 candidates attempted this question out of which 57 (30%) passed while 132 (70%) failed. This was a straightforward set of a questions but it paused a challenge to most of the candidates and hence the poor performance. The question had three parts, and required candidates to:

- (a) Explain the three principles suggested by Henri Fayol (Scalar chain, Unit of command and Esprit de corps).

There was a lot of confusion in terms of explaining the three management principles, especially Esprit de corps, most of the explanations were also very brief.

- (b) State any four benefits of delegation

Most candidates managed to get the full marks on this part of the question.

- (c) Outline any four characteristics of strategic decisions

Many candidates seemed not to know what strategic decisions were. They thought it was a description of the different strategies of a firm. The question was poorly answered.

Overall performance of candidates

| | |
|--------------------------------------|-----|
| Highest mark obtained in this paper: | 92% |
| Lowest mark obtained in this paper: | 4% |
| The average score in this paper: | 55% |

SUBJECT: DA 8-FINANCIAL REPORTING

This paper had two sections A and B with the total of FIVE (5) questions. Section A had two compulsory questions each worth 25 marks and in section B, candidates were to attempt any 2 questions.

425 candidates sat for this paper and 102 passed and 323 failed. The average pass representing 24.0% pass and 76% fail respectively.

Analysis of Questions:

QUESTION ONE: GROUP ACCOUNTS

General Performance

This was a well attempted question by most candidates with an average score ranging from 17 to 25 marks. Most candidates who passed the exam were able to maximize their scores from this question.

Specific performance

The question required candidates to prepare the consolidated statement of financial position from a given set of financial statements of parent, subsidiary and associate. The following comments are the observations from the June 2018 candidates' performance.

Group structure

Most candidates were able to calculate the correct percentages of shareholding by parent in both the subsidiary and associate. This attracted a mark in this sitting. A few candidates however could not calculate the required percentages.

Net assets

Improper treatment of the fair value adjustments for property plant and equipment was observed in most scripts. This adjustment relates to note one of the questions. Candidates either left out the fair value adjustment from net assets or included the full amounts given in the note which resulted in a wrong figure for goodwill.

Future candidates are reminded that depreciation or amortization on fair value adjustments ought to cover a period from date of acquisition to the reporting date.

Goodwill

Few candidates failed to properly value the cost of investment in subsidiary. This was mainly due to failure to allocate the correct share price to the shares issued by parent. Further, a handful of candidates omitted to add the fair value of non-controlling interest to the cost of investment in subsidiary.

Non- controlling interest

Most candidates who failed to use the non-controlling interest in their goodwill working failed to gain an easy mark here. Overall, this part of the question was well attempted because many candidates remembered to deduct the goodwill impairment loss from NCI.

Group retained earnings

Most candidates attempted this part of the question and the score was average. Some candidates did not care to calculate the post-acquisition profits for both subsidiary and associate.

Investment in associate

Most candidates did not remember to further restrict the unrealised profit in associate to Prism's shareholding percentage which in this case was 40%.

QUESTION TWO: SINGLE ENTITY COMPANY ACCOUNTS

General performance

The performance of candidates on this question continues to dwindle. It was mostly not well performed by most candidates except few. However, this question did not have any complicated standards as its adjustments and so it appears students were scared of the unknown.

Specific performance

Property, plant and equipment

Most candidates were able to calculate annual depreciation correctly although amounts could not be correctly allocated to cost of sales, administrative expenses and distribution costs by a reasonable number of students. Additionally, a handful of candidates failed to apply IAS 36 to calculate impairments loss on the plant and equipment and those that were able to calculate could not correctly allocate to the three cost categories in line with depreciation allocation.

Operating license

About 2 candidates out of the total that sat were able to correctly calculate amortization of the license up to the reporting date. It is important for candidates preparing for this exam to remember the nitty gritty. The license despite being acquired 1 January 2017 only became operational 1 February and so was the effective date of amortizing it.

8% loan note

Candidates should be reminded that issue costs are subtraction from nominal value before calculating effective interest and that nominal interest is based on the amount gross of issue costs. Later, effective interest gets added while nominal subtracted to arrive at carrying amount of liability. Candidates at this sitting hardly calculated correct finance cost to profit and loss and correct liability to statement of financial position.

Issue of shares

While the total value was correctly calculated, only a handful were able to separate share capital value from share premium value in the statement of changes in equity. Majority candidates took whole value to share capital hence losing the mark allocated to the separated figures.

Dividends declared

Hardly was this calculated correctly by the candidates at this sitting. The note (vi) clearly said dividends were declared at a rate given for all shares in issue at the reporting date, that is, it should have included the newly issued shares. Majority candidates calculated dividends on shares excluding the newly issued which was not right. Some did not include any dividends in SOCIE at all. Future candidates are reminded that any declaration of dividends before the reporting date is recognizable and accrued for. Hardly did any candidate accrue for their calculated dividends except including them in the statement of changes in equity.

Provision for litigation cost

The common mistake was for candidate to take to profit and loss the whole new liability instead of only the movement in provision.

QUESTION THREE: RATION ANALYSIS

The subject of the case scenario in the third question was Mango Plc which was exploring the growth strategy through acquisition of Apple Ltd and Orange Ltd. The question provided the indicative profitability, liquidity and gearing ratios.

Performance was generally good when students used the information in the case study and the exam allowed them to show their knowledge and apply it to the scenario set.

Part (a) was worth eight (8) marks and required the candidates to calculate profitability, liquidity and gearing ratios based on the financial statements and the indicative ratios. Generally this part was well answered as many candidates were able to correctly substitute in the formulae. However, a few candidates were unable to remember the formulae for the ratios and some made wrong substitutions. Furthermore, some candidates used the generic ratios rather than what was provided. This is a fundamental basic topic which is taught at

some lower level and requires candidates to use their memory to recall formulae and identify where each item sits.

Part (b) was worth twelve (12) marks and required the candidates to comment on the financial performance and financial position of the entities they were targeted for acquisition (Apple and Orange). Generally this part was not well answered as many candidates were unable to explain the likely causes and implications of the calculated figures. Many candidates were simply stating the way the numbers were and some could even make subtractions which were irrelevant because this was not one company at different time interval. Interpretation is a fundamental part of ratios and students and trainers must spend time to read beyond the obvious and give the meaning to numbers.

Part (c) was worth five (5) marks and required the candidates to explain the limitations of comparing Apple and Orange using ratios analysis and additional information provided. This part of the question was poorly answered as many candidates produced generic bookwork answers on the limitations rather than basing their answers on tax, inventory valuation methods (policies), strategy and seasonality.

QUESTION FOUR – VARIOUS STANDARDS (IAS23, IAS38, IAS17)

General Performance

Quite poor performance was recorded from this question by almost all candidates. It is sad candidates continue to perform poorly on individual accounting standards.

Specific performance

Part (a) required candidates to calculate amounts for financial statement extracts, i.e. finance cost, depreciation expense, current liability, non-current liability and carrying amount of asset as at the reporting date. Most candidates failed to recognise that this was a lease in arrears. In addition, many candidates failed to use the correct number of years in depreciating the asset in question. The concept of the shorter of lease term and useful life should be used by future candidates. As a result, carrying amount of asset, liability figures and depreciation expense could not be calculated correctly.

Part (b) of the question was on calculation of borrowing costs from a given scenario that were eligible for capitalization and ascertaining cost of asset constructed.

Most candidates failed to time apportion the interest earned on excess funds invested, a figure which was supposed to reduce the borrowing costs of the entity in question. A few candidates could not calculate interest eligible for capitalization which was a straight forward matter given the nature of the scenario. It is sad to note that this was the poorest performed part of question four (4).

Part © required candidates to break down the Research and Development expenditure into what qualified for capitalization and what was to be expensed. A reasonable number of students were able to do a correct breakdown giving their reasons for their choice correctly.

Some but very few candidates failed to extract the development expenditure of K150, 000 from the total of K500, 000 given in the question. This could have resulted from failure to read the question carefully. Most candidates scored well on this part of the question.

Most candidates scored well on the criteria for recognising a provision although cases were observed where students included contingent assets and liabilities, something which was not part of the question requirements.

QUESTION FIVE

General performance

This question was quite well attempted by those candidates who prepare for the exam theoretically other than on figuratively.

Specific performance

Part (a)

Most candidates failed to recite and explain the three elements of the statement of financial position which are assets, liabilities and equity. General answers which included explanation of the sub content of the statement of financial position did not attract marks.

In addition, most candidates who scored well here gave out all the five elements of the financial statements which of course led to time misuse.

On the fundamental qualitative characteristics of financial statements, it was disappointing to note that most candidates could not remember relevance as well as faithful representation instead they resorted to giving the common accounting concepts. A good majority also opted for any of the qualitative characteristics without regard to the fact that fundamentals are different from enhancers. Future candidates are reminded to take time to understand the nitty gritty of the theory part of the subject content.

Part (b)

Most candidates scored well on this part of the question. Minor shortcomings were observed including providing the merits of the IASB framework instead of providing the benefits of global accounting standards.

Part (C)

Most candidates scored well on this part of the question five. Those candidates who lost marks here failed to clearly communicate the benefits of accruals based on increased accountability, completeness of recorded expenses and income, full recognition of assets and liabilities to mention but a few.

Overall performance of candidates

| | |
|--------------------------------------|-------|
| Highest mark obtained in this paper: | 82% |
| Lowest mark obtained in this paper: | 2% |
| The average score in this paper: | 36.7% |

SUBJECT: DA9 -MANAGEMENT ACCOUNTING

This paper had two sections A and B with the total of FIVE (5) questions. Section A had two compulsory questions each worth 25 marks and in section B, candidates were to attempt any 2 questions.

514 candidates sat for this paper and 61 passed and 453 failed. The average pass representing 11.9% pass and 88.1% fail respectively.

Analysis of Questions:

QUESTION ONE

The question examined variances and the question was popular with the candidates however it was surprising that some candidates still have challenges with computing variances at this stage. Generally candidates scored highly.

QUESTION TWO

Budgeting was examined in this question as Production budget, Raw material purchases and production labour budget were to be prepared. Candidates attempted the question in their numbers and generally the question was well answered for candidates who prepared well but some candidates had challenges in differentiating between rolling budgets and flexible budgets.

QUESTION THREE

The question was a discursive one as various terms needed to be explained. It was a popular question and candidates generally performed well in this question. Part (a) was to explain three (3) roles of a management accountant and in Part (b) was to explain three (3) concepts of kaizen costing. Finally part three requested a report.

QUESTION FOUR

Part (a) (i) requested was to state the stages involved in target costing and (ii) was to explain the importance of lifecycle costing. Candidates were explaining stages of lifecycle costing (i) and failed to explain the importance of lifecycle costing. The performance was not good on this part of the question as candidates were mixing Target costing and Lifecycle costing.

QUESTION FIVE

The question examined generally on the operation of a factoring organization as policies change. The question was not so popular with candidates. Those who attempted it did not do well as they failed to follow instructions of the question.

Overall performance of candidates

| | |
|--------------------------------------|-------|
| Highest mark obtained in this paper: | 62% |
| Lowest mark obtained in this paper: | 0% |
| The average score in this paper: | 31.4% |

SUBJECT: DA 10- TAXATION

The question paper had two sections A and B. Section A had two compulsory questions and section B had three questions out of which candidates were required to attempt any two questions. The total candidature in the June 2018 examination diet was 83 out of which 56 candidates passed representing a pass rate of 67.5%.

Analysis of Questions:

QUESTION ONE

This question had four parts (a), (b), (c) and (d) where candidates were required to calculate the property transfer tax, maximum claimable capital allowances, adjusted farming profit of Purefruit, a Zambian resident company.

In part (a) where candidates were required to calculate the property transfer tax, few of them managed to get the required two marks. However, some of them didn't know the exact rate between 10% or 5%. The property transfer tax should have been $K26,000 \times 5\% = K13,000$.

In part (b) on the computation of capital allowances, a number of candidates performed better because most of the capital allowances were straight forward and those whom were adequately prepared scored good marks of this part of the question.

In part (c) the where candidates were required to calculate the adjusted business profit, a number of them performed better, except a few of them who had challenges in identifying disallowable expenditures. For example, some of them did not know that for free accommodation, the disallowable expenditure for directors was 30% of their emoluments ($K308,400 \times 30\% = K92,520$)

The other common mistake was also on personal holder cars where others were still not aware that the figures had been adjusted. They ended up using old amounts like K20,000 instead of K40,000 for cars whose cylinder capacity was above 2,800cc.

Part (d) was poorly handled, where candidates were required to calculate the income tax involving both farming and non-farming income. A few of them managed to score good marks, otherwise the majority of them performed poorly. Some of them did not even know that farming income was taxed at the flat rate of 10% as opposed to 35% for the companies.

The overall performance was not impressive because 44% of the candidates who attempted this question scored more than 13 marks.

QUESTION TWO

This question had three parts (a), (b), and (c) where candidates were required to calculate the income taxes payable by two individuals and to explain the distinguishing factors of work performance, engagement and dismissal, tools and equipment, control, correction of work and exclusivity as between an employee and a self-employed person.

In part (a), the performance was above average except for a few candidates who failed to acknowledge that the salary and the allowances should have been apportioned to 9 months because the tax payer was employed on 1 April 2018, hence, he worked only for 9 months in the tax year 2018. On the allowable deductions, some candidates still included NAPSA contributions of K3, 060 which were no longer treated as allowable deductions. However, those who prepared well on personal income tax computations ended up scoring good marks on that part.

In part (b) where candidates were required to calculate the income tax payable by an individual who was running a business, the performance was also average as some had difficulties in calculating the correct taxable business profit, although other who prepared well managed to get all the marks.

Part (c) was well attempted by most of the candidates because they were quite conversant with the factors used by ZRA to distinguish between an employee and a self-employed individual. Of course some candidates failed to take advantage of the easy marks on that part of the question; otherwise the performance was quite good.

The overall performance was good because 59% of the candidates who attempted this question scored more than 13 marks.

QUESTION THREE

This question had three parts (a), (b), and (c) where in part (a) candidates were required to explain how a basic tax point is determined, the circumstances under which the basic tax point can be changed, four circumstances under which a registered trader may be deregistered for value added tax purposes and the three advantages of voluntarily registering for value added tax purposes.

Part (a) (i) was poorly attempted by most candidates because they were not conversant with the tax point. The tax point is basically the time when goods are made available or services rendered to a customer. The basic tax point can only change if the invoice is issued before the basic tax point or the invoice is issued within two weeks from the basic tax point.

Part (a) (ii) was well answered by most candidates as they were able to explain the circumstances under which a trader can be deregistered for VAT purposes. Part (a) (iii) was poorly answered by most candidates. Most candidates were unable to explain the advantages of VAT registration.

In part (b) candidates were required to compute value added tax payable by a given individual. This part of the question was poorly answered by most candidates. The main challenge by most candidates was failure to split the sales into exempt and standard-rated sales. Most candidates were computing VAT on the total sales. The output VAT was to be computed as $K113, 600 \times 85\% \times 16\% = K15, 450$. This problem affected the computation

of input VAT on purchases as most candidates were computing VAT on the total purchases figure. The other challenge was on the computation of input VAT on overheads. Candidates were supposed to restrict the input VAT on overheads to 85% as the input VAT attributable to taxable supplies. Recoverable input VAT on overheads was to be calculated as; $K12,992 \times 4/29 \times 85\% = K1,523$. Most candidates failed to compute the input VAT on diesel which is restricted to 90% because 10% is irrecoverable. The input VAT on diesel should have been computed as $K5,800 \times 4/29 \times 90\% = K720$. The performance on this part of the question was not good.

And in part (c) candidates were required to explain the difference between tax avoidance and tax evasion as well as the consequences of tax evasion on the economy. Part (c) (i) of the question was well answered by most candidates as they were able to explain the differences between tax avoidance and tax evasion. Tax avoidance is the minimization of tax liabilities by taking advantage of the loopholes in the tax legislation whereas tax evasion is the minimization tax liabilities through dubious means. Part (c) (ii) required candidates to explain the consequences of tax evasion on the economy. This part of the question was poorly answered by most candidates because they could not explain the consequences of tax evasion.

The overall performance was average because 50% of the candidates who attempted this question scored more than 13 marks.

QUESTION FOUR

This question had three parts (a), (b), and (c) where in parts (a) (i) and (ii) candidates were required to explain the circumstances under which a company can be regarded as a Zambian resident company and to explain the resident status of given two case study companies. Part (a) was well answered by most candidates because they were able to explain the circumstances under which a company can be regarded as resident in Zambia. Candidates were also able to advise the respective companies (Coffee Ltd and Bream Ltd) on their residence status. The performance on this part of the question was, therefore, good by most candidates.

And in part (b) candidates were required to explain the qualities of a good tax system. The qualities of a good tax system include easy to and cheap to collect, it should bear lightly on production, certainty and easy to understand, flexibility, equity and comparable with other tax systems. The performance on this part of the question was very impressive by most candidates.

And in part (c) candidates were required to calculate total import duties involved in a Higer bus importation case study and also explaining four conditions to be met for the customs officers to use the transaction value method as well as the procedure in clearing a motor vehicle. Part (c) (i) required candidates to calculate the import taxes payable on the importation of the bus. Candidates were supposed to first calculate the value for duty purposes on which the import duties were to be calculated. This was a brand new bus; therefore, candidates were to use the rates for new vehicles. Most candidates who

attempted this question scored good marks. Few candidates who didn't score good marks were not including the incidental costs as part of the value for duty purposes. Part (c) (ii) required candidates to explain for conditions to be met for the transaction value method to be used by customs officers. This part of the question was poorly answered by most candidates. Part (c) (iii) required candidates to explain the procedure to complete motor vehicle clearance. Procedures are to present genuine documents, valuation of motor vehicle, and payment of import taxes and processing of the declaration form CE20 by customs. This part of the question was fairly answered by most candidates.

The overall performance was good because 70% of the candidates who attempted this question scored more than 13 marks.

QUESTION FIVE

This question had two parts (a) and (b) where in part (a) (i) and (ii) candidates were required to compute capital allowances and income tax payable by a company.

Part (a) (i) required candidates to compute capital allowances. The question was on basis of assessment and accounting dates and capital allowances which affected two tax years; 2017 and 2018. Capital allowances seem to be a challenging subject area for most candidates. Most candidates failed to compute capital allowances as they could not identify the tax year in which the respective assets were used in business. Candidates were not conversant with the basic rules of capital allowances which are; (i) capital allowances are claimed in full in the year of purchase and none in the year of disposal, and (ii) capital allowances are claimed on straight line basis. Most candidates were computing capital allowances on the income tax value especially for the tax year 2018. The other challenge for most candidates was that, they were claiming initial and investment allowances on the administrative office building and wear and tear at 5%, instead of only wear and tear at 2%. Where there are divided uses of the asset by an employee of the company, capital allowances are claimed in full by the company. Candidates were restricting the capital allowances on the motor car as it was used 30% for private purposes by the managing director. In computing the taxable business profit of the company, candidates needed to explain the basis of assessment and splitting the first accounting period into two notional accounting periods. The first period was to consist of 5 months; $K295,800 \times 5/17 = K87,000$ and the last period was to consist of exactly 12 months; $K295,800 \times 12/17 = K208,800$. Most candidates failed to split the accounting period, as a result candidates calculated capital allowances only for the tax year 2018. The performance on this part of the question was poor by most candidates.

Part (a) (ii) required candidates to compute the income tax payable by the company for the tax year 2018. The performance on this part of the question by most candidates was very poor.

In part (b) candidates were required to explain the badges of trade of subject matter of realization, length of period of ownership, frequency of similar transactions, circumstances giving rise to realization and the intentions of the tax payer. Most candidates answered this part of the question well as they were able to explain the badges of trade with exception of few candidates who seemed not conversant with the badges of trade. The performance on this part of the question was poor.

The overall performance was good because 65% of the candidates who attempted this question scored more than 13 marks.

Overall performance of candidates

| | |
|--------------------------------------|-------|
| Highest mark obtained in this paper: | 86% |
| Lowest mark obtained in this paper: | 12% |
| The average score in this paper: | 53.4% |

SUBJECT: DA11- PRINCIPLES OF AUDITING

The question paper had two sections A and B. Section A had two compulsory questions and section B had three questions out of which candidates were required to attempt any two questions. The total candidature in the June 2018 examination diet was 354 out of which 163 candidates passed representing a pass rate of 46.0%.

The general performance on questions one and two was very good. However, questions three, four and five were poorly attempted. A number of students failed to attempt all the questions and this had an impact on performance. Time management was poor in some cases.

Summary of performance

| Questions | Pass | Fail | Total | |
|-----------|-------------|-------------|--------|---|
| | Number % | Number % | Number | % |
| One | 277 | 72 | 349 | |
| | 79 | 21 | 100 | |
| Two | 286 | 63 | 349 | |
| | 82 | 18 | 100 | |
| Three | 7 | 177 | 184 | |
| | 4 | 96 | 53 | |
| Four | 59 | 233 | 292 | |
| | 20 | 80 | 84 | |
| Five | 4 | 217 | 221 | |
| | 2 | 98 | 63 | |

Analysis of Questions:

QUESTION ONE

Requirements

- (a) Explaining five (5) roles of the recently constituted audit committee.
- (b) Stating five (5) advantages of outsourcing internal audit.
- (c) Explaining four (4) benefits of using Computer Assisted Audit Techniques (CAATs) in the audit of the financial statements.
- (d) Explaining five (5) audit procedures the audit should perform during the attendance of the inventory count of Magoye Plc.
- (e) Stating three (3) examples of documents that are contained in the permanent audit file and three (3) examples of documents that are contained in the current audit file of Magoye Plc.

Details:

- (a) The performance was generally satisfactory. This question was clearly knowledge based. Most students remembered the five (5) roles of audit committee.
- (b) This was straightforward and most students were able to state the five (5) advantages of outsourcing internal audit.
- (c) Most students were able to explain four (4) benefits of using Computer Assisted Audit Techniques (CAATs) in the audit of the financial statements. However, weak students lost marks by explaining what CAATs are instead of simply explaining the benefits as per question requirement. Students must always answer the question asked.
- (d) This was poorly done. Most students simply repeated the controls which were given in the scenario. Students must practice a lot of past questions on audit procedures. Other students explained audit procedures performed before and after the inventory count. The question specifically requested for audit procedures to be performed during the attendance of the inventory count of Magoye Plc. These answers did not score any marks. Students must pay particular attention to the question requirements to avoid losing marks unnecessarily.
- (e) The performance was satisfactory although some students swapped the contents. Students must know the distinction between documents contained in the permanent audit file and those contained in the current audit file. These were easy marks which could have made a difference between passing and failing.

QUESTION TWO

Requirements

- (a) (i) Explaining the meaning of objectivity with regards to the work of external auditors.
(ii) Explaining, giving one (1) example each, the five (5) categories of threats to the independence of the auditor which subsequently impair objectivity.
- (b) (i) Explaining the importance of planning the audit of Chongwe Ltd.
(ii) Identifying four (4) internal controls that exist in Chongwe Ltd.
(iii) For each control in (ii) above describing a suitable test of control.

Details:

- (a) (i) A few students could not explain the meaning of objectivity and ended up giving explanations for other fundamental principles such as confidentiality and professional behaviour. Students are expected to know the fundamental principles.
(ii) Some students lost marks because they failed to explain the threats to independence and give examples as per question requirement. Students should use a tabular format to ensure all parts of the question are answered.
- (b) (i) The performance was very good. Explaining the importance of planning the audit is a regular feature of these exams. Regular question practice is highly recommended.
(ii) This was well done. The majority of the students were able to identify four (4) internal controls that existed in Chongwe Ltd.
(iii) This was poorly performed and most students failed to describe suitable tests of control. Most students explained controls and others gave substantive tests for valuation

of inventory which were totally irrelevant and did not score any marks. Students must know the distinction between tests of control and substantive tests.

QUESTION THREE

Requirements

- (a) Explaining the reliability and quality of audit evidence gathered by the auditor to obtain sufficient appropriate evidence.
- (b) Explaining five (5) audit procedures that the firm will carry out in gathering audit evidence for the figures of accounts receivables and the accruals.
- (c) Explaining the action your firm will take in view of the two (2) events that took place after reporting period.
- (d) Explaining the responsibilities of management and the auditors with regards to going concern of Lunsefwa Ltd.
- (e) Explaining the impact on the auditor's report of the material uncertainty that exists in Lunsefwa Ltd.

Details:

- (a) Some students wasted valuable time explaining reliability and quality. Others explained the methods of gathering audit evidence which was not part of the requirement. Most Students who answered the question asked got all the five (5) marks which were available.
- (b) This was poorly done. Only 53% of the students attempted this question. Most of the students simply stated recalculation, reperformance, even observation which was irrelevant. Students must know that simply mentioning the methods of obtaining audit evidence did not provide an explanation of audit procedures that the firm will carry out in gathering audit evidence for the figures of accounts receivables and the accruals. This is one of the main weaknesses in this paper. Students are strongly advised to go through a number of past questions involving audit procedures. Tutors should assist students in this area.
- (c) The performance was bad since most students had no idea of subsequent events. Students are advised to attempt the financial reporting paper before the auditing paper or attempt them at the same time.
- (d) Most students failed to explain the responsibilities of management and the auditors with regards to going concern of Lunsefwa Ltd. Some students resorted to defining going concern which did not score any marks.
- (e) This was poorly done. Most students did not have an idea of the provisions of the new standard unmodified report which includes a paragraph on material uncertainty regarding going concern. Reference made by some students to the use of emphasis of matter paragraph showed that a number of students are still using old study texts. Students should use updated study texts and revision kits.

QUESTION FOUR

Requirements

- (a) Defining internal control and explaining the components of an internal control system.
- (b) Identifying and explaining six (6) deficiencies in the internal control system for the credit sales in Gelita Ltd.
- (c) Suggesting appropriate recommendations to address deficiencies identified in (b) above.
- (d) Describing one test of control for each financial statements assertion given in the scenario relating your answer to credit sales.

Details:

- (a) Most students were able to define internal control and explain the components of an internal control system. The performance was relatively good.
- (b) Most students lost marks since they failed to **explain** the identified deficiencies in the internal control system for the credit sales in Gelita Ltd. Students must clearly distinguish identification and explanation by using a tabular format.
- (c) Most students were able to suggest appropriate recommendations to address deficiencies identified in (b) above and the performance was good.
- (d) A number of students described the financial statement assertions which were given in the question. This was a waste of time and no marks were given. The question specifically requested for tests of control for each financial statements assertion given in the scenario. This problem can be addressed sufficiently through question practice.

QUESTION FIVE

Requirements

- (a) Explaining the elements of an assurance engagement.
- (b) (i) Explaining, giving an example, the meaning of material misstatements of financial statements.
 - (ii) Identifying and explaining five (5) risks of material misstatements in Kabompo Ltd.
 - (iii) Explaining four (4) factors that might be considered in assessing the need for an internal audit function in Kabompo Ltd.
 - (iv) Describing four (4) audit procedures that should be undertaken in the audit of the profit on disposal of the motor vehicle of Kabompo Ltd.

Details:

- (a) Most students failed to **explain** the elements of an assurance engagement but were able to state them. Students must respect the verbs used in the questions to score highly.
- (c) (i) Most students were able to explain, giving an example, the meaning of material misstatements of financial statements. The performance was good.
 - (ii) This was poorly done with most students explaining business and audit risks. Students should have focused on the information given in the scenario when identifying and explaining five (5) risks of material misstatements in Kabompo Ltd.

(iii) Some students missed these easy marks by stating the benefits instead of explaining four (4) factors that might be considered in assessing the need for an internal audit function in Kabompo Ltd. Students must pay particular attention to the question asked.

(iv) This was poorly done. Most students who attempted this question simply repeated the information which was given in the scenario. This earned no marks. Students should pay particular attention to questions involving audit procedures when preparing for these exams.

Question five was poorly attempted in most cases due to lack of time.

Overall performance of candidates

| | |
|--------------------------------------|-------|
| Highest mark obtained in this paper: | 80% |
| Lowest mark obtained in this paper: | 0% |
| The average score in this paper: | 45.0% |

SUBJECT: DA 12- GOVERNANCE AND COMPANY LAW

The question paper had two sections A and B. Section A had two compulsory questions and section B had three questions out of which candidates were required to attempt any two questions. The total candidature in the June 2018 examination diet was 217 out of which 174 candidates passed representing a pass rate of 80.2%.

Candidates' general performance on each question,

QUESTION ONE

The question was on company law and to be specific on corporate governance and only about 64% of the candidates were able to answer it well. The rest seem to have overlooked the topic in detail as they failed to look at the concepts of corporate governance. Students when looking at this topic must not forget the concepts that brought about corporate law.

Details:

The question was made up of three parts A, B and C.

- (a) Part A was on parts of the company law in Zambia and was looking at the weaknesses that have been seen in the rubberstamp board and the talking shop board in Zambia. An average student was able to discuss this fully with ease understanding. This represented about 47%.

The other students were completely out of line in their answering here.

Prospective students must read further on the developments of corporate governance and the weakness that have been seen so far.

- (b) This part was also on company law and the question needed the student's skills in so far as corporate management is concerned. Most of the students were able to reason on the secretary of the company, the appointment of company directors as well as the disqualification herein. Most of the candidates well answered this question by nearly 95%.

In future, students must read further on everything to do with corporate governance and management which shall help them in relation to questions like these

- (c) This question was well attempted by most of the students and students were able to identify how public issue of shares is done and how the issue out of debentures is done.

Future students must be able have a grip understanding on share capital and shares in depth for questions like these.

QUESTION TWO

As a compulsory question, all candidates attempted it and the performance was very good with almost all candidates being able to distinguish the principles of good corporate governance well.

Students were further able to clearly show the position of directors in relation to shareholders under corporate administration.

Details:

(a) This question was compulsory so all candidates attempted it. The performance was very good with almost all candidates being able to distinguish the principles of good corporate governance well.

(i) Integrity and accountability- candidates were able identify the key characteristics of the two.

(ii) Fairness and responsibility candidates defined the two very well.

Thus, this part was able answered but on average by the students.

(b) Candidates here did fairly well with about 60% being able to clearly the position of directors in relation to shareholders with reference to the question given. For those candidates who gave weak answers, they may consider studying corporate administration in depth which is key to their career as accountants.

(c) This question was vital as it was looking at how the life of a company comes to an end. It must be noted that there are several ways when this can happen i.e striking off the Registers

Most of the candidates answered this question very well without any difficulty and were able to give the two advantages needed.

(d) This part dealt with insider dealing and its impact on directors. An average of candidates seemed to be familiar with the issue of insider dealing and the effects that it has on company law as seen in their performance.

Prospective students must be able must understand several concepts of company law as it relates to directors and their duties.

QUESTION THREE

This question was attempted by 90% of the candidates and was well answered as the majority of the candidates scored above 15 of the total 25 marks allocated. This question was based on corporate law and the understanding behind human agents of the company. Overall the performance was great.

Details:

- (a) This part was on capital and its impact on the company law. The students were able to answer nicely on nominal capital and how it is used in a company which represented about 90% of the candidates.
- (b) The majority of the candidates here scored above 15 of the total 25 marks allocated. The students did not have problems in looking at the election of director, declaration of dividends and consideration of the company's books.
Prospective students are encouraged to read corporate law in their module back to back as it forms the most vital part of their examination.
- (c) This part of the question looked at the winding up of a company under the Zambian jurisdiction. The process of winding up of a company is among the most important part under company law as it highlights the procedure for a company to end its life. Future students are encouraged to look at how a company is born and how the company should end. The students should look at what is involved and the procedure to be involved for the same to apply.

QUESTION FOUR

Question 4 was among the most attempted question in the question. Under Most candidates who answered this question performed quite well though others struggled with understanding Articles of Association. This is an indication that the candidates are somehow not quite familiar with the incidents of incorporation and constitutive documents of a company.

The way forward for all prospective candidates is to take enough time to study the topic and bring forth the distinctions between limited and unlimited companies without fail.

Details:

(a) This question received a well-reasoned response as above 90 % of the students answered it firmly by attesting on the concept of limited liability.

Those who did not perform well misunderstood the question and answered on what generally is a company.

Future students must learn to understand the different types of companies and their liability.

(b) Section b was well answered and students did not have a problem.

Students are encouraged to concentrate well on the articles of association and their importance at company law.

Those who did not do well struggled with understanding Articles of Association and what they do in a company.

(c) This part was attempted by almost 85% of the candidates and they were able to answer this question quite well as it related to a Common Seal of a Company.

Future students' families themselves with the incidents of company law and constitutive documents of a company.

(d) This part was answered with a percentage of more than 75% of the students getting it correct.

Students are encouraged to understand that since a company is not a human being it acts through the medium of agents we today call directors. When this happens, the directors become the agents of the company with various right and duties attached to that position.

Future candidates are encouraged to read further and appreciate the constitutive documents of a company and how agents of a company are appointed and are removed from office.

(e) This was a well attempted question as almost 95% of the candidates were able to explain Annual General Meeting without difficulty.

The way forward for all prospective candidates is to take enough time to study the topic on meetings and resolutions made by a company and their effect.

QUESTION FIVE

The question was well answered by the few students who attempted it. The majority of students though avoided it. However, almost all those that attempted it got nearly everything right.

Students opted for other questions that were not scenario based.

Details:

- (a) This part was to be answered in relation to the scenario given. It appeared that some students avoided this question only a few students answered representing about 30%.

Future students must look at the medium of company law in relation to accounts lies with the auditors. Accountability of the company in so far as cash flow is concerned lies on the accounts department as checked by the auditors.

- (b) and (c) Students here were being called to give their understanding capital of a company and how a company can reduce capital to avoid the payment of huge dividend to shareholders. Students are encouraged to look at the modes used by a company to raise capital and modes by the said company to reduce capital in the event the company is going through financial distress. In this question, it appears the candidates were ignoring the scenario altogether and proceeded to answer the question asked.

Prospective students are encouraged to attempt as much scenario questions as possible to be able to apply the law concisely to the given facts.

- (d) This question only wanted students to state the 4 ways available in the process of winding up of a company by the court. A majority of students were able to answer or state the required grounds without ease.

Those who failed to answer it were giving a wrong response in relation to winding up by the members.

Prospective students are encouraged to read on the types of winding up and how each types comes up especially who calls for the said winding up.

Overall performance of candidates

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|--------------------------------------|-------|
| Highest mark obtained in this paper: | 79% |
| Lowest mark obtained in this paper: | 13% |
| The average score in this paper: | 55.0% |