



DECEMBER 2018 EXAMINATIONS

CHIEF EXAMINERS REPORTS

CA ZAMBIA

CA 1.1- FINANCIAL ACCOUNTING

QUESTION ONE

The general performance on this question was good. Of the 67 candidates who attempted the question, 57% achieved the pass mark.

This question was composed of 10 multiple choice questions drawn from the entire syllabus.

The most common mistakes made by the candidates was failure to adequately cover the syllabus in their preparation.

QUESTION TWO

The general performance on this question was poor. Of the 67 candidates who attempted the question, only 42% passed while 58% failed the question.

The question required candidates to prepare a statement of cash flows for a limited company.

The main mistakes included the following:

- (i) Failure to adopt the format for statements of cash flows.
- (ii) Failure to compute cash flows.

QUESTION THREE

The general performance on this question was very good. This was the most popular among the questions (96% of candidates that sat for the paper attempted it). 75% of the candidates who attempted the question passed it while only 25% failed the question.

The question had two requirements. Part (a) required candidates to prepare and post entries to a suspense account in correcting errors required to clear the suspense. Part (b) required candidates to prepare a statement of profit or loss and a statement of financial position.

The most common mistakes made by the candidates were:

- (i) In part (a), some candidates showed journal entries required to correct errors instead of a suspense account.
- (ii) In part (b) some candidates did not incorporate adjustments required to correct the errors in preparing financial statements.

QUESTION FOUR

The question was most popular with candidates. 55 out of 67 candidates attempted the questions. The general performance on this question was good with 63% of the candidates who attempted the question achieving more than 50% of the total marks while 37% failed.

This question had two parts; part (a) was based on the IASB Framework for the preparation of financial statements and part (b) on partnership.

The most common mistakes made by the candidates were the following:

- (i) Failure to explain satisfactorily the two characteristics, relevance and reliability.
- (ii) Failure to time apportion: salary, interest on drawings and interest on capital.
- (iii) Applying the profit sharing ratios to the net profit figure instead of the residual profit.
- (iv) Including the capital contribution from the partners in the Partner's current account.

Question Five

The general performance on this question was poor with only 47% (21 out 45) of the candidates who attempted the question obtained more than 50% of the total marks. The question required candidates to reconcile the sum of personal supplier and customer account balances in the personal ledgers with the corresponding control account balances in the general ledger.

The question was generally well answered, though some students did not know correctly what entries affected the control accounts and sub-ledger account balances listing. For future exams students are strongly advised to revise the topic on control accounts as it is the highly examined topic.

QUESTION SIX

The general performance on this question was worst performance in the paper. Of the 29 candidates that attempted the question, only 11 (38%) scored 50% and above of the available marks. It was also the least popular question with only 29 out of the 67 candidates choosing it.

The question required candidates to prepare a manufacturing account and a statement of profit or loss in a business where finished goods are transferred from the factory at a profit margin.

The most common mistakes made by the candidates included:

- (i) Failure to correctly classify expenditure between the manufacturing account and the statement of profit or loss.

- (ii) Failure to adjust for accruals and prepayments. None of the students correctly adjusted for the unrealised profits in the statement of profit or loss.
- (iii) Failure compute the amount at which finished goods were transferred from production.
- (iv) Above all, most candidates appeared unprepared for a question on manufacturing accounts.

Overall performance of candidates

Highest mark obtained in this paper:	79%
Lowest mark obtained in this paper:	15%
Average score in this paper:	46.1%

CA 1.2 BUSINESS STATISTICS

QUESTION ONE

This was a multiple choice question with 10 questions having both calculation and application scenarios. All the candidates attempted this question with an average performance of 11.67 (58.4% score) out of 20 marks. The questions covered the entire syllabus and the general performance good.

QUESTION TWO

This was also a compulsory question of in section B. The question recorded the best performance with an average of 13.5 marks (67.5%) out of 20 marks.

The question was in two parts. Part A was given as summary regression data and candidates were asked to find the correlation coefficient and comment on the result. Most of the candidates solved the question correctly. A few candidates who did not get the question correctly substituted wrong values in the formula.

Part (a): candidates were given ungrouped data and were required to find various stats such as the mean, median, mode, and quartiles. Part (b) had ungrouped data and candidates were required to find the average, the median, range, standard deviation and quartiles.

The most common mistakes made by the candidates included:

- (i) Candidates' failure to arrange the data in increasing order in Part (a).
- (ii) Though a good number of candidates successfully solved Part (b), a few that failed to solve were not getting correct quartiles. It was also observed that candidates did not know when to calculate the sample or population standard deviations, however, candidates were not penalize for this error.

QUESTION THREE

The general performance on this question was worst performance in the paper. It was attempted by 27 out of 42 candidates representing 64%. It recorded the lowest performance of 3.3 marks out of 20 marks. The question required candidates to find various probability values from a given set of data.

The poor performance was due to candidates' inability to find totals (columns and rows) of data which was required in computation of probabilities. This was also coupled with wrong use of probability formulas.

QUESTION FOUR

This question recorded moderately good performance with an average of 9.4 marks obtained out of a total of 20 marks. 37 out of 42 candidates attempted this question, representing 88%.

The question was split in two parts. Part (a) was on Regression Analysis. Candidates did show strong knowledge of the subject content hence scored higher marks in this

part. Few candidates lost marks due to wrong summations of Regression data and use of wrong formulas.

Part (b): This part of the question required candidates to use the Normal distribution and the Z – table in order to find the probabilities in question. Majority of candidates solved the problem correctly. Few candidates showed inability of reading the Z – table hence were using wrong values to compute probabilities.

QUESTION FIVE

This was the least answered question and also scored very low results. 21 out of 42 candidates attempted this question, representing 50%. The average performance on this question was 3.6 marks out of 20 marks.

Part (a): The first part of this question required candidates to define Time Series terminologies (Secular Trend, Seasonal Variation, Cyclical Variation and Irregular Variations). It was observed that most of the candidates struggled to correctly define the terms and in some cases failed to relate the definitions to Statistics Time Series.

Part (b): This part required candidates to use Time Series data to obtain the Trend line and use the Additive model to obtain the residuals of the Time Series. It was observed that most of the candidates did not fully understand the question, hence lost marks due to wrong computation of the required solutions.

QUESTION SIX

This was a popular question among candidates with 40 out of 42 (representing 95%) attempting the question. The performance on this question was quite impressive; it recorded an average mark of 11.2 out of 20 marks.

Parts (a) and (b) of the question required the candidates to categorise whether certain characteristics of the data were Qualitative or Quantitative, and also to state if they were Time Series data. Most candidates were able to make correct classifications.

Part (c): This part of the question required candidates to use grouped statistical data to find the Mean, Mode and the Coefficient of Variation. It was observed that most candidates, except a few, did not have difficulties in calculating the Mean. On the other hand, computation of the Mode proved problematic for most candidates due to use of wrong “class (k)” value.

Overall performance of candidates

Highest mark obtained in this paper:	81%
Lowest mark obtained in this paper:	21%
Average score in this paper:	48.1%

CA 1.3-BUSINESS ECONOMICS

QUESTION ONE

This was a compulsory question made up of 10 multiple choice questions covering the entire syllabus. As a compulsory question all 43 candidates attempted it. The general performance was very good. 35 candidates passed and only 8 failed the question representing a pass rate of 81%. The scores were evenly distributed among all 10 questions without a particular question that could be said to have been problematic to candidates.

QUESTION TWO

The general performance for this question was good. A total of 42 students attempted the question. 23 of these passed, representing a 55% pass rate.

The question was divided into three parts (a), (b), and (c). Part (a) required candidates to distinguish between the 'short-run' and the 'long-run' as applied to costs of production. The common mistake on this part of the question was that many candidates confused fixed cost and variable costs with the short-run and the long run which is totally wrong.

Part (b) (i) required candidates to calculate the values for TVC, ATC, AFC, AVC and MC. Performance was fair. However, some candidates seemed not to remember anything.

Part (b) (ii) asked candidates to state the lowest value for MC, using the calculated values while Part (b) (iii) asked candidates to explain what happens to MC curve after reaching its minimum point and why this behaviour?

Part (b) (iv) asked candidates to explain the shape of the AFC using calculated values.

Part (c) asked candidates to explain any three (3) features or characteristics of a free market economic system of capitalist economy.

The following common mistakes were noted:

- i. Limited coverage of syllabus by students when studying.
- ii. Most candidates appeared unprepared.

QUESTION THREE

The general performance for this question was very good. A total of 34 students attempted the question. 25 of these passed while 9 failed, representing a 74% pass rate and failure rate of 26%.

The question was divided into five parts namely (a), (b), (c), (d) and (e).

Part (a) required candidates to outline any three (3) features or characteristics of the market economy; Part (b) asked candidates to calculate equilibrium price and quantity using the given functions. Part (c) asked candidates to explain what would happen to the equilibrium price and quantity when the price of a substitute good increases. Part

(d)(i) asked candidates to explain what would happen to the number of motorcycles sold once an excise tax of K80 is imposed. Part (d)(ii) asked candidates to explain the tax incidence on consumers of this excise tax. Part (e) asked candidates to give two reasons why the government regulates prices.

The following common mistakes were noted:

- i. Some candidates confused market economy with perfect competition which is not an economic system but a market structure.
- ii. Some candidates were repeating answers already provided.

QUESTION FOUR

The general performance for this question was very good. A total of 34 students attempted the question. 28 of these passed while 6 failed, representing a 82.4% pass rate and failure rate of 17.6%.

The question was divided into three parts namely (a), (b) and (c). Part (a) required candidates to explain any four characteristics of Perfect Competition while Part (b) required them to distinguish between the concepts of short-run and long-run.

Part (c) required candidates to calculate the accounting profit and the economic profit from the given data and whether Mr. Sililo's change of job was beneficial economically.

Though the majority of candidates got full marks for accounting profit, they failed on economic profit. The common mistake was failure to identify the implicit costs which are basic salary, housing allowance and transport allowance that he had to forego.

QUESTION FIVE

The general performance for this question was poor. A total of 23 students attempted the question. 8 of these passed while 15 failed, representing a 35% pass rate and failure rate of 65%.

This question was divided into two parts (a) and (b). Part (a)(i),(ii) and (iii) required candidates to explain how the government's spending, taxation and borrowing influence the fundamental economic concepts of what to produce, how to produce and for whom to produce.

Part (b) (i) required candidates to define government spending multiplier while (b)(ii) required them to explain how the spending multiplier can be used to encourage the private sector to perform better.

The following common mistakes were noted:

- i. Candidates only explained government spending, taxation and borrowing without relating to the three fundamental questions.
- ii. Some candidates failed to define government spending multiplier.

QUESTION SIX

The general performance for this question was very good. A total of 36 students attempted the question. 27 of these passed while 8 failed, representing a 77% pass rate and failure rate of 23%.

The question was divided into five parts (a), (b), (c), (d) and (e). The candidates were required to explain any three sources of economic growth; any four reasons why countries erect barriers to trade; explain any five benefits of international trade to a country like Zambia; explain the difference between a balance of trade deficit and a balance of trade surplus and the benefit to traders of the action taken by the bank of Zambia of cutting its lending rate.

The following common mistakes were noted:

- i. Some candidates kept repeating the same points.
- ii. Some candidates were explaining the barriers to trade instead of the reasons why these are erected by countries.
- iii. It was also observed that some candidates could not relate to the fact that the question was about the Balance of Payments Accounts and instead brought in the traditional demand and supply of a good within a country.
- iv. Some candidates lost marks because they did not understand the question's requirements. Future candidates are urged to read and fully understand the specific requirements of the question in order for them to answer it properly.

Overall performance of candidates

Highest mark obtained in this paper:	80%
Lowest mark obtained in this paper:	30%
Average score in this paper:	57.3%

CA 1.4- COMMERCIAL AND CORPORATE LAW.

QUESTION ONE

The performance under this part was very good. 70% managed to get above 50% pass mark in this question. Candidates must continue with the habit of paying attention to all questions. Students are encouraged to practice often all the multiple choice questions in the module and other relevant material they may find.

It was noted that some students had not covered the entire syllabus during their preparation. Students are urged to take time and 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. The questions were balanced and picked from various topics in the module.

QUESTION TWO

The question was based on explaining a partnership deed and its contents. It further required students to identify if a contract was made between Mbimba and Lusaka Stationary Limited and whether Mbimbi's insanity on a partnership has any effect. It also needed the students to explain the tortious liability in the given scenario.

(a) (i) 70% of students attempted this part. Most of them got the answer correct. Most students were able to identify the contents of a Partnership Deed from the scenario like the name of the Partnership, nature of Business, share of profits and losses, management just to mention a few. This is an indication that students understood the question and the topic at large. This is an indication of students having a full understanding of the topic.

Prospective students are encouraged to read thoroughly on what a partnership is and the contents or elements that makes up the deed.

(ii) Further, students were able to answer this question in full and they were able to explain the contents of the said deed as shown above.

However, some candidates failed to appreciate the concept all together as they were mixing this question with that of a limited company.

Prospective candidates are expected to study the area of business entities and be able to differentiate them from each other and rely on the guideline provided for under statute.

- (b) Most candidates who answered this question performed quite well though they failed to identify the main component of the question which is that a limited liability Partner does not bind the partnership. This is an indication that the candidates are somehow not quite familiar with different types of partnerships and how a limited liability partnership works as a concept under partnership.

Prospective students are encouraged to study the whole topic and appreciate the topic in full as it is constant visitor of the examination.

- (c) The students were able to explain the effect of insanity in a partnership agreement though in this context, it was on the effect of the insanity on a limited liability partnership. The students were able to advise the parties accordingly.

Others failed to realize that this was not a normal partnership but a limited liability partnership which is not affected by insanity. Hence, Mbimbi's insanity had no effect on the partnership.

Prospective candidates is to take enough time to study the topic in relation to the types of partnerships and how they differ from each other and be able to support their answer with legal authorities.

- (d) (i) Most candidates were able to explain the parties and the rights of who can sue in that partnership. They were also able to advise the parties accordingly. Prospective students are encouraged to take enough time to study the topic under partnership and be able to support their answers with legal authorities.

(ii) The students were also able to explain the likely decision of the court from the facts above. They were also able to support their arguments with valid examples.

For prospective candidates, it is vital to take enough time to study the topic and while in the examinations be able read and understand the question so as to answer nicely and support their legal reasoning.

QUESTION THREE

This was among the most attempted question and students did well. The question had two parts, the first one being on agency and the second part was a follow up from the first segment. The part on agency was based on the nature of agency relationship between the Chamba and Chunga in the given scenario. The question was fully based on the aspect of privity of contract and whether a third party can sue under a contract that he was not party to.

Most students were able to explain the nature of agency relationship nicely. Those who did not get goods marks were not fully bringing out all the elements that make up agency in this circumstance.

Prospective students need to study and understand legal principles and apply them correctly as they relate to the law of agency, law of Contract, law of Tort and or Criminal law.

QUESTION FOUR

The paper had 260 candidates of which 75% of them attempted the question. The general performance was good, and students can do better if they paid attention to the *Pinnel's Case* doctrine of "payment of a lesser sum on the day a debt is due, not being enough for full settlement of a debt unless there is consideration" and the issues of promissory estoppel. This question had three parts (a), (b) and (c).

- i. About 37% students failed to identify the principle in *Pinnel's Case* and apply it. In future, it will be cardinal to pay attention to every part of the syllabus as questions can come from any part of it.
- ii. This part of the question required students to apply the concept of promissory estoppel to the case. About 62% were able to point out the fact that under equity the principle will not apply under duress and can only be used as a shield

by the promise. In future, it will be important for students to study the rules under which these principles of equity are applied.

Prospective students must read fully on promissory estoppel and how it applies as a defence.

- iii. This part of the question required students to point out and explain the actions that the company would take on directors who declare dividends out of the company's capital and not profits. 78% of the candidates pointed out the actions but were not able to explain the actions themselves. This could be attributed to not paying attention to the details of the question.

In future, candidates can do better if they could pay a bit more attention to the requirements of each and every question and paid a bit more attention thereto.

QUESTION FIVE

The question was attempted by 90% of the candidates. The question was divided into four main parts as follows:

- (a) From the total number of candidates who answered this question, most of them were able to answer the question properly well.

Those who performed well managed to identify the legal issues involved which that the contract involved was a contract for services. They were able to state the type of employment contract which was indeed a contract for services. However, some students did not perform well as they were mixing up the two types of contracts i.e contract of services from contract for services. Others would in certain cases, write the wrong name, contract for services, but with the explanation being for contract of service and vice versa. The reason is simply lack of adequate knowledge on the subject and lack of fully understanding.

Prospective students must study the principles of employment law and the modes that are used to check on whether a person is an independent contractor or not.

(b) This part was also fairly explained as it was the opposite of the first part under (a). A number of candidates did well here by stating that the contract was that of services.

However, those who did not do well were unable to clearly identify and explain the nature for the contract that existed in that given scenario.

Prospective candidates must take sufficient time to study the tests that are used to identify on whether a person is under a contract of service or for services under employment law.

(c) Most candidate here managed to answer the question well while articulating the principles of vicarious liability. The correct position was that Mr. Humphrey Chikomo should sue Mr. Elvin Choopa as he was outside the scope of his employment when the accident occurred.

However, those who did not do well displayed a lack of knowledge on the circumstances to look for to note whether an employee is under the scope of employment or he is on a frolic of his own.

Prospective students must study the scenarios well and be able to apply them well. This can be done by looking at the terms of the contract and what benefits to the employer. Note that anything that is done outside the scope of employment and not for the employers benefit, the employer cannot be sued. The employee will be sued personally and the principle of vicarious liability will not apply.

(d) (i) This last part looked at agency by estoppel and ratification. Candidates were able to explain the two types of agency relationships the first one being agency by estoppel which implies agency by holding out by words or conduct. Hence, Chilanga Cement Plc by words or conduct give to a third party the impression that the agent's authority is greater than it really is and the third party acts upon it.

(ii) It further had agency by ratification which implores that it was within a reasonable time, the principal was in existence at the time of the contract and must be for the benefit of the principal.

However, those who did not do well showed lack of knowledge on agency especially on the elements that make up both agency by estoppel and agency by ratification as shown above.

Prospective students are encouraged to take enough time to go through the types of agency and the elements needed for each type of agency as a whole.

QUESTION SIX

This was a scenario question attempted by 90% of the candidates, of which 70% were able to score above 10 of the 20 marks available. The question was subdivided into parts a, b, c, and d. Part d was subdivided into sub-section (i) and (ii).

(a) This part required candidates to distinguish between the roles of the Managing Director and the Company Secretary. Many lost marks for confusing the Managing Director with Directors – a managing director is appointed from the director to manage the business on a daily basis, and has a contract of employment.

Prospective students must be able to distinguish the persons and their duties under words like directors, managing directors, executive directors and the secretary.

(b) This part required candidates to identify the remedies for breach of the fiduciary duties by directors under a company as agents of the company.

Students that did not get good marks on this part mostly lacked knowledge on this topic.

Prospective students must read fully on the remedies that are present once a company wronged an individual or another company.

(c) This part was answered by a few students and no candidate was able to understand 'statutory declaration' suggested by Simposo. When a resolution has been passed to voluntarily liquidate a company, directors may make a statutory declaration that the company will be able to pay its debts within 12 months. The implications of this declaration are that the company is still solvent and is assessing its ability to pay before the company goes into liquidation.

Prospective students must be able to read fully certain types of principles that are related to company law or corporate management or governance.

(d)(i) This part was well answered by most of the students by stating that misrepresentation being where a person makes a statement which he knows that it is untrue or false and it induces someone to enter into a contract with you.

However, some candidates were unable to explain this term as they were mixing it with other forms of representations.

(ii) This last part was based on the torts of strict liability which is where the injured party can recover compensation for loss or damage without proof of intention or fault on part of the defendant.

A few students were unable to fully explain strict liability as explained in the module.

Prospective students are encouraged to read under the law of torts very well and specifically look at the various types of torts like the tort of strict liability.

Overall performance of candidates

Highest mark obtained in this paper: 81%

Lowest mark obtained in this paper: 16%

Average score in this paper: 50.1%

CA 1.5 –MANAGEMENT THEORY AND PRACTICE

QUESTION ONE- Section A (compulsory)

The general performance on this question was very good. 37 candidates attempted the question. The section had 10 multiple choice questions covering the syllabus. The pass rate was 87%.

QUESTION TWO

The general performance on Question Two was very poor. 35 candidates attempted this question and 6 passed representing a pass rate of 17.1%, while 29 failed representing an 82.9% fail rate.

This was a compulsory question and candidates were required answer all sections of the question. It had three parts covering motivation, change management and strategic decisions.

Common mistake noted was that of failure to differentiate between financial motivation and psychological motivation.

QUESTION THREE

The general performance was very good. 32 candidates attempted this question. 24 passed, representing a pass rate of 75% while 8 candidates failed to answer this question, representing 25% fail rate.

The question was on organization structure and management theories.

Common mistake noted among those that did not pass the question was failure to highlight the advantages and disadvantages a matrix structure.

QUESTION FOUR

The general performance on Question three was good. The question was attempted by a total of 35 candidates, out of which 22 passed, representing a pass rate of 69.9%, while 13 candidates failed to answer this question, representing 37.1.7% failure rate.

The question had a background scenario on IT transformation and communication. Questions were straightforward, but most of the candidates could not give good answers.

Candidates that did not do well on this question lost marks because they failed to apply motivational needs to an employee in a work environment.

QUESTION FIVE

The question was scenario based on HRM and 24 candidates attempted the question with 19 pass and 5 failed representing a 79.2% and 20.8% pass and failure rate respectively. The question had two parts. Part (a) required the candidates to explain the three main stages of job recruitment and selection process while Part (b) required them to state four advantages of internal recruitment.

Some of the common mistakes noted among those that did not do well were as follows:

- i. Lack of explanation.
- ii. Lack of knowledge on the subject matter.

QUESTION SIX

The question was scenario based on corporate governance. Only 17 candidates attempted this question. Out of which 10 passed and 7 failed representing 58.8% pass and 41.2 % fail. The question had two parts, and required candidates to explain any six (6) principles that can be applied in an organization to enhance good governance as well as explain the concept of Ethics and Corruption in governance.

Overall performance of candidates

Highest mark obtained in this paper:	74%
Lowest mark obtained in this paper:	23%
Average score in this paper:	58.8%

CA 1.6- BUSINESS COMMUNICATION

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 88 % with the remaining 12% fail.

The common mistake among those that did not do well on this question was lack of understanding of the topics on which multiple choice questions were based.

QUESTION TWO

The question two was compulsory. The general performance was good with a 61 % pass rate and 39% failure rate.

The question mainly required candidates to write a memorandum to all members of staff in the accounts department inviting them for an in-house seminar on application packages from a given scenario in the question. Candidates were also required to include two advantages of using off-the shelf application packages in the memo. The second part of the question required candidates to state the four (4) steps that are involved when taking on the job training.

The common mistakes noted on this question were as follows:

- i. Failure to include advantages of the software packages in the main body as required by the question.
- ii. Presenting the answer with parts of a letter such as salutation, complementary close, addresses which was not supposed to be case in a memo.
- iii. Agenda for a meeting was presented instead of advantages for software packages in the main body of a memo. In some cases a programme was presented as an answer.
- iv. Steps for an in- house training were not logically presented in some cases.
- v. Presented the main body inform of questions suggesting the purpose of the seminar.
- vi. Lack of clarity in the answers provided.
- vii. Wrong content was provided and some memo elements such as Date, To and from were not included in the answer.
- viii. Wrong grammar and spellings in most cases.

QUESTION THREE

Question three was attempted by 36 candidates giving a pass rate of 55 % and a 45 % failure rate.

Candidates were required to define and distinguish the differences between Knowledge Work Systems (KWS) and Executive Information System (EIS) The second part required them to Match the following information system to the level of management it's used, Order Processing Market research to identify area of competitive advantage, Investment planning and CAM and CA. Part (b) also required candidates to briefly explain the following specification from a scenario given in the question 4 GHZ, 500 GB and 2 GB RAM.

The common mistakes observed included the following:

- i. Knowledge Work system was mixed up with Office Automation Systems.
- ii. Mismatched the terms market research and CAM & CAD.
- iii. Failure to explain 4 GHZ clearly and confused it with the Cache memory.

QUESTION FOUR

Question four was also attempted by 42 candidates giving a 69% pass rate and a 31 % failure rate.

This question required candidates to (i) Distinguish between Software and Hardware and (ii) Describe three functions of an operating system as part (a) and to name the parts of a labelled diagram given in the question from the scenario that was also presented as part of the question.

The following common mistakes were noted;

- i. The Diagram was wrongly labelled.
- ii. The question was misunderstood.
- iii. Failure to express ideas very clearly.
- iv. Generally wrong content was presented on this question

QUESTION FIVE

In question five the pass rate was 87% from 41 candidates who attempted this question, giving the failure rate of 13%.

Candidates were required to briefly explain each of the 7 C's of effective communication that can be used as a checklist to help good communication to be achieved among staff in a department from a given scenario in the question. The second part of the question required them to explain how the following barriers to effective communication can be overcome: Wrong medium, Language and information overload.

Some common mistakes noted included the following:

- i. Failure to identify the 7Cs.
- ii. Wrong explanation presented on the 7C's.
- iii. The 7Cs were presented as care, convenience, communication, customer and other wrong words.
- iv. Mixed up the explanation on the 7 C's to guidelines of effective communication.
- v. Explained the barriers to communication instead of providing ways to overcome the barriers that were asked in the question.

QUESTION SIX

Question six was attempted by 42 candidates giving 88% pass rate and 12 % failure rate.

This question required candidates to write a letter to one of the major clients with a large amount of outstanding balance, reminding the client to settle the debt owed to the organization from the scenario provided in the question. The second part required them state any five (5) characteristics of written communication.

The following common mistakes were noted:

- i. Characteristics of written communication were presented as subject of the message, main body of the message, conclusion and signature of the sender which was wrong.
- ii. Wrong format was used in some cases. (ie memo).
- iii. Generally failure to express ideas very clearly.
- iv. Salutation was not matching with the complementary close.
- v. Some parts of the letter were misplaced. (ie the recipients addresses were placed as if they were meant for the senders).
- vi. Subject line was missing in some answers.
- vii. Wrong content that was not related to the scenario given in the question

Overall performance of candidates

Highest mark obtained in this paper:	77%
Lowest mark obtained in this paper:	33%
Average score in this paper:	59.6%

CA 2.1 FINANCIAL REPORTING.

QUESTION ONE

The general performance on this question was good with 59% of the candidates (77 out of 131) who attempted the question achieving more than 50% of the total marks. Though the lowest score was only 3%, the highest amounted to 95% and the average score of 50%. On this basis, the question was one of the three (with questions two and four) that propelled most of those that passed the paper.

The question was in three parts.

Part (a) required candidates to prepare a consolidated statement of financial position for a group with only one subsidiary and an associate. Part (b) of the question required candidates to explain why adjustments for unrealized profits are made in preparing consolidated financial statements. Part (c) required candidates to discuss the usefulness of consolidated financial statements.

The most common mistakes made by the candidates included the following:

- i. Obvious marks were lost for failure to simply aggregate the given amounts from the parent and its subsidiary before worrying about the adjustments.
- ii. Failure to correctly treat the deferred and contingent consideration both at date of acquisition and subsequently.
- iii. Most candidates failed to appropriately make the fair value adjustments post acquisition to reflect the disposal of items on which the fair value gains arose.
- iv. Most candidates did not attempt parts (b) and (c) of the question. Candidates are advised that theory questions are normally a valuable source of easy marks and will likely continue to be incorporated in largely number crunching questions.

QUESTION TWO

The general performance on this question was very good. The question was the most popular in section (b) with 129 out of 131 representing 98%. 68%) of the candidates achieved more than 50% of the total marks on the question.

The question scenario had two requirements, part (a) required candidates to simply calculate a list of ratios in respect of an entity in the scenario without need for interpretation for a whole 12 marks. This could therefore have made question two the easiest in the paper. Part (b) required candidates to discuss the extent to which entities in the same sector can be validly compared using a given list of ratios.

The most common mistakes made by the candidates included the following:

- i. Few candidates failed to calculate the ratios in part (a)
- ii. Underperforming candidates failed to put up a good discussion of limitations inherent in undertaking an inter-company comparison.

QUESTION THREE

The general performance on this question was poor with none of the candidates scoring at least 10 out of 20 marks. 10% candidates attempted it.

The question had three requirements; part (a) required candidates to describe the general requirements of IFRS 13 with regard to determining fair values, part (b) required candidates to explain the recognition and measurement rules in IFRS 9 relating to financial instruments, part (c) required candidates to explain how the issue of a convertible bond would be accounted for at the time of recognition and part (d) required candidates to prepare journal entries to initially record the issue of redeemable preference shares and to calculate amounts that would be reported a year later.

The most common mistakes made by the candidates were:

- i. Almost all candidates did not appear to know the requirements of IFRS 13.
- ii. Candidates failed to demonstrate knowledge of the basic requirements of IFRS 9 and IAS 32 in parts (b), (c) and (d).

QUESTION FOUR

The general performance on this question was excellent with 77% of the candidates who attempted the question achieving more than 50% of the total marks. This was the best performance in the paper. The question was the second most popular with 93% candidates attempted it.

Those that did not perform well mostly failed to compute cashflows and adopt the IAS7 format for the statement of cash flows.

QUESTION FIVE

The general performance on this question was poor with only 21% of the candidates who attempted the question achieving more than 50% of the total marks. The question was attempted by 73% out of the 131 candidates who sat the paper.

The question was largely on definitions and accounting requirements of IAS 37 with regard to provisions and contingent assets and liabilities. There was also a small part on IAS 16 requirements relating to accounting for complex assets.

The most common mistakes made by the candidates on the question included:

- i. Failure to state the definitions.
- ii. Failure to correctly compute amounts relating the decommissioning provision and almost all did not explain the accounting treatment of complex assets per IAS.

Overall performance of candidates

Highest mark obtained in this paper:	85%
Lowest mark obtained in this paper:	10%
Average score in this paper:	48.2%

CA 2.2 – MANAGEMENT ACCOUNTING

QUESTION ONE

This was a 40 marks compulsory question. This question had 100% attempts, 31 marks was the highest to be recorded 77.5%. The performance was poor with a recorded pass rate of 29%.

The question examined on the functional budgets, namely, the sales, production, materials purchases and cash budgets. Part (b) required candidates to explain three decisions John Banda could consider for his business to do well with reference to the budgets prepared in part (a). Part (c) examined standard costing variance analysis.

The most common mistakes made by candidates included:

- i. Taking the full contract supply of 8,160 desks as a monthly supply instead of dividing 8,160 by six months.
- ii. Failing to adequately deal with inventory adjustments.
- iii. In part (b), poorer candidates explained steps in decision making instead of referring to the budgets in part (a) ; in particular, the poor cashflows in the cash budget.
- iv. Most candidates could not calculate the materials usage and labour efficiency variances.

QUESTION TWO

The general performance on this question was very poor. 24% of the candidates passed while 76% failed.

This question examined process costing and the three E's used in performance management in Not – For – Profit Organizations. The process account was well prepared in part (a).

Common mistakes noted included:

- i. Failure to value output correctly by using actual output in the denominator instead of the expected output and not deducting scrap value of normal loss from total process costs.
- ii. Inadequate explanation of the three E's were very scanty and desperate. In fact, some candidates guessed any other word which starts with 'E'.

QUESTION THREE

This was the most popular option question attempted. The general performance was nevertheless poor. The question recorded a 39% pass and 61% fails.

The question examined on makes or buy decisions and the comparison of management accounting to financial accounting. Decision making is key in management accounting, students are encouraged to know and understand the component.

The following problems were noted:

- i. Though students were required to compute contribution per hour, they failed to answer the requirement. Most of them exhibited lack of the basic knowledge on contribution and instead computed profit.
- ii. Candidates also displayed lack of understanding to correctly account for relevant cost of making as they included non-relevant cost. For instance, in some instances, the cost of buying is what candidates referred to as cost of making.
- iii. Candidates who did not establish a base for the advice lost the marks. Candidates are encouraged to do so for a basis for comparison.
- iv. In some instances compare and contrast was misunderstood to mean advantages and disadvantages of management accounting and financial accounting.

QUESTION FOUR

The general performance on this question was very poor. The pass rate was 28.2%.

This question was on relevant costing which is a sub-topic of decision making. It also examined the objectives both public and private sectors.

Mistakes noted included failure by some students to include fixed overhead and a committed cost. Others explained the requirement but without comparing.

QUESTION FIVE:

The general performance in this question was the least in the whole paper recording 6% pass.

This question examined on overheads and limiting factor analysis. Among the common mistakes made by those that attempted this questions are the following:

- i. On Overhead absorption rates, some candidates used actual overheads/activity instead of budgeted overheads/activity.
- ii. On the Over/Under absorption part, students portrayed lack of knowledge, in some instances over was said to be under and so forth.

Overall performance of candidates

Highest mark obtained in this paper:	73%
Lowest mark obtained in this paper:	8%
Average score in this paper:	37.3%

CA 2.3- AUDITING PRINCIPLES AND PRACTICE

QUESTION ONE

The general performance on this question was poor with 39% of the candidates attempted the question achieving more than 50% of the total marks.

This was a scenario based questions and was divided into parts (a) to (f). Part (a) of the question required candidates to identify and explain 8 business and audit risks that should be considered at the planning stage of the audit of ESCO. Candidates could have identified any business and audit risk. They did not need to give a stated number of each of the two risk types.

Part (b)

This was in two parts requiring an explanation of reasonable assurance in an audit and an explanation of why auditors do not give an absolute assurance. Presentation in answering this type of question is important to ensure that both aspects of the question are addressed. Candidates may wish to use headings to clearly show the answers to both parts of the question.

The following observations were made:

- i. A number of candidates only addressed the part of the question that required candidates to state why auditors do not give an absolute assurance. Candidates who gave weaknesses in the audit and the financial statements obtained full marks in this part.
- ii. Candidates need to fully understand what reasonable assurance means. This is a high level of assurance that arises from detailed work undertaken by the auditor and can be distinguished from limited assurance which arises from less work carried out by the auditor. Reasonable assurance is in relation to the truth and fairness of the financial statements.

Part (c)

This part was based on corporate governance which required candidates to comment on the dual role that Mbewe was required to take as CEO and Board Chairman.

Candidates were expected to explain the general good practice with regards the separation of the roles of Chairman of the Board and CEO and then comment on the proposal that Mbewe should take both positions.

It was nevertheless noted that a good number of candidates lacked knowledge on corporate governance with some taking this question as an ethical one while others stated that IASs/IFRS gave guidance with regards this matter. This clearly shows that candidates did not fully understand despite this topical issue having been examined in the past.

Part (d)

This was a question on ethics requiring candidates to identify and evaluate ethical issues in the scenario. Candidates should remember that ethical issues largely relate to the auditor and his relationship with the audit client. It was disappointing to note that candidates lost easy marks in this topic. There were candidates who confused ethical issues with risk and so did not get any marks. Others explained the threats to the independence of the auditor such as familiarity threat etc. without relating them to the scenario.

Part (e)

Part (i) required candidates to describe any three assertions that third party confirmations confirm. Generally, most candidates scored maximum marks and they were able to give the required number of assertions for the stated balances. It was observed, however, that a sizeable number of candidates did not know the assertions relating to account balances of receivables and bank balances.

Part (ii) required candidates to explain the procedures for circularizing receivables and bank balances. Full marks were given for explaining the procedures for either of these or for both.

It was disappointing to note that a majority of candidates could not explain the procedures used to circularize receivables or seek bank confirmations. There was above all indication of lack of understanding of this basic question.

Part (f)

This was a two part question requiring candidates to explain the meaning of subsequent events in an audit of financial statements and also an illustration of the relevance of the audit of subsequent events.

Some candidates were able to explain the meaning of subsequent events but most did not answer the part of the question which required an explanation of the relevance of the audit of subsequent events.

This confirms lack of understanding of the provisions of IAS 10 which gives guidance to the preparers of financial statements and ISA 560 which gives guidance to the auditor in the audit of subsequent events

QUESTION TWO

This question was the least attempted optional question with only 64 candidates of those who sat for the examination attempting this question. The general performance was very poor. Of the 64 who attempted the question only three candidates scored above half of the available marks representing a 4.7% pass rate.

This was an optional question divided into two parts (a and b). Part (a) of the question carrying eight marks was on going concern and the impact on the audit report. Part (b) of the question was a mixed question carrying twelve marks.

Part (a)

- i. This part of the question was a knowledge based question on the main topic of going concern and the reporting implications under two different situations depending on disclosure or non-disclosure in the financial statements prepared by management.

A majority of candidates lost marks because instead of dealing with the reporting implications in the two clients, they went to great length describing the forms of audit reports.

Others simply did not know the reporting requirements in the situations in the question. This clearly shows lack of understanding on the topic of audit reports.

Other candidates simply did not know the correct implication in each of the two cases and stated that in the case of client one a modified opinion would be appropriate and an unmodified opinion in the case of client two.

- ii. Most answers to this part of the question suggest that candidates did not know the meaning of uncorrected misstatements and the work that the auditor should undertake with regards these misstatements that have not been corrected.

For the second part of (a), some students simply stated that the audit report will be modified without explaining.

Part (b)

- i. This part of the question required candidates to explain social and environmental audits. A majority of the candidate did not attempt this part of the question and ended up losing the two available marks.

Of those who attempted this part a large number simply did not know what social and environmental audits were.

- ii. Part (b) ii was a knowledge based question on other information contained in a set of financial statements. (Revised) The auditor's responsibilities relating to other information gives guidance in this area. Candidates showed lack of knowledge on ISA 720 which was the basis of the question.
- iii. This part of the question required candidates to state the audit procedures that should be carried out in the audit of the two items in the question.

To answer this question candidates needed to have brought to bear their knowledge of IAS 37 specifically the audit of provisions and contingencies.

A majority of the candidates gave general answers with regards audit procedures and did not give procedures with regards the items stated in the question. It is important that candidates understand the assertions in the figures under audit without which they will not be in a position to specify the audit work that should be undertaken.

QUESTION THREE

The general performance on this question was poor. 35 out of 90 candidates that attempted it scored half and above of the available marks. This represents a 38.9% pass rate.

This question was divided into two parts with part (a) worth 11 marks being on ethics and part (b) worth 9 marks on audit reports.

Part (a)

- i. This was a multi requirement question requiring candidates to compare principles and rule based guidance on corporate governance and also to explain three advantages of the principles based guidance.

It was observed that most candidates lost marks because they simply did not know what each of these was and so failed to provide satisfactory answers to the question. Many others did not answer the part of the question requiring an explanation of three advantages of the principles based guidance and so lost all the marks allocated to this part. Candidates are encouraged to use

appropriate presentation of their answers to ensure that they deal with all parts of the questions.

- ii. This part of the question required candidates to explain the meaning of professional judgment and also to explain four situations during the audit that professional judgment is used.

The majority of the candidates scored maximum marks in answering this question. Those who scored less than maximum marks simply did not explain the situations when professional judgment is used and gave one word answers such as materiality and so scored half the available marks. The requirement to explain needs more than a one word answer.

Part (b)

The topic examined in this part of the question is on audit reports. The question required candidates to discuss the impact on the audit report in each of three situations given. Sufficient information was given in the question to enable candidates suggest suitable audit opinions under the circumstances.

A majority of the candidates could not determine the correct opinion in each of the three situations.

It should be noted that candidates need to have full knowledge on the ISAs on audit reports namely, ISA 700, ISA 701, ISA 705, and ISA 706. These standards clearly explain when each is appropriate to be used.

QUESTION FOUR

This was a popular question among candidates with 91 out of 118 who sat for the paper attempting it. The pass rate was nevertheless poor at 28.6% candidates scored half and above of the available marks.

The question was based on a range of topics including corporate governance and audit procedures of accounting estimates.

Part (a)

This question required candidates to explain six benefits of an audit committee to Uranium Plc. The majority of candidates scored high marks in this part. A sizeable number of candidates lost marks for explaining less than the required six benefits required.

Part (b)

A majority of candidates had difficulties with matters specific to acceptance of the audit of Uranium Plc. and instead gave general answers not related to the case at hand.

The question contained sufficient information to enable a well prepared candidate to state specific matters that would be considered such as the integrity of management, the fact that this will be the first audit for the firm in this industry and the refusal by management for the incoming auditors to communicate with the outgoing auditors.

The last part of the question required candidates to state their recommendation whether or not to accept appointment. A majority of candidates did not attempt this part and so lost the marks related to it. Candidates are urged to ensure that they answer all parts of the questions set.

Part (c)

This part of the question required candidates to explain what is meant by pre conditions to an audit. The majority of candidates lost all the available marks because they did not address the requirement of the answer in their answers. Most candidates discussed engagement matters that should be included in the engagement letter.

Part (d)

A majority of candidates could not answer correctly this part of the question which required an explanation of the action the audit firm will take to determine whether the preconditions to an audit existed. To be able to answer this part adequately, candidates needed to know what the preconditions to an audit are. In view of the fact that most candidates did not know what the pre-conditions are and as evidenced by poor marks in part (c) above the majority failed to deal with this part.

Part (e)

The question was divided into two parts with the first part requiring candidates to explain the risk related to accounting estimates. The second part required candidates to list six examples of accounting estimates. Most candidates gave general comments relating to risk rather than deal specifically accounting estimates as required. By their very nature and that fact that they are estimates, the risk of material misstatement is high. Determining accounting estimates requires a significant amount of judgment and hence a higher risk.

Most candidates scored well on the part that required listing examples of accounting estimates. Some candidates lost easy marks because they gave less than the required six examples.

QUESTION FIVE

The general performance was poor on this question. Only 35 candidates of those who attempted this question scored 50%. This was a mixed question on internal controls and the engagement letter and these are easy marks which a well prepared candidate should get.

Part (a)

This part of the question required candidates to explain the meanings of tests of control and substantive tests and also state the purpose to the auditor of carrying out these tests. This topic has been examined in this same way in the past. It was disappointing to note that many candidates still do not know the purpose and differences between tests of control and substantive tests.

A majority of the candidates considered the two as the same and serving the same purpose. A significant number of candidates explained audit procedures instead of explaining what each of these two are. Candidates should address the requirements of the question rather than give material which has not been asked for and hence earn no marks.

Part (b)

This part of the question required candidates to suggest suitable controls for system in Kudu Ltd. This is a topical question and it is likely that questions on controls will be examined at every examination diet.

Many candidates lost easy marks largely because:

- i. They explained in detail the weaknesses in the scenario without stating the relevant controls that should be put in place. No marks were gained for explaining what was clearly not asked for in the question.
- ii. Some candidates discussed controls in general and did not relate the controls to the facts in Kudu Ltd and so not gaining maximum marks.
- iii. Other merely gave less than the expected number of controls for the marks available.

It is good examination strategy to use the information in the scenario to answer the question. The first thing candidates should do in such questions is identify areas where there are weaknesses and then suggest suitable controls aimed at mitigating the

identified weaknesses. The poor performance is indication of lack of practice with past examination questions by candidates.

Part (c)

This was simple question on the purpose of an engagement letter. The majority of the candidates scored maximum marks in this part of the question.

Part (d)

This part of the question required candidates to state four grounds that might necessitate the revision of the engagement letter. While most candidates scored well in this part there were still some who lost marks by not stating at least four circumstances as required and others stated the contents of an engagement letter which were clearly not asked for in the question.

Overall performance of candidates

Highest mark obtained in this paper:	69%
Lowest mark obtained in this paper:	8%
Average score in this paper:	39.2%

CA 2.4 -TAXATION

QUESTION ONE

The performance of candidates on this question was poor. 244 candidates attempted the question. 39% passed and 69% failed. The question covered taxation of employment income and business profits for individuals as well as aspects of company income taxation.

In part (a) (i) candidates were asked to explain four reasons why ZRA Tax auditors queried the tax payer's self-employed status. The majority of candidates were able to present the relevant points except for a few of them who failed to provide the relevant explanations.

In part (a) (ii) candidates were asked to explain four factors the tax payer would use to defend the self-employment status. Most candidates performed exceptionally well. However, a few of them just produced general points explaining factors generally used to distinguish employees from self-employed persons without relating their answers to the scenario given and therefore lost marks.

In part (b) candidates were asked to give the reasons why the tax payer was not required to pay turnover tax for the tax year 2018 and was equally reasonably well answered. A few candidates however demonstrated a total lack of knowledge of the types of tax payer who are required to pay turnover tax and those that are required to pay provisional income tax, and hence failed to provide the required explanations.

In part (c) candidates were required to calculate the tax adjusted business profit for the tax year 2018. Most candidates failed to compute the correct adjusted business profit because they failed to compute the relevant allowable expenses relating to the seven month period of trading that were supposed to be deducted in computing the taxable profit. These expenses included employees' salaries, employers' NAPSA contributions, operating expenses and capital allowances.

The performance of candidates in part (d) which required candidates to calculate the income tax payable by the tax payer for the tax year 2018 was poor. The main weakness included:

- i. Failing to compute the correct amount of employment income to include in the computation of the tax payable. Some candidates forgot to apportion the employment income, so as only to include income relating to the 5 months the tax payer was in employment in the tax year 2018, whilst others additionally included exempt benefits in computing the taxable employment income resulting in the wrong income tax being computed.
- ii. Failing to aggregate the taxable employment income generated from employment in the first five months that the tax payer was in employment, with the taxable business profits generated in the last seven months of the tax year into one personal income tax computation to compute the final tax

payable. Most candidates instead produced two different computations, subjecting the employment income separately to tax and then also taxing the business profits separately which was wrong.

- iii. Using the wrong tax rates in computing the income tax payable. A good number of candidates taxed the tax payer using the company income tax rate of 35% which was wrong given that the tax payer was an individual and not a company and as such should have been taxed using the graduated tax rates applicable to individuals.

In part (e) (i) candidates were asked to calculate the provisional income tax paid by the company for the tax year 2018, clearly showing the amount paid on each due date. The performance of candidates was poor because most candidates failed to calculate the correct figure for provisional income tax:

- i. A good number of candidates computed the provisional income tax payable each quarter by simply dividing the estimated taxable profits given in the question by four which was wrong, instead of first multiplying the estimated taxable profit figure provided by 10% to determine the total amount of provisional income tax in respect of the tax year 2018 and then dividing this figure by four to arrive the amount of provisional income tax payable per quarter.
- ii. Other mistakes included using the wrong tax rates in computing the provisional income tax payable and failing to state the correct due dates when each instalment was payable.

QUESTION TWO

The performance of candidates on this question was below average, with 43% out of the 216 candidates who attempted the question passing and 57% failing. The question examined international aspects of taxation.

In part (a) candidates were asked to explain the criteria used to determine whether the company is resident in Zambia and discuss whether the company would be regarded as being resident in Zambia and hence liable to Zambian income tax in the tax year 2018. The majority of candidates scored good marks on this part because they were able to produce relevant points.

In part (b) candidates were asked to explain by giving reasons whether the tax payer in the question would be regarded as being resident and ordinarily resident in Zambia in the tax year 2018.

Most candidates answers to this part of the question were limited to explaining an individual is regarded as being resident in Zambia if there physically present in Zambia

for 183 days, in a charge year without additionally explaining that individuals who normally live in Zambia are also regarded as resident and ordinarily resident in Zambia and that individuals who come to Zambia with the intention of staying for more than 12 months are deemed to be resident in Zambia and ordinarily resident in Zambia from the date of arrival. Such candidates wrongly concluded that the tax payer will not be regarded as resident in Zambia since he had only stayed in Zambia for 61 days, when in fact the tax payer was going to be regarded as being resident in Zambia, from arrival since he had come with the intention of staying for a period more than 12 months.

In part (c) candidates were asked to explain whether any of the income earned by the tax payer in the tax year 2018 would be chargeable to tax in Zambia and also to calculate the amount of income tax payable if any. This part of the question was also poorly answered by most candidates. Common weaknesses included:

- i. Not including the correct figures for the dividend income from foreign sources and interest income from foreign sources in the income tax computation. Candidates should have computed the gross income in each case, translated this into Zambian Kwacha and then added the resulting figures to the other income received in the personal income tax computation.
- ii. Failing to compute the correct amount of double taxation relief available on both the dividend and interest income from foreign sources.

QUESTION THREE

The performance of candidates on this question was generally poor. 171 candidates attempted the question 36% passed and 64% failed. The question examined VAT.

Part (a) which asked candidates to describe the cash accounting scheme and explain the advantages and disadvantages was generally answered well with the exception of a few candidates who demonstrated a total lack of knowledge of the scheme and therefore failed to provide the relevant explanations.

Part (b) which required candidates to explain the circumstances under which a trader may voluntarily register for VAT, was equally well answered by nearly all the candidates.

In part (c) candidates were asked to calculate the VAT payable by the tax payer for the month of September 2018 and to clearly indicate using a zero for each expense where input VAT was irrecoverable or not. This part of the question was poorly answered by candidates resulting in the poor overall performance of candidates on the whole question. Common weaknesses which resulted in loss of marks included:

- i. Failing to calculate the correct amount of output VAT on sales and the correct amount of input VAT on expenditure. Candidates specifically faced challenges in calculating the amount of VAT from figures which were stated at their VAT exclusive amounts and the amount of VAT from figures which were stated at the VAT inclusive amounts.

- ii. Claiming input VAT on expenditure such as internet services, telephone expenses, entertainment expenses and utility bills for directors accommodation when input VAT on these expense is not recoverable.
- iii. Forgetting to restrict the amount of input VAT recoverable on diesel expenses to 90%.
- iv. Failing to restrict the recoverable non attributable input VAT on general expenses to 80% given that the business was making both exempt and taxable supplies and the ratio of taxable supplies to total supplies made by the business was 80%.

QUESTION FOUR

The performance of candidates on this question was poor. 113 candidates attempted the question 47% passed and 53% failed. The question covered ethical issues in tax practice and administration of direct taxes.

In part (a) candidates were asked to explain the main responsibilities of the Tax Appeals Tribunal (TAT). Very few candidates managed to provide the relevant explanations as most candidates showed a total lack of knowledge of the responsibilities of the TAT.

Part (b) which asked candidates to describe the appeals process and to explain the possible grounds of appeal was equally poorly answered as candidates demonstrated a lack of knowledge of the appeal process and therefore could provide the required answers.

Nearly all candidates managed to provide fairly good answers for part (c) which required candidates to prepare brief notes explaining how the five fundamental principles of the IESBA's code of ethics for professional accountants apply to the provision of taxation services.

QUESTION FIVE

The performance of candidates on this question was below average. Out of 206 candidates who attempted the question 44% passed and 54 % failed. The question covered custom and excise duty and aspects of company income taxation.

A good number of students scored good marks in part (a) which required candidates to calculate the import taxes paid on the importation of Scania and Higer buses. The major mistake made by candidates who scored poor marks on this part of the question was to use the wrong tax table to compute the import duties. The buses imported by the tax payer were second hand (used buses) and therefore candidates should have

used the tax table for used (second hand) vehicles to determine the amount of duties payable and not the taxable for brand new vehicles which such candidates used.

Part (b) which required candidates to calculate the income tax payable by the company for the tax year 2018 was poorly answered by most candidates. Candidates generally failed to make the relevant computation of the gross income generated from the buses and also failed to compute the amount of the allowable expenses to be deducted in computing the final taxable business profit. Other weakness included using personal income the tax rates for individuals to compute the income tax payable instead of applying the company income tax rate of 35% given that the tax payer was a company and not an individual.

Overall performance of candidates

Highest mark obtained in this paper: 81%
Lowest mark obtained in this paper: 5%
Overall pass rate in this paper: 41.7%

CA 2.5-FINANCIAL MANAGEMENT

QUESTION ONE

The general performance on this question was good with a pass rate of 54.3%.

The following were some of the common mistakes that made candidates lose some marks:

- i. On Part (a), it was noted that when computing the cost of irredeemable debt, some candidates were wrongly using the interpolation method.
- ii. Most candidates were preparing two NPV computations on Part (b). One NPV for the Upgrade of the northern stand and the other NPV for the acquisition of a player. This was unnecessary and time consuming for the candidates. Ideally a candidate was required to combine all the cash flows as they were related. The upgrade of the stand was related to the acquisition of a new player since both would affect the revenue of the club.
- iii. Part (c) of the question required students to discuss the validity of using NPV in making investment decisions for a professional football club such as KAL. Most candidates misunderstood this to mean merely advantages and disadvantages of NPV method in general. However to obtain full marks, candidates needed to refer to the information in the scenario. Therefore this part of the question was poorly attempted by most candidates.

QUESTION TWO

The performance on this question was poor. Only 35.98% of the students who attempted managed to pass and 64.02% failed.

The following were the common mistakes made:

- i. Part (a) required candidates to calculate the market value of JJ Plc using P/E ratio and dividend valuation model. Some candidates failed to compute the growth rate using the historical method. In addition other candidates mistook the 10% market premium as market return and therefore failed to compute the correct cost of equity.
- ii. Part (b) required candidates to estimate the cost of a bond. Many candidates failed to show the coupon payment for year 1 to 10. Some candidates failed to identify that the redemption value was the par value of K1, 000.
- iii. Part(c) of this question poorly attempted as most candidate did not know the factors that can cause different cost of debt for different bonds issued by JJ Plc.

QUESTION THREE

The performance on this question was relatively good with 51.7% of the students who attempted it passing while 48.3% failed.

The following were common mistakes noted:

- i. Part (a) of this question, with a mark allocation of 12 marks, required students to evaluate whether the factoring of MRK Ltd's accounts receivable ledger would be valuable. To earn full marks students needed to determine the costs and benefits of factoring the receivables, and recommend an appropriate decision based on the net benefit or cost of their analysis. However, a number of students lost marks because they made no effort to compute the costs and benefits of factoring the receivables with the data provided in the question and made no recommendation.
- ii. When computing the cost of finance, savings on finance costs and savings on bad debts, the majority of students failed to take into account the 4.5% of the turnover that would be lost due to hostile collection procedures, when NJK Financial Solutions took up the administration of the sales ledger and lost an opportunity to earn full marks.
- iii. Part(b) of this question required candidates to discuss the relative merits (and not demerits) of financing working capital using short-term and long-term debt by MRK Ltd. Disappointingly, many students talked about the merits of the two sources of finance generally without relating them to working capital as required by the question, which only earned them partial credit.

QUESTION FOUR

The performance on this question was very poor as only 27.78% of the students who attempted managed to pass and 72.22% failed.

This question required candidates to write a report that discusses the factors that affect capital structure, calculation of gearing ratios and proposed course of action. Majority of the candidates who attempted this question failed to compute gearing ratio in all the three scenarios.

QUESTION FIVE

The performance on this question was below average as only 41.1 % of the students who attempted passed and 58.9% failed.

The following were common mistakes observed.

- i. Parts (a)(i) to (a)(iii) of the question required discussion of how the company's shareholders could assess business risk, financial risk, and systematic risk, explaining in each case the nature of the risk being assessed. Most students merely defined these risks, however they did not discuss how they are assessed for instance business risk can be measured by looking at operational gearing, which is the relative proportion of fixed costs to variable operating costs.
- ii. In Part (a)(iv) of the question, students were required to explain two possible reasons the share price calculated using the dividend growth model could differ with the current market price. Most students failed to earn the full mark allocation, because they lacked knowledge on the different forms of market efficiency for instance semi – strong form, which might explain the fact the market is unaware of the proposed dividend, and hence the difference. A few students earned full marks by explaining weaknesses that are inherent in the DVM model, and therefore undermine its predictive accuracy.
- iii. Part (b)(i) required students to determine the valuation of each bond and advise in which one the fund manager should invest. The question was poorly answered with the majority of students showing little knowledge of basic principles of valuation regarding the zero coupon bond (Izwe - a bond whose only cash flow, was a lump sum payable at the end of the tenure of three years), a perpetuity (Focus - irredeemable bond) and an annuity (CEC bond).
- iv. Part (b)(ii) was well answered , though only one advantage and disadvantage of a rights issue was required, a few students wasted their time by providing a long list of advantages and disadvantages than required by question five.

Overall performance of candidates

Highest mark obtained in this paper: 63%
Lowest mark obtained in this paper: 4%
Overall pass rate in this paper: 38.8%

CA 3.1 ADVANCED FINANCIAL REPORTING.

QUESTION ONE

The general performance on this question was excellent with 342 out of the 492 (78%) of the candidates who attempted the question achieving more than 50% of the total marks. On this basis, the question was one of the two (with question three) that propelled most of those that passed the paper.

The question was in three parts. Part (a) required candidates to compute a gain or loss on disposal of an investment in a subsidiary to be reported in the group financial statements. Part (b) required candidates to prepare a consolidated statement of financial position incorporating an associate, a subsidiary that was acquired in stages (piecemeal acquisition) and effects of the disposal of a subsidiary. Part (c) of the question required candidates to discuss the ethical issues arising from a proposal to treat a suspense on the trial balance as an expense.

On the whole, this question was answered satisfactorily. Part (a) was reasonably well answered. The most common mistakes made by the candidates included the following:

- i. In Part (b), most candidates performed well on consolidation. However, some students lost marks because of showing combined figures without showing how they were arrived at. Marks were lost especially where their consolidated figures were incorrect. It appeared that earlier warnings to candidates that all figures must be shown separately were ignored. For future exams, students must be aware that there are obvious/free marks for simply aggregating the given amounts from the parent and its subsidiaries before worrying about the adjustments. Time apportioning the assets and liabilities.
- ii. Most students measured NCI using the fair value method (full method), despite note (7) of the question clearly stated that "it is group policy to value non-controlling interests at **fair value of the net assets at acquisition**" (i.e. proportionate/partial method).
- iii. Deducing the fair value depreciation from the asset at acquisition, when this should only be applied to the post acquisition period.
- iv. Getting parent's share (proportionate) of subsidiary's assets and liabilities for consolidation. Candidates should take note that 100% of subsidiary's assets and liabilities should be consolidated (Total or full consolidation).
- v. Others added parent entity's share capital to subsidiaries' share capital

Lastly, some candidates netted off negative goodwill against positive goodwill. Negative goodwill should have been treated as a gain and credited to consolidated retained earnings.

- vi. On Part (c), the main issue was that candidates did not spend sufficient time discussing the ethical and professional requirements of the question. Most of students simply indicated/concluded that it was unethical and unprofessional, without considering the ethical and professional issues. Students are advised to discuss the issues involved in arriving at the particular conclusion when answering questions at professional level.

QUESTION TWO

The general performance on this question was very poor with only 1 out of the 188 candidates who attempted the question achieving more than 50% of the total marks. On this basis, the question recorded the worst performance in the paper.

The question was comprised of two parts. Part (a) required candidates to explain how an item of plant whose original cost was in a foreign currency and subsequently revalued at fair values determined in a foreign currency would be accounted for.

Part (b) required candidates to state the conditions, which must be, meet to apply hedge accounting and to account for the hedged item and the hedging instrument in a fair value hedge in accordance with IFRS 9.

The most common mistakes made by the candidates on each part of the question were as indicated below:

- i. In part (a), most candidates lost marks through ignoring the basic requirements of IAS 16 and IAS 21. The fair values in the foreign currency were supposed to be translated into Kwacha using the rate on the date of revaluation (transaction date). Following a revaluation, the new carrying amount (the fair value after translation into Kwacha) is depreciated over the remaining useful life (ie the revised total life less the past years). Revaluation gains or losses are simply the difference between the translated fair value and the Kwacha carrying amount before revaluation (ie b/d less depreciation charge for the year).
- ii. In part (b), it was very apparent that the majority of candidates do not know the IFRS 9 provisions relating to hedge accounting. This was a basic question on hedge accounting with many marks for merely stating the conditions to be met for hedge accounting to apply. Candidates must be aware that much of the basics in IFRS 9 are covered at CA2.1 and that the only completely new aspects at CA3.1 relates to hedge accounting and impairment of financial assets. Ideally, the new aspects are highly examinable at Advisory Level.

QUESTION THREE

The general performance on this question was excellent 71% of the candidates who attempted the question achieving more than 50% of the total marks. It was actually the best performance.

This question was based on IAS 19, Employee Benefits. It had two parts (a) and (b). Part (a) required candidate to distinguish between a defined contribution plan and a defined benefit plan.

Part (b) required candidate to calculate:

- i) The amount to be expensed in the income statement;
- ii) The amounts to be included in other comprehensive income; and.
- iii) The net pension asset or obligation to be included in the statement of financial position.

The most common mistakes made by the candidates on each part of the question were as follows:

- i. Some students had a challenge in distinguishing the two types. IAS 19, is highly examined standard and students are advised to be familiar with this standard.
- ii. A number of students failed to correctly prepare the extracts. It is very important to know where each item/element is reported when preparing the extracts of the financial statements.

QUESTION FOUR

The general performance on this question was poor with only 172 out of 369 (47%) of the candidates who attempted the question achieving more than 50% of the total marks.

The question was composed of two parts, (a) and (b). Part (a) had a number of components based on IAS 24 and the IFRS on Small entities and requirements were in relation to the definition of related parties, why related party disclosures are necessary and a discussion on whether the disclosures must apply to small entities.

Part (b) asked candidates to discuss the advantages and disadvantages of having a separate IFRS for SMEs as opposed to full IFRS.

The most common mistakes made by the candidates on each part of the question included the following:

- i. Failure to relate the definitions of related parties as contained in IAS 24

- ii. Failure to put up a discussion on why related party information could be useful. Candidates at this level are expected to appreciate why information contained in financial statements could be useful.
- iii. Most candidates had difficulties in discussing arguments for and against a separate IFRS for SMEs.

QUESTION FIVE

The general performance on this question was good with about 50% of the candidates who attempted the question achieving more than 50% of the total marks. The question was popular with only 436 out of 492 (89%) candidates attempting it.

The question was on interpretation of financial statements and comprised two requirements. Part (a) require candidates to compute a list a ratios from the given scenario. Part (b) required candidates to present a financial analysis report based on the ratios in part (a) and the scenario in general.

Most candidates correctly attended part (a). However, weak performance arose from candidates' inability to prepare a well presented and articulated report. It is advised that in requirements such as (b), candidates must structure the evaluation report into sections such as financial performance (profitability and growth) financial position (liquidity and gearing) and stock market performance as appropriate.

Overall performance of candidates

Highest mark obtained in this paper:	89%
Lowest mark obtained in this paper:	7%
Overall pass rate in this paper:	50.1%

CA 3.2-ADAVNCED AUDIT AND ASSURANCE

QUESTION ONE:

A total of 591 candidates attempted this compulsory question. The general performance on this question was very good. Out of this number, a total of 549 candidates representing 93% of the total who attempted this question scored more than 50% of the available marks. The average score in this question was 24 marks.

It should be noted here that candidates who score less than half the available marks in the compulsory question stand a lower chance of passing the examination.

This was a scenario based questions and the following were observed.

Part (a)

This part of the question required candidates to explain the meaning of risk based approach to auditing. A good number of candidates lost these easy marks because instead of explaining the risk based approach to auditing they discussed risk and explained in detail the components of risk namely inherent risk, control risk and detection risk. No marks were awarded for this.

This has been examined in this form in the past and poor performance here shows lack of practicing with past examination questions and also poor understanding of core areas of the syllabus.

Risk based approach to auditing is an audit methodology whereby the auditors identify the risk areas in an audit client and focus most of their work on these areas. These are areas that are identified to be the most likely to be misstated.

Part (b)

This question required candidates to identify and explain **six audit risks** and **eight business risks** in Mwinilunga Metals Ltd.

Most candidates performed well in answering this part of the question. There was a sizeable number of candidates who scored low marks largely because:

- i. Some confused audit risk and business risk and swapped them. The question required candidates to show that they are able to distinguish audit risk from business risk. For example some stated that the fact that the firm will be auditing Mwinilunga Metals Ltd for the first time is a business risk.
- ii. The question specified the number of risks under each heading. Some candidates simply gave risks without specifying whether they are audit or business risks. Only half the marks were awarded for doing this because candidates were avoiding to identify the risks as required.

- iii. Other candidates gave general risks not in the scenario. The question specifically stated that risks in Mwinilunga Metals and candidates at this level should be able to use the information in the question to answer.
- iv. Others simply gave less than the required number of risks and so marks were awarded proportionately.
- v. Candidates are reminded that risk is an important area of the syllabus which has been and will continue being examined in different ways. Question practice with past examination questions will help candidates to deal with such questions in the examination. These questions require candidates to apply the theory that they learnt and apply it to practical situations.

Part (c)

This question required candidates to explain the importance of quality control in the audit of Mwinilunga Metals and also to discuss appropriate quality control measures that may be used in the audit.

It was disappointing to find that a good number of candidates lost marks because they did not give satisfactory answers.

The following common mistakes were observed:

- i. A large number of candidates discussed quality control in Mwinilunga Metals Ltd instead of quality control in the audit firm. The topic on quality control is clearly in the audit firm and ISQC 1 deals with quality control at the firm level while ISA 220 deals with quality control at the individual audit level. No marks were awarded for discussing quality control in the client's business and this is not in the syllabus.
- ii. Other candidates did not address the second part of the question which required candidates to discuss appropriate quality control measures that should be used.

Part (d)

This question had two components requiring candidates to deal with. The first part required identification and explanation of fraud risk factors in the given scenario. The second part required candidates to discuss the responsibility of auditor with regards fraud detection.

Presentation of answers is important in dealing with this kind of questions using suitable headings.

It was disappointing that a majority of candidates scored less than half the available marks in this question.

The following were some of the reasons for the poor performance:

- i. Many candidates discussed fraud in detail including the two types of fraud namely fraudulent financial reporting and misappropriation of asset which were not asked for.

- ii. Others gave examples of fraud in the scenario which were not specifically asked for.
- iii. Many others did not answer the part of the question which required candidates to state the responsibility of auditors with regards fraud in a client company. This shows that candidates are not familiar with the guidance given in ISA 240 which clearly explains the responsibilities for fraud.
- iv. Some showed clear lack of understanding of fraud risk factors and so gave wrong answers. For example theft was said to be a fraud risk factor.

Candidates are reminded that they need to fully understand the topics in the syllabus. This again shows lack of understanding of guidance given by ISAs which is necessary to be able to pass this examination.

Part (e)

The general performance in this part was poor with a majority of candidates scoring below half the available marks.

The following were noted:

- Some candidates simply showed lack of knowledge of the guidance in the accounting for non-current assets held for sale. Others referred to wrong standards such as IAS 16 and IAS 1.
- Others did not address the part of the question that required a comment on the impact on the audit report of management's refusal to make the necessary corrections.

Questions on accounting treatment and audit procedures will continue to feature in future examinations. Candidates should be reminded that they cannot perform audit procedures on assertions that they do not know and understand. It is important that candidates understand the accounting treatment of specific areas covered in the syllabus and they are expected to show understanding of this. It is recommended that candidates should bring to bear their knowledge on financial reporting.

QUESTION TWO:

This was the most popular optional question attempted with 543 candidates out of the 591 who sat for this examination. Generally candidates performed poorly on this question with 120 candidates scoring more than 50% of the available marks. The average score in this question was 12 marks.

The following comments are made for the individual parts of the question:

Part (a)

This part of the question required candidates to discuss professional guidance on due diligence assignments.

Generally the performance in this part of the question was poor for the following reasons:

- i. A sizeable number of candidates simply did not attempt to answer this question. They just indicated the part number to show that they had seen the question and did not write anything.
- ii. Some students explained the professional ethics for accountants which did not attract any marks.
- iii. Candidates should have observed that there is no international guidance on this.

Part (b)

This was a question on ethics and candidates were required to explain the ethical issues in each of the four situations in the question.

The majority of candidates scored well in this part of the question. There were those who scored less than half the available marks.

The following were observed:

- i. Most candidates showed lack of knowledge that the International Ethics Standards Board for Accountants (IESBA) codes gives guidance on how to deal with ethical and professional issues encountered by auditors.
- ii. Of those who referred to the code, some simply gave wrong guidance and so lost marks.

Part (c)

This part of the question required candidates to explain five differences between the requirements of the UK Corporate Governance Code and the Sarbanes Oxley Act of the USA. The performance in this part of the question was generally poor and the following observations were made:

- i. Some candidates explained the provisions of the OECD which was not the gist of the question and so lost marks.
- ii. Others defined and explained corporate governance in general which earned no marks.

Candidates were expected to pick on any five matters from either of the two and explain the differences between them.

QUESTION THREE:

A total of 350 candidates attempted this question and this represents 59% of the candidates who sat for this paper. The question was largely on the audit of groups and was divided into four parts.

The performance in this question was very poor with only 16 candidates scoring above half the available marks representing a 4.6% pass rate.

Part (a)

This part of the question required candidates to evaluate how the ethical behavior of the auditors may fail to meet the expectations of users of financial statements in a

group context. The performance in this part was very poor with only a handful of candidates giving the correct answers.

The following mistakes were observed:

- i. A number of candidates discussed the expectation gap which was not asked for and did not earn any marks for doing so.
- ii. A sizeable number of candidates explain the threats to the independence of the auditor with answers not related to the question.
- iii. There were also candidates who discussed problems encountered by the auditors in auditing a foreign base subsidiary and no ethical matters were discussed.

Candidates should have discussed the ethics for accountants and related how noncompliance with these would fail to meet public expectation. An explanation of each of the five fundamental principles attracted marks as long as it was related to how it would affect users in a group context.

Part (b)

This was a knowledge based question requiring candidates to explain the work the group auditors will perform on the financial statements of the subsidiary in Farland.

Very few candidates gave answers that attracted marks with most showing lack of understanding of the provisions of ISA 600 on group audits.

The following were observed:

- i. Many candidates discussed the work the auditor should do before accepting to be group auditor. The requirement of the question suggests that the firm is already group auditor and candidates needed to state the work to be carried out on the financial statements of the subsidiary.
- ii. Others discussed matters related to translating the financial statements of the foreign subsidiary.

To be able to answer this question well, candidates needed to have good knowledge of ISA 600 which specifies the work that the group auditors are required to perform on the financial statements of the subsidiary. The candidates should be clear on what are considered as significant components and in this case they should have been able to state whether or not the subsidiary in Farland is significant or not and suggest the work to be done in line with the requirements of the ISA.

Part (c)

Most candidates failed to score marks in this part of the question. The question required candidates to consider and the evidence expected in the audit of the carrying value of the non-controlling interests in group financial statements.

In order to suggest matters to be considered and the evidence expected to be found, candidates need to be fully conversant with the accounting for non-controlling interest. It is clear from the answers that most candidates lacked this knowledge.

The following were observed:

- i. There were general audit procedures that were discussed and not related to non-controlling interests and no marks were awarded for this.
- ii. Some candidates explained how goodwill arising on consolidation is calculated.
- iii. Other candidates only answered part of the question and on matters to consider and did not answer the part that required discussion of the evidence expected to be found in the audit of non-controlling interest.

Candidates are encouraged to ensure that they understand the requirements of the question before answering the question.

Part (d)

This part of the question required candidates to explain the objective of the Public Interest Oversight Board (PIOB).

Very few candidates scored marks in this part with the majority either not attempting to answer it or simply guessing. A number of candidates discussed the responsibilities of auditors to the public.

There were answers such as the following:

- i. This board is established to ensure the different needs of the Public Sector and individuals are met.
- ii. The board ensures that auditors follow the ethical procedures when auditing.

Basically this body aims at ensuring that global auditing standards that are set meet the expectation of the public. It was established following high profile corporate failures despite these corporates having been audited by external auditors.

QUESTION FOUR:

This was a popular question with 483 candidates out of the 591 who sat for this examination attempted this question. This was the question with the poorest performance. Many candidates scored less than a quarter of the available marks with some getting no marks at all. The average score was 10 marks.

Part (a)

This part of the question required candidates to explain the meaning of integrated reporting and stating its importance to users. The majority simply left this part unanswered. Of those who attempted to answer very few gave the correct meaning with many simply guessing.

Other candidates did not attempt the part of the question which required candidates to state the importance of integrated reporting to users.

Part (b)

This question required candidates to discuss the use of analytical procedures in the audit of the financial statements of Filimina Breweries Ltd. knowledge of the provisions of ISA 520 Analytical Procedures could have helped candidates in answering this question.

General answers without referring to the information in the question were prevalent resulting in loss of marks.

Part (c)

This part of the question required candidates to state the audit procedures necessary to audit the figure of provisions in the financial statements.

As has been observed in the past examinations many candidates fail to design suitable audit procedures to audit specific figures. Most candidates scored very low marks here largely because:

Most gave only one audit procedure namely to recalculate the amount and only got marks for one procedure.

Provisions are a risky area and audit procedures to be performed depend on what the provisions is set up for. IAS 37 gives guidance on the setting up of provisions by companies. Candidates need to be fully conversant with the provisions of this standard to be able to design suitable procedures. Candidates are once again reminded that audit procedures include the work that the auditor will perform to tests given assertions.

Part (d)

Most candidates scored full marks in this part of the question which required candidates to state the audit procedures necessary to test the insurance receivables in the financial statements. A number of candidates could not score maximum marks because they gave less than the expected three audit procedures to obtain maximum marks.

QUESTION FIVE:

This question was largely on audit reports and it was disappointing that the majority of candidates who attempted this question scored less than half the available marks. 348 candidates out of the 591 who sat for this paper attempted question five. The performance was generally poor with only 53 candidates scoring above half the available marks.

Part (a)

This part of the question required candidates to explain the revisions to the standard audit report. Most candidates scored low marks because instead of dealing with the changes to the audit report they explained the unmodified report and in some cases gave and explained the elements of an unmodified audit report.

Part (b)

This part of the question labelled as (c) in the question paper required candidates to state the appropriateness of the proposed auditor's opinion. Candidates with a good understanding on the guidance given in the ISAs on reports should have had no problems answering this question. Answers given are indicative of the fact that most candidates are still not familiar with the provisions of the standards on reports.

This form of examining reports is common and will continue in the future. Candidates should use their theory to apply to a given scenario. It is again important that candidates are familiar with the accounting requirements for them to determine the appropriateness of lack thereof the accounting treatment and hence how it affects the audit opinion.

The following were observed:

- i. In situation 1, the accounting treatment and the proposed audit opinion are both correct but candidates for some reason thought there must be something wrong and suggested a qualified opinion. The client has accounted for the translation correctly and so the proposed unmodified opinion is appropriate.
- ii. In situation 2, most candidates failed to give correct answers to this part of the question. Clearly students were not sure with the use of an emphasis of matter paragraph and stated that it was appropriate to use it. Candidates should have noted that an emphasis of matter paragraph is part of an unmodified audit opinion.

In this case since there is adequate disclosure in the financial statements, an unmodified opinion will be appropriate and the material uncertainty explained in the Material Uncertainty Related to Going Concern paragraph.

- iii. In situation 3 candidates were expected to bring out the situations when a disclaimer of opinion would be given. This is where there is a limitation of scope and the auditor is unable to obtain sufficient appropriate audit evidence.

Candidates should endeavor to familiarize themselves fully with the provisions of ISAs 700,701,705 and 706 on audit reports and other ISAs that have implication on the

audit report such as ISA 570(Revised) Going concern. Examination question on audit reports can take different forms and so full understanding is necessary.

Part (c)

This question wrongly labeled as (d) in the question paper required candidates to explain the meaning of 'bid data' and 'data analytics'. Most candidates scored less than expected marks.

This is a knowledge based question and from the answers given it was clear that most candidates did not know what these terms meant. Others simply explained

Overall performance of candidates

Highest mark obtained in this paper:	72%
Lowest mark obtained in this paper:	13%
Average score in this paper:	40.6%

CA 3.3 -STRATEGIC BUSINESS ANALYSIS

QUESTION ONE

This was a scenario case study based on the INTEL'S STRATEGIC INFLECTION POINTS (<http://www.investopedia.com>). All the 248 candidates attempted this question out of which 179 passed and 69 failed representing a 72.2% pass and 27.8% fail respectively.

Candidates were required to analyze the strategic decisions which the company undertook, and also understanding of the effect of the company's visions statements.

Among common mistakes made by students were the following:

- i. Most put little amount of thought and effort into answering this question.
- ii. Some candidates failed to identify the inflection stages which lead them to put wrong.
- iii. Other students did not do well on this question due to their failure to understand the question.

QUESTION TWO

The general performance on this question was relatively good. 187 candidates attempted this question and 111 passed while 76 failed representing a 59% pass and 41% fail.

The question gave a scenario limitations strategic planning. It required the students to evaluate any five (5) limitations of a strategic plan. Students that did not do well showed lack of knowledge in the subject areas as well as inadequate preparation for the examination.

QUESTION THREE

The question was on the scenario on strategic planning. 178 candidates attempted the question and 87 passed representing (49%) and 91 representing (51%) failed. This question required candidates to determine any five (5) determinates or factors that influence the make-up of a strategy in and around the organization.

It was noted that some students did not do well due to less preparedness and inability to present the work properly.

QUESTION FOUR

This was a case scenario based on Ethics. 129 candidates attempted this question and 68 (53%) passed and 61(47%) failed. The question required candidates to evaluate the Ethical considerations NAMAHC0 (company) will have to take when dealing with interests and associated risks of at least five (5) of its stakeholders. The bad performance by those that failed this question was mainly due to their failure to identify the organisation's stakeholders in the scenario as well as the ethical issues to consider when dealing with them.

QUESTION FIVE

The general performance was poor. 213 candidates attempted this question and 122 (57%) passed and 91 (43%) failed.

The question was a case scenario based on international business strategy had two parts: Part (a) required students to describe any five (5) strategic appeal or benefits of venturing into international markets from the given scenario while Part (b) required them to explain the main categories of risks that ZamPork products limited will face as it enters the international markets.

On both parts of the question, the average response was good though most of candidates seem not to be familiar with the benefits of venturing in international business and this made the get low marks.

Overall performance of candidates

Highest mark obtained in this paper:	87%
Lowest mark obtained in this paper:	8%
Overall pass rate in this paper:	51.5%

CA 3.4 ADVANCED TAXATION

QUESTION ONE

The general performance on this question was very poor. Out of 144 candidates who attempted the question only 25% passed and 75% failed.

This question covered international aspects of taxation and financial planning. In part (a) candidates were required to briefly discuss any five general principles contained in the Organization for Economic Cooperation and Development's (OECD's) model double taxation convention which gives guidance on how countries may avoid double taxation of income.

In part (b) (i) candidates were required to explain the taxation implications for the tax payer of the loan made to an associate company incorporated in a foreign country. Most candidates failed to provide the relevant explanations of the tax implications and therefore lost marks.

Similarly, in part (b) (ii) most candidates failed to explain the taxation implications for the tax payer of exports of goods to an associate company at a transfer price equal to the company's full cost of production.

In part (c) (i) candidates were required to calculate the final taxable income for the tax payer and the final company income tax payable for the tax year 2018. Most candidates failed to make the relevant adjustments in computing the final taxable profits.

In part (c) (ii) candidates were required to calculate the income tax payable of the Chief Executive Officer of the parent company.

In part (d) (i) candidates were required to describe the nature of the convertible debt and advise the directors of the company of the taxation implications for the company of using this financing method.

In part (d) (ii) candidates were required to describe the nature of the hire purchase and explain the taxation implications for the company of using this method of finance. The question was fairly well answered by most candidates with the exception of a few candidates who failed to explain the tax implications associated with this method of finance.

Similarly, in part In part (d) (iii) a good number of candidates managed to describe the nature of the sale and lease back but failed in most cases to provide relevant explanations of the taxation implications for the company of this method of finance resulting in loss of marks

The following were the common mistakes noted:

- i. Candidates generally failed to bring up the required points and demonstrated a lack of understanding the principles of the OECD Model Convention and as a result could not score the required marks. Most of them ended up explaining bilateral treaties between countries without necessarily mentioning the core principles.
- ii. Not adding back the difference between the open market rate of interest and the actual rate of interest charged in relation to the loan made top the foreign associated company.
- iii. Not adding back the difference between the open market price of the goods transferred to the foreign associated company and their actual transfer price which was the actual production cost.
- iv. Failure to compute the amount of double taxation relief available on foreign dividends received from foreign sources.
- v. While a good number of candidates were able to explain the nature of convertible debt in part d of the question, some failed to provide the relevant explanations on the tax implications and therefore lost marks.
- vi. Failing to calculate correct the correct figure for the dividends received from foreign sources and deposit interest from foreign sources to be included in the personal income tax computation in computing the tax payable.
- vii. Failure to compute the amount of double taxation relief available on both the dividends and fixed deposit interest received from foreign sources.

QUESTION TWO

This question was on average reasonably well answered. 121 candidates attempted the question with 52% passing and the remaining 48% failing. The question covered taxation of mining operations and was divided in three (3) parts.

In part (a) candidates were required to explain the meaning of thin capitalization in the context of the taxation of mining operations in Zambia, clearly stating the criteria for determining whether a mining company is thinly capitalized, and evaluating whether the tax payer is thinly capitalized. This part of the question was fairly well answered with the exception of a few candidates who failed to make appropriate computations in evaluating whether the company in the question was thinly capitalized.

In part (b) candidates were required to compute the taxable business profits for the year ended 31 December 2018. Most candidates failed to make the relevant adjustments in calculating taxable business. Candidates specifically faced the following challenges:

- i. Using the wrong rates in computing the amount of capital allowances claimable on the implements plant and machinery qualifying for capital allowances.
- ii. Failing to compute the excessive disallowed interest resulting from the company being thinly capitalized.
- iii. Failing to compute the amount of loss relief available in relation to the tax loss brought forward from the previous financial year. Most candidates made the mistake of indexing the loss without converting into Zambian kwacha given that the loss was denominated in US dollar in the question.

Such candidates therefore consequently provided the wrong amount of the taxable profits with some candidate's computations producing a tax loss which they wrongly proceeded to tax in part (c).

Part (c) which required candidates were required candidates to calculate the total amount of tax payable by the tax payer for the tax year 2018 was equally poorly answered. It was noted that some students lost marks due to use of the wrong tax rate in computing tax payable on the mining profits. Candidates in most case applied the general company tax rate of 35% which was wrong instead of 30% that applies to mining profits. The rate of 35% should only have been applied in computing tax on the non-mining income in form of fixed deposit interest.

QUESTION THREE

The performance of candidates on this question was generally poor. 121 candidates attempted the question. 38% of these candidates passed and 62% failed. The question covered tax planning involving incorporation of a business and was divided into the following two parts:

Part (a) which required candidates to advise the tax payer of the taxation implications arising from incorporating their business was generally well answered with the exception of a few candidates who failed to provide the required explanations demonstrating a total lack of knowledge of this area.

Part (b) (i) which required candidates were required to explain how the tax payers would be assessed to income tax in the year 2018 supported with a computation of the final taxable profits for the five months period to 31 May 2018 was poorly answered. Common weakness demonstrated by candidates in answering the question included:

- i. Failing to compute the amount of correct amount of salary payable to Mutinta who was engaged as an employee for the first 5 months of the year 2018, when the business was run as a sole proprietorship.
- ii. Failing to compute the correct amount of the employer's s NAPSA contribution paid by Kanugwe, the proprietor on behalf of Mutinta his

employee. This should simply have been computed as 5% of the salary paid to Mutinta in the first 5 months.

- iii. Computing wear and tear allowances at different rates on implements plant and machinery qualifying for capital allowances instead of merely computing the balancing charges or allowances by comparing the market value of each asset (restricted to the original cost) with the Income Tax Value given that on incorporation such assets are deemed to have been disposed of at their market values.
- iv. Failing to explain the basis of assessment for the profits made in the first five months of the tax year 2018.

Part (b) (ii) which required candidates to explain how the tax payers would be assessed to income tax in the year 2018 on income generated in the 9 month to 31 December 2018 after incorporation, together with a computation of the final company income tax payable by the company for the tax year 2018, was equally poorly answered.

Common weaknesses included:

- i. Failing to compute the correct amounts of salaries payable to each individual in the seven months to 31 December 2018, to be deducted in computing the taxable profits for the newly incorporated company.
- ii. Failing to compute the correct amount of the employer's s NAPSA contribution payable in relation to each individual.
- iii. Failing to compute wear and tear allowances at appropriate rates on implements plant and machinery qualifying for capital allowances. Most candidates made the mistake of using the original costs of the assets to compute the capital allowances claimable after incorporation, when they should have used the asset's market values as at the date of incorporation. This is because on incorporation all assets held by old business run as a sole proprietorship are deemed to have been sold at their market values and hence acquired by the newly incorporated company at those market values.
- iv. Failing to explain the basis of assessment for the profits made in the last seven months of the tax year 2018.

Candidates further faced challenges in computing the final income tax payable by each individual in the tax year 2018 in part (b) (iii), specifically failing to apportion the salaries payable to each individual for the seven month period to 31 December 2018, after incorporation.

QUESTION FOUR

The performance of candidates on this question was below average. 47% of 113 candidates who attempted the question passed and the remaining 53% failed. The question was divided into two parts covering tax audits and administration of direct taxes.

In part (a) candidates were required to explain the meaning of a tax audit and describing three (3) categories of tax defaults that may be uncovered during a tax audit. This part of the question was reasonably well answered by most of the candidates as they were able to explain the meaning of a tax audit and describe the categories of tax defaults.

However, candidates scored very poor marks in part (b) which required candidates to advise the tax payer of the amounts of penalties and interest on overdue taxes and tax returns charged on all payments and tax return submissions made up to and including 1 September 2018.

Reasons for poor performance of candidates on this part of the question included:

- i. Lack of knowledge of the due date for the submission of the return of provisional income tax resulting in candidates failing to compute the penalties arising on the late submission of the return of provision income tax relating to the tax year 2018.
- ii. Failing to compute the correct amount of provisional income tax payable in relation to the tax year 2018. This should have been computed at the rate of 35% of the revised estimated taxable profit figure of K2,700,000 and not the original estimated profit figure of K3,200,000 which most candidates used.
- iii. Using the wrong tax rates to compute the relevant taxes payable. The correct tax rate applicable was 35% given that the tax payer in the question was a company and not an individual. A good number of students used the graduated tax bands for individuals which was wrong and therefore lost marks.
- iv. Lack of knowledge of the due dates for the payment of the quarterly instalments of provisional income tax which resulted in candidates failing to identify which installments of provisional income tax were paid late by the tax payer and ultimately failing to compute penalties chargeable and interest arising on such late payments.
- v. Lack of knowledge of the due date for the submission of the self-assessment return and the due date for the payment of the balance of income tax relating to the tax year 2017 resulting in the candidates failing computing the amount of penalties and interest arising on the late submission of the

self-assessment return and late payment of the final balance of income tax relating to the tax year 2017.

QUESTION FIVE

Candidates scored very poor marks on this question which examined ethical issues in tax practice and aspects of company income taxation. 90 candidates attempted the question with only 17% passing and 83% failing.

Although candidates managed to provide reasonable answers in part (a) which were required the candidates to explain from an ethical viewpoint how they would deal with the suggestion that no disclosure is made to ZRA of the omitted income from foreign exports, they faced challenges in answering the remaining parts of the question.

Part (b) (i) required candidates to explain the meaning of effective shareholder in the context of company income tax and was poorly answered as candidates failed to explain the meaning of an effective shareholder as an individual who is a beneficial owner of or able to control, either alone or with his nominees owning 5% or more of the issued share capital of 5% or more of the voting powers in a company.

Similarly in part (b) (ii) candidates failed to explain the meaning of a nominee of an effective shareholder in the context of company income tax, demonstrating a total lack of knowledge of this aspect of company income tax.

Candidates faced further challenges in answering part (b) (iii) which required an explanation of what constitutes a loan to an effective shareholder in the context of company income tax.

In part (c) (i) candidates were required to advise the tax payer of the taxation implications of provision of personal to holder motor cars to each director in the company. Most candidates were able to recall that K40, 000 on personal to holder cars with cylinder capacity of above 2,800 cc was to be added back to the profit. However, very few candidates additionally managed to explain that capital allowances at the rate of 20% of the cost of each motor car will be deductible when computing taxable business profits.

In part (c) (ii) candidates were required to advise the tax payer of the taxation implications of selling goods worth K120,000 at a price below this value by 30% to the company's five directors who held an equity stake of 20% each, in the company, making each director an effective shareholder in the company.

A number of candidates failed to identify the fact that goods sold to the executive directors, who were all effective shareholders at a price below the market value would be treated as loans made by the company to effective shareholders. As a result, the company would be required to pay income tax computed as the difference between the grossed up equivalent of loan assuming tax was deducted at highest rate applicable to individuals of 37.5% and the actual amount of loans provided.

In part (c) (iii) candidates were required to advise the tax payer of the taxation implications of provision of loans amounting to K500,000 in total to the executive directors. This part was also poorly answered because most candidates again failed to recognize the fact that the amounts advanced will be treated as loans made to effective shareholders given that each director held more than 5% of the ordinary shares of the company. Candidates therefore failed to compute the amount of tax chargeable on the company for providing the loans to the directors.

In part (d) candidates were required to advise the tax payer of the taxation implications of writing off the loans to the executive directors and of recovering such loans from the executive directors. This part was also poorly answered because most candidates failed to acknowledge the fact that loans to effective shareholders written off have no tax implications for the company but are taxed as part of the income of the individual directors and when loans to an effective shareholder recovered by the company, the company can make a claim to recover the tax that the company paid when the loan was made.

Overall performance of candidates

Highest mark obtained in this paper: 66%

Lowest mark obtained in this paper: 2%

Overall pass rate in this paper: 34.8%

CA 3.5 -ADVANCED MANAGEMENT ACCOUNTING

QUESTION ONE

The general performance was very poor. Only 25% of the candidates attempted it passed while 75% failed.

This is a compulsory question; all candidates attempted it. The question was divided into three parts. The requirements and mistakes noted were as indicated below:

- (a) In this part candidates were expected to evaluate the performance of the two divisions using both financial and non-financial performance indicators. They were also required to recommend ways in which the two divisions could increase their contribution to the future development of the group. Most candidates failed to calculate the required indicators based on the data in the question. Future candidates are advised to know and correctly interpret the indicators on the basis of profitability, liquidity and gearing. Calculations were not enough, candidates needed to do an evaluation of the performance. In certain cases, wrong computations were used. A number of students failed to give valid recommendations. It should be noted that recommendation is based on the evaluation carried out.
- (b) Some candidates were unable to use an appropriate model to identify external forces. Those who used porters' 5 forces gained more marks considering the 15 marks the question carried. The 5 forces should have been used as the sub headings. Candidates were also expected to apply appropriate KPIs on each of the forces.
- (c) Most candidates scored high marks in this part. Those who gave examples in their explanations got higher marks. However, some students did not adequately discuss the process hence reduced on the chances to earn full marks.

QUESTION TWO

The general performance on this question was good. Of all those that attempted it, 63% passed while 37% failed.

The question examined the first topic in the ZICA official text, managing change also modern management accounting techniques. The following were the observations made on the question:

- (a) A mission statement was well explained and planning process, difficulties were experienced on performance measurement process were candidates could not clearly elaborate.
- (b) New system changeover was well handled, candidates clearly stated advantages and disadvantages to the requirement of the question. However, those who failed this question may have not seen question 42 in the revision kit. Students at this level are encouraged to read widely on the basis of the learning outcomes.
- (c) Poorly attempted, part of the question as most scripts showed that the candidates did not clearly discuss the advantageous of Kaizen costing in measuring performance over standard costing.

QUESTION THREE

The general performance on the question was poor. 40.9% of the candidates that attempted it passed while the remaining 59.1% failed. This was the least popular question on the paper as only 35% of the candidates attempted it.

This question required candidates to

- a) Calculate the budgeted product cost per unit using labour hours to absorb overheads and alternatively using activities to absorb overheads.
- b) To discuss the significance of cost drivers in the ABC technique.

The following were the common mistakes made by some candidates

- i. In part (a), trying to calculate the material cost per unit when in fact it was given in the question
- ii. Adding up the cost drivers per unit as denominators instead of multiplying them by the production volumes to get the meaningful denominator.
- iii. Justice was not done to part (b) by most candidates. There was generally no way part (b) could be attempted without attempting part (a). In fact desperate candidates started with part (b) and then moved to part (a) or just attempted part (b).

QUESTION FOUR

The general performance in this question was below average. Only 48.7% passed the question while 51.3% failed.

Part (a) of this question required candidates to explain how the beyond budgeting model could be used to improve performance in a company whilst part (b) required them to explain the "Balanced Scorecard" and how it could be used by the company to assess its performance.

Although this question was not a compulsory one, nearly all candidates attempted this question and it was very well answered.

Common mistakes noted included the following:

- i. In part (a), some candidates were failing to use examples from the scenario as required by the questions, i.e. failing to apply the concept by writing generally on the beyond budgeting model.
- ii. Similar errors were repeated in part (b) by not applying. Most candidates could explain the score card but did not make the assessment of how it could improve performance for the company in question.

QUESTION FIVE

The general performance was very poor. Only 11% of the candidates passed.

Question five required candidates to prepare a report which includes

- (a) An explanation on the design and constituents of an effective information system.
- (b) An explanation of the nature of Business Process Re-engineering and how BPR could be applied to a manufacturing company.

The following common mistakes were noted:

- i. Failure to present the answers as in report format.
- ii. Giving characteristics of information without explanations.
- iii. In part (b), candidates explained BPR well but failed to explain how it could be applied to a manufacturing company

Overall performance of candidates

Highest mark obtained in this paper: 64%

Lowest mark obtained in this paper: 10%

Overall pass rate in this paper: 43.3%

CA 3.6- ADVANCED FINANCIAL MANAGEMENT

QUESTION ONE

The general performance on this question was good. 55.1% of the students who attempted passed and 44.9% failed.

Students were required to answer the question in form of a report. Few students did not do so and lost the allocated 2 marks.

Part (a) of this question, with a mark allocation of 8 marks, required students to evaluate the potential impact on shareholder wealth on the decision to introduce debt into the company's capital structure. Most students performed exceptionally well, and earned the full allocated 8 marks by discussing the impact of introducing debt on the weighted average cost of capital (WACC) and its relation with the optimal capital structure that results in the lowest WACC, using theories such as the MM theory. Students also earned credit for discussing the merits and demerits of introducing debt in the capital structure. Those that discussed generally the demerits of debt without relating them to the question or used bullet points were not given full marks, since an evaluation was required.

In Part (b) computation of the weighted cost of capital was required. This part of the question was generally poorly answered because students failed to determine the capital structure after the additional investment of K300 million in non – current assets and working capital – of which K120 or million or 40% was financed with debt and K180 million or 60% with equity. An adjustment for the market price of debt was required to arrive at the market value of debt – to determine the weights of equity and debt in computing WACC, unfortunately very few students were able to do so, and therefore earned partial credit. A number of students at this level, surprisingly did not make any recommendation whether the project should be undertaken after carrying their evaluation and failed to earn full credit.

Part (c) required evaluation of the proposed investment using the NPV method. Students generally did well in that they identified and computed the relevant cash

flows. Common mistakes included translating the cash flows into Kwacha from the foreign currency using the selling and mid rates instead of the buying rate. Most students used an incorrect discount rate because they incorrectly computed the WACC in part (b) and the Internal Rate of Return (cost of debt), however they were given partial credit.

Part (d) of the question required calculation of the effective interest rate on the treasury bills and initial margin on the futures contract, and Part (e) required an evaluation of the outcome of the speculation on the movement of oil prices. Most students showed a complete lack of knowledge of the theoretic concepts underpinning the two questions with 10 marks, and hence scored nill in these parts. A select few attempted the question and either earned partial credit or scored full marks.

QUESTION TWO

The general performance on this question was below average as only 41.89% of the students who attempted managed to pass and 58.11% failed.

Part (a) required candidates to discuss the reliability of forward rates as predictor of spot rates. Majority of the candidates concentrated on explaining the meaning of forward rate and spot rate instead of discussing the inability of the forward rate to accurately predictor the spot rate.

Part (b) required candidates to explain the stages of setting up a futures hedge. Most of the candidates failed to explain the process and to apply it to the scenario given.

Part(c) asked candidates to estimate the futures price and most of the candidates were unable to show how the loss of 1% in the cash market will be offset by a gain of 0.42 (91.80-91.83) in the futures market.

QUESTION THREE

The performance on this question was good with 61.25% of the students who attempted passing and 38.75% failing.

Part (a) was well attempted however some candidates failed to make the conclusion.

Part (b) required candidates to discuss strategies to deal with restrictions in remittances. Not many students brought out the required strategies such as interest loans, management fees, royalties, transfers pricing and loans.

Part(c) required candidates to explain mezzanine finance and merits and demerits. Most candidates were explaining the general merits and demerits of finance and failed to apply it to the scenario given.

QUESTION FOUR

The general performance on this question was above fairly good. 52.63% of the students who attempted managed to pass and 47.37% failed.

Most candidates who attempted this question did not address the specific issues outlined in the requirements. To obtain good marks it was necessary for candidates to address the strategic, financial and ethical issues as indicated in the requirements. However, some attempts at this question were general and did not address the specific issues raised in the requirements to the question.

To obtain good marks in this question, candidates needed to pay specific attention to the presentation and format, highlighting the specific issues in their attempt.

QUESTION FIVE

The performance on this question was good with 60.66 % of the students who attempted passing and 39.34% failing.

Part (a) was well attempted except that some candidates failed to compute the modified duration.

Part (b) required candidates to explain the benefits and limitations of duration to investors. Most of the students were generally giving the time value as an advantage and difficulty in understanding it.

In part(c) some of the candidates completely failed to discuss the impact of duration on longer dated bonds, lower coupon bonds and lower yield.

Overall performance of candidates

Highest mark obtained in this paper: 68%

Lowest mark obtained in this paper: 7%

Overall pass rate in this paper: 43%

CA 3.7-PUBLIC SECTOR AUDITS AND ASSURANCE

QUESTION ONE

The general performance on this question was very good. A total of 285 candidates attempted this compulsory question. Out of this number, a total of 197 candidates representing 68% of the total who attempted this question scored more than 50% of the available marks.

This was a scenario based questions and the following were observed.

Part (a)

A majority of candidates scored maximum marks in this question which required candidates to explain financial, performance and compliance audits that may be undertaken in the audit of Mezi Water Company.

Some candidates lost marks for not relating their answers to Mezi Water Company. At this level candidates are reminded that questions are scenario based and information in the scenario should be used in answering questions. A minority of candidates mixed the meaning of performance and compliance audits and so lost the marks.

Part (b)

This question required candidates to identify and explain the threats to the independence of the auditors assigned to the audit of Mezi Water Company Ltd.

The general performance was good with most candidates getting above half the available marks.

General answers without using the information in the scenario resulted in loss of marks in some cases. In some cases candidates gave less than the expected number of threats. For five marks candidates should give and explain not less than three threats in the scenario.

Part (c)

- i. This question required candidates to explain positive and negative form of circularization of receivables in the audit of Mezi Water Ltd. Most candidates gave satisfactory answers and scored maximum marks.

There was nevertheless suggestion from some answers that some candidates did not know the difference between positive and negative circularization

- ii. Candidates lost marks here because of limited answers such as suggesting that the auditors should resign or modify the audit opinion. Whereas these are correct candidates should be methodical in dealing with management's refusal to do the right thing. If auditors designed each time there is a disagreement with management they would have no clients!

Candidates should have stated that the auditors need to discuss with management and establish the reasons for the refusal to circularize the receivables, if no satisfactory answer is obtained there may be need to report to those charged with governance. If evidence can be obtained through alternative audit procedures that is also an option. Finally, auditors may consider modifying the opinion depending on the seriousness and effect on the financial statements of the matter. Resigning should be last resort particularly when the integrity of management is brought into question.

Part (d)

This is a knowledge based question requiring candidates to state the general principles that should be adhered to in the audit of Mezi Water Company. The majority of candidates scored very well in this part of the question.

Those candidates who did not know the provisions of ISSAI 100 could not adequately answer this question and lost the marks available. Others gave less than the six requirements and got marks in proportion to the points made.

Part (e)

This question required candidates to discuss the objectives of carrying out an IT audit in the audit of Mezi Water Company Ltd.

The performance in this part of the question was generally poor with candidates scoring less than half the marks available. The main reasons for this poor performance include the following:

- i. Some candidates concentrated on explaining controls as the main reason without using much of the information in the scenario.
- ii. Others gave and explained expected controls which were not asked for.
- iii. Others explained in details performance audits and explained economy, efficient and effectiveness.

Candidates should have observed that the company has introduced a new system and so the need for the IT audit is to confirm that the new system ensures that the company will meet its objectives. Further, an IT audit will confirm whether or not the introduced system can be relied upon as the basis for the preparation of financial statements.

Part (f)

This part of the question required candidates to discuss four differences between the financial audit and the planned forensic audit of Mezi Water Company. Whereas most candidates gave satisfactory answers, a sizeable minority lost marks for the following reasons:

- i. Gave less than the required number of factors and so only scored marks for the points given.
- ii. Some candidates simply defined forensic audits without comparing it with financial audits.

QUESTION TWO

This was the least attempted optional question attempted with 156 candidates out of the 591 who sat for this examination attempting it. Generally candidates performed well in this question with 114 candidates scoring more than 50% of the available marks. The average score in this question was 12 marks.

The following comments are made for the individual parts of the question:

Part (a)

- i. This part of the question required candidates to distinguish the two types of interview carried out in a forensic investigation.

Most candidates obtained full marks in this question. It was observed, however, that candidates write too much for 2 marks available. Candidates should use the marks available in deciding how much to write as no matter how much is written the maximum marks are only 2. Time is a valuable resource in the examination and so should not be wasted.

- ii. This was a knowledge based question requiring candidates to use the information in the scenario to analyze the risk of fraud using the fraud triangle.

Those candidates who gave general answers without relating to the fraud triangle lost marks. Generally the performance was good.

Part (b)

- i. This was a knowledge based question requiring candidates to explain four principles of value and benefit of the Supreme Audit Institution in line with ISSAI 12.

The performance in this part was poor with most candidates explaining the functions of the SAI which was not the gist of the question and so lost marks.

Candidates are reminded that this there is a lot of guidance that needs to be followed in this subject contained in ISSA is and so candidates will do well to understand the guidelines.

- ii. This question required candidates to explain the fundamental ethical values as they relate to forensic investigations. Some candidates lost marks because they explained fundamental principles without relating to forensic investigations. Candidates should read the question and ensure they answer the question asked.

QUESTION THREE

A total of 182 candidates attempted this question and this represents 64% of the candidates who sat for this paper. Of the candidates who attempted this question 135 scored more than half the available marks.

The following observations were made on candidates' performance as well as some common mistakes made:

Part (a)

This part of the question was on IT audits and required candidates to explain the meaning of cyber-crime and also describe four threats to cyber-crime.

There were good answers to this part of the question. A number of candidates, however, lost easy marks for not the threats to cyber-crime that organizations face. Candidates should address all parts of questions asked.

Part (b)

- i. This was a basic financial audit question requiring candidates to explain the methods available to the auditor in conducting the financial audit of the Supreme Court. ISSAI 1315 gives guidance in this area and those who knew the guidance had little trouble answering this part.
A minority of candidates explained tests of control and substantive tests where were not relevant in answering this question.
The question refers to the planning stage of the audit and specifically states the methods needed to gain an understanding of the Supreme Court during the risk assessment stage.
- ii. Required candidates to use information in the audit of the Supreme Court to link the subject matter and the criteria in the compliance audit of the Supreme Court.
Most candidates failed to link the two and instead simply gave example of each of them. Application to the scenario is important at this level of the

examinations. Not using the information given results in candidates scoring half the available marks.

- iii. This part of the question required candidates to identify and explain the subject matters that can be subject to a compliance audit in the Supreme Court clearly stating the criteria that will be used in the compliance audit.

Candidates who used a tabular form in presenting their answers scored more marks because they dealt with all aspects of the question. Candidates who write paragraphs generally performed poorer because whereas they identify the subject matters they did not clearly state the criteria.

QUESTION FOUR

This was the most popular question with 272 candidates out of the 285 who sat for this examination attempted this question. The performance in this question was generally good with 193 candidates of those who attempted the question scoring more than 50% of the available marks.

Below are some of the observations on parts of the question where students had challenges:

Part (b)

- i. This part of the question required candidates to explain the three e's in the performance audit of the program to reduce road fatalities on Zambian roads. The majority of the answers were satisfactory and candidates scored high marks. There was a minority who lost marks because of not using the information in the scenario in answering the question.
- ii. This question required an explanation of the link between ISAs and ISSA is private and public sectors respectively. Most candidates scored full marks and clearly explained that the ISAs have been adopted by the public sector in the performance of public sector audits.
- iii. This part of the question required candidates to explain the difference between private sector audits and public sector audits. Most candidates answered this well and scored maximum marks.
- iv. This was a knowledge based question on quality control in the public sector in line with guidance given by ISSAI 40.
A good number of candidates did not know the provisions of ISSAI 40 on quality control and instead explained general principles contained in ISSAI 100.

QUESTION FIVE

241 candidates out of the 285 who sat for this paper attempted question five. The performance was generally poor with only 124 candidates scoring above half the available marks.

This question was a mixture of topics including fraud and performance audits. Below are details of student performance and some common mistakes noted:

Part (a)

This question required candidates to use their knowledge of ISSAI 1240 in answering it. It required candidates to explain the responsibilities of management and the office of the Auditor General with regards fraud.

There were generally good answers with the majority of candidates scoring maximum marks. A minority of candidates lost marks because they only explained management's responsibilities without stating the responsibilities of the auditors.

Part (b)

This part of the question required a description of the two types of fraud per ISSAI 12240. A majority of candidates gave satisfactory explanations but a minority of candidates explained the fraud triangle which was not asked for.

Candidates were expected to give examples of each of the two types of fraud using the information in the scenario. The case of missing precious stones is an example of misappropriation of assets of company. An example of fraudulent financial reporting is the motivation on management to falsify the financial statements with the aim of meeting the targets set to earn a bonus.

Part (c)

This was a knowledge based question requiring candidates to explain any six general requirements in a performance audit in accordance with ISSAI 3000.

Most candidates obtained low marks in this question indicating that they did not know the provisions of this standard. Many gave less than the six standards required while many others explained general principles in accordance with ISSAI 100. Candidates are reminded that

Overall performance of candidates

Highest mark obtained in this paper:	84%
Lowest mark obtained in this paper:	24%
Average score in this paper:	55.3%

CA 3.8-PUBLIC SECTOR FINANCIAL MANAGEMENT

QUESTION ONE

The performance on this question was extremely poor as no student (0%) who attempted it managed to pass.

The following were the common mistakes noted:

- i. Part (i) (a): Most candidates had challenges in the computations particularly the annuity factors, exchange rate conversions/depreciation. It looks like there were not prepared for a computation question of this nature as a result most of them performed very poorly in question one.
- ii. Part (i) (b): This was also poorly answered due to insufficient knowledge on the subject of project management.
- iii. Part (i) (c): This was fairly attempted as it was brought forward knowledge on financial risks.
- iv. Part (i) (d): This was well attempted. It required an understanding of foreign project grants and project loan agreements.
- v. Part (ii): Almost all the candidates could not get it right due to insufficient knowledge on the PEFA Framework as regards the management of assets and liabilities.

QUESTION TWO

The performance on this question was average as 50% of the students who attempted managed to pass and 50% failed.

The question required students to explain the key features of conventional procurement models for capital projects in part (a). Some students mistakenly discussed features of the public private partnership model instead of the conventional one, where government procures capital projects without the private sector bearing any of the risks.

A description of the most suitable delivery method for private hospitals was requested in part (b), including a reason for its suitability. The full private model was the ideal answer, and the reason being that it does not involve government, hence the quality of service provision by the private sector will be high to justify market charges. A few students erroneously described the public private partnership (PPP) model, when information in the question made it clear that government was not keen to enter into PPPs due to challenges it had experienced with the model in other sectors.

A discussion of the four key features of the private provision model was required in part(c) of the question. Students who discussed the various risks associated with the model performed well.

QUESTION THREE

The performance on this question was average as 50% of the students who attempted managed to pass and 50% failed.

The question required candidates to explain the nature and key features of conventional procurements models and the most suitable delivery method for the private hospital. One key issue which most candidates did not mention was the aspect of wider policy objectives. However, Part (b) and (c) was fairly attempted.

QUESTION FOUR

The general performance on this question was good as the student who attempted managed to pass (100% pass rate).

In part (a)(i) of the question, an explanation of the dimensions which could be used for scoring under each indicator. Part (a)(ii) required the explanation of the importance of fiscal discipline in relation to the PEFA framework and one possible reason for the poor performance in revenue outturn.

Part (b) required students to recommend to the bank management, whether a new customer should be given a high loan limit or a low loan limit.

QUESTION FIVE

The general performance on this question was fairly good as 50% of the students who attempted it managed to pass and 50% failed.

Part (a) and (b) was well attempted. However, majority of the candidates failed to explain the objective of public sector financial management in part(c).

Overall performance of candidates

Highest mark obtained in this paper: 52%

Lowest mark obtained in this paper: 32%

Average score in this paper: 44.7%