



DECEMBER 2018 EXAMINATIONS

CHIEF EXAMINERS REPORTS

DIPLOMA IN ACCOUNTANCY  
PROGRAMME

## **DA1 FINANCIAL ACCOUNTING**

### **QUESTION ONE**

This was a compulsory multiple choice question. This question was attempted by 273 candidates, 66% passed and 34% failed.

Candidates had challenges in part 1.1 and 1.7.

### **QUESTION TWO**

This question was attempted by 247 candidates, 65% passed and 35% failed.

Many candidates took discount allowed of K8200,000 as discount received. Well prepared candidates fared well.

Many candidates used the original instead of the net book value at 1 April 2016.

### **QUESTION THREE**

This was attempted by most candidates. 185 candidates, 34% passed and 66% failed.

Candidates were required to prepare the manufacturing account and many candidates failed to compute the cost of raw materials used as well as the correct VAT value.

### **QUESTION FOUR**

This question was attempted by 97 candidates, 16% passed and 87% failed. The question required candidates to prepare Cash flow statement for the year ended 31 March 2017 using indirect method according to IAS 7.

Candidates had challenges on calculating the following figures:

- i. interest paid
- ii. Taxation paid
- iii. Dividend paid

## **QUESTION FIVE**

This question was attempted by 154 candidates, 23% passed and 77% failed. Candidates were required to pick lodgments (212) and cheque (148) as the course of the initial difference.

Many candidates did not present a reconciliation statement but a ledger T account. Candidates were redrawing the Cash/Bank account given in the question instead of an adjusted cash/bank account.

## **QUESTION SIX**

This question was attempted by 261 candidates, 76% passed and 24% failed. It was a very popular question and good candidates scored highly in this question.

Candidates were required to prepare a reconciliation of the opening balances so as to bring them into line as at 1 March 2018, adjusted cashbook and a reconciliation statement of the balances per bank statement to the balances per adjusted cash book as at 31 March 2018.

Candidates were also required to prepare journal entries to correct all the errors and to post the correcting entries to the suspense account.

Many candidates were using the charge for the year instead of the total amounts. I.e, opening balance plus the charge for the year. Candidates were also deducting the trial balance figure from trade receivables.

### **Overall performance of candidates**

Highest mark obtained in this paper:	<b>78%</b>
Lowest mark obtained in this paper:	<b>0%</b>
Average score in this paper:	<b>45.1%</b>

## **DA2 – QUANTITATIVE ANALYSIS**

### **QUESTION ONE**

This question was compulsory hence all candidates attempted it. The average performance was 10.9 marks out of the total of 20. Out of 290 students who attempted the question, 50% of them managed to get above the average mark.

The section comprised of a variety of questions covering the entire syllabus, all were multiple choice.

### **QUESTION TWO**

This question was an optional question requiring candidates to use the frequency distribution of grouped data to calculate statistical measures such as mean, median, quartiles and mode. Out of the total of 290 candidates 252 attempted the question with the average performance of 5.266 marks out of 20 marks.

It was observed that most candidates failed to calculate the median, mode and quartiles due to the use the wrong class values in their calculation. It also observed that some candidates opted to state the model class instead of calculating the mode. This resulted in the poor performance on this question.

### **QUESTION THREE**

This was the most un-answered question with only 100 out of 290 candidates selecting the question representing 34% of the candidates. The average performance was 5.2 out of 20 marks which was the lowest mark.

The question was divided into three parts:

(a) Part (a) required candidates to define the terms risk and uncertainty. It was observed that much of the definitions were not linked with business and statistics concept hence leading to loss of marks.

(b) This part required candidate to compute the mean and standard derivation of the two stocks (A and b).

(c) Required candidates to compute the condition probability.

Candidate struggled to find the correct values due to the incorrect way of adding annual rates. This had much of negative effect on their performance. It was also observed that some candidates did not know how to conclude on which stock is preferable given either the mean or standard derivation. Candidates also, did not show such knowledge in applying the basic probability rules hence could not successfully answer this question.

#### **QUESTION FOUR**

This question was attempted by 262 out of the 290 candidates representing 90%. The average was 9.3 marks of 20 marks.

The question was split into two parts:

Part (a) required candidates to use the given data to draw a pie chart and bar chart.

50% of the candidates managed to correct pie charts stating clearly the degrees of each category. The candidates who failed were using percentages to show the different classification in the pie chart, which was wrong. Half of the candidates also managed to draw correct bar chart. Other were making mistakes such as drawing chart with bars attached to each other (Histogram) and also failing to label the vertical frequency column.

Part (b) required the candidates to use the distribution to find the probabilities.

Most candidates could not get full marks due to failure in reading and computing correct probabilities from the two tables

## **QUESTION FIVE**

This was the most preferred question and also recorded the best performance. 274 out of 290 candidates attempted this question representing 94.5% with an average of 11.8 out of 20marks.

The question was split into two parts, part A on regression and correlation while part B was on compounded interest.

In part B, candidates were confusing the calculation of future value (at end of 4 years) to present value (discounted rate of 8%).

Most candidates demonstrated good knowledge in both topics. Notable errors resulted due to improper use of formulas and also wrong totals (for regression).

## **QUESTION SIX**

A very large number of candidates attempted this question (262 out of 290) with an average performance of 11.4. It was among the question with very good performance.

The question was split in two parts, part A required candidates to calculate probabilities from given tabular data.

Part B required candidates to calculate the Net Present Value and most candidates demonstrated knowledge in the subject area.

A good number of candidates were able to find correct probabilities provided they used correct totals.

### **Overall performance of candidates:**

Highest mark obtained in this paper: **88%**

Lowest mark obtained in this paper: **8%**

Average score in this paper: **47%**

## **DA3 BUSINESS ECONMOMICS**

### **QUESTION ONE**

This was a compulsory question made up of 10 multiple choice questions covering the entire syllabus. As a compulsory question all 337 candidates attempted it and 255 passed the question.

Performance was very good with the highest score of 18/20 and the lowest of 2/20. The scores were evenly distributed among all 10 questions without a particular question that could be said to have been problematic to candidates.

The pass rate was excellent at 76%.

## **QUESTION TWO**

This was divided into four parts (a), (b), (c) and (d). A total of 285 candidates attempted the question from which 91 passed and 194 failed representing a pass rate of 32%.

Candidates were to explain the meaning of points A, B, C and D on the PPF and to outline factors that would lead to outward shift of the PPF. Furthermore, candidates were required to explain why the PPF slopes downward as well as to give examples and to state two key characteristics of public goods.

Majority of candidates performed poorly. They gave wrong examples of public goods let alone the characteristics.

## **QUESTION THREE**

The question was divided into four parts namely (a), (b), (c) and (d). A total of 169 candidates attempted the question of which 40 passed and 129 failed, representing a pass rate of 24%.

Candidates were asked to define price elasticity of demand and to calculate PED for product A, candidates were further asked to explain the importance of PED for the finance manager.



Part (b) asked candidates to calculate PED for product A. Candidates were not supposed to use the K5,000 in this calculation but instead K10,000 and K12,000. This was fairly done.

Part (c) required candidates to explain the importance of PED for the finance manager while Part (d)(i) required them to interpret the PED results calculated for both products A and B. On Part (d)(ii), candidates were required to indicate the strategic options available for the manager to increase sales revenue. Many candidates lost marks because they failed to note from the calculated values that Product A had elastic demand hence the manager should reduce the price to increase sales revenue. Product B has inelastic demand hence the manager should increase the price.

#### **QUESTION FOUR**

This was the best performed question. The question was divided into two parts namely (a) and (b). A total of 223 candidates attempted the question from which 167 passed and 56 failed, representing a pass rate of 75%.

Candidates were asked to outline any five factors that influence the marginal propensity to consumers. Candidates were also asked to state any two problems associated with state ownership of means of production. Majority of candidates got this one right.

#### **QUESTION FIVE**

This question was divided into four parts (a), (b), (c) and (d). A total of 278 candidates attempted the question from which 117 passed and 161 failed, representing a pass rate of 42%.

Candidates were asked to define absolute advantage, to decide whether trade between Zambia and South is possible.

To answer this question, candidates were required to calculate opportunity costs of each of the products in both countries and then use the results to determine which country has a comparative advantage and in what product.

Many candidates performed poorly because they could not calculate the opportunity costs. Further, other only calculated two ratios instead of the required four!

### **QUESTION SIX**

This was the worst question in terms of pass rate. The question was divided into four parts (a), (b), (c) and (d). A total of 197 candidates attempted the question from which 10 passed and 187 failed it representing a pass rate of 5%.

Candidates were asked to list the three components of the balance of payments accounts which are current, capital and financial accounts. Candidates were also required to explain the main reasons why Zambia might be suffering a current account deficit on the basis of increased import penetration. Performance was mixed.

Many candidates failed this part of the question for lack of understanding that for every debit entry there must be a credit entry (ignoring statistical errors in collecting data).

### **QUESTION SEVEN**

The question was divided into three parts (a), and (b). A total of 153 candidates attempted the question from which 12 passed and 141 failed , representing a pass rate of 8%. This was the least attempted and least passed question in the paper.

Candidates needed to demonstrate their understanding of Monetary Policy and the functions of the Bank of Zambia. Candidates were also asked to briefly explain each of the monetary aggregates used to measure money supply. Many candidates were totally lost here. All that was required was a brief explanation of **M<sub>1</sub>**(notes and coins + current accounts), **M<sub>2</sub>** ( $M_1$  + short and medium term deposits),and **M<sub>3</sub>**( $M_2$  + long term deposits).

Further, candidates were asked to state any two (2) aims of monitoring the monetary aggregates in (i) and to explain any four (4) macroeconomic objectives emphasizing how they are measured and their importance to an economy. Candidates lost some marks by not answering all parts of the question. Candidate should explain the macro-economic objective firstly, next how it is measured and finally explain why it is important.

**Overall performance of candidates:**

Highest mark obtained in this paper: **78%**

Lowest mark obtained in this paper: **9%**

Average score in this paper: **40.2%**

**INFORMATION TECHNOLOGY AND COMMUNICATION**

**QUESTION ONE**

Question one consisted of multiple choice where ten questions were given and candidates were required to select the best answer. Most candidates were able to score good marks on this question. The pass rate on this question was 85% .However there were other candidates who obtained poor grades in question one, giving a failure rate of 15 %.

Candidates mixed up distractor answers which were almost close to the best answer.

## **QUESTION TWO**

Question two (a) required candidates to explain the following general types of software: Systems software, Utility software, Communication software, Database management system application software. Part (b) required candidates to list any four (4) tasks of an operating system while part (c) required them to also list any three (3) dangers of email.

Candidates failed to explain the general types of software correctly.

In some cases answers were mixed up on the general types of software presented the utility software as" utilizing the use of a computer" which was not an adequate answer.

## **QUESTION THREE**

In question three candidates were required to distinguish between a database and a data warehouse in part (a) of this question and discuss the following functions of Spreadsheets: *SumIF, max, count and countIF* as part of (b) and in part (c) Write down three (3) benefits of using a database in an accounting information system.

The common mistake on the two was that count functions were presented as counts on all entries instead of presenting it as counts on cells that have numerical entries in the range.

## **QUESTION FOUR**

Candidates were required to explain each of the following (with examples where appropriate) Cloud Storage, Local Area Network (LAN) *versus* Wide Area Networks (WAN) ,Virtual Private Networks (VPN) accounting information systems(AIS)

The most common mistakes were that candidates:

- 1) Failed to explain the meaning of cloud storage
- 2) Failed to explain the term WAN
- 3) Failed to explain Virtual Private Network (VPN)

### **QUESTION FIVE**

This question required candidates to prepare a notice for a meeting and include a standard agenda for an Annual General Meeting (AGM) in part (a) and in part (b) to briefly explain the following types of meetings: Project meeting, Investigations meeting, Decision making meeting, Problem solving meeting from a given scenario.

Some of the mistakes noted included candidates indicating only positions for officials such as Board chairperson, secretary and treasurer instead of mentioning the agenda items for an annual general meeting. The agenda items were also presented as a programme. Some candidates lost marks because they indicated roles of a chairperson, a secretary and a committee member of a meeting. Presented content that justified holding an annual general meeting. Others presented content that described meeting offices instead of presenting a agenda for an annual general meeting.

Further, it was noted that the explanations of the types of meeting were mixed up in some cases. Inadequate contents were presented as answers. Minutes were presented as an agenda which was not supposed to be the case.

### **QUESTION SIX**

In question six candidates were required to write a letter to one of the suppliers enquiring on the cost of some assorted items meant to be stocked at a new supermarket outlet from a given scenario in the question. Part (b) required them to state any five (5) types of letters that are commonly used in most organizations.

In this question, the following mistakes were noted:

- i) Failure to specify products sort in a letter from a given scenario
- ii) Repetition of answers especially on the types of letters presented.
- iii) Description of the structure of letters.
- iv) Wrong subject line were presented in most cases
- v) In some cases just wrong content was presented.
- vi) The letter format was not followed and in some cases elements of the letter were misplaced.

Some candidates wrote on Memos instead of a letter as required by the question.

## **QUESTION SEVEN**

Candidates were required to state any five (5) guidelines to effective listening from part (a) of the question and in part (b) to write a memo explaining the five types of questions to some of the junior employees at a work place who did not know how to use them in different situations from a given scenario in the question.

In this question, the following mistakes were noted:

- i) Explained on how to use a memo which was not supposed to be the case.
- ii) Wrong subject line was presented in the memo
- iii) Instead of presenting the type of questions in the main body of a memo, actual question were asked in the answer. In some cases the memo also included guidelines to effective listening.
- iv) The memo was presented as a letter, wrong format was used.
- v) Instead of presenting guidelines to effective listening, barriers to communication were presented as answers
- vi) Candidates explained the purposes of a memo as part of the contents of the main body which was not supposed to be the case.

## **Overall performance of candidates:**

Highest mark obtained in this paper: **75%**

Lowest mark obtained in this paper: **24%**

Average score in this paper: **49%**

## **DA5 COST ACCOUNTING**

### **QUESTION ONE**

This question was compulsory to all candidates it contained 10 multiple questions covering the entire syllabus. It was a compulsory question and the performance was

average with most candidates failing on parts that had standard costing and process costing.

However, for some candidates they performed below par with the least candidate scoring zero percent.

## **QUESTION TWO**

This question was the first optional one among the five. The question examined the contract costing which forms good grounding for accountants in the construction industry. In part A candidates failed to adequately allocate the costs that needed to be debited in the contract costing and those to be debited.

It was more interesting actually in part B where candidates failed to briefly explain the four features of contract costing. Varying answers were given but only few candidates gave satisfactory answers.

The following were the common errors:

- Poor presentation of solutions
- Candidates did not know how to prepare the contractee account

## **QUESTION THREE**

Here candidates were expected to prepare for the month of December four accounts as follows:

- Process account
- Normal loss (scrap) account
- Abnormal loss/abnormal gain account.

Whilst in Part B, candidates were to explain certain key terms used in process costing as follows:

- Normal loss
- Abnormal loss/gain, and



- Equivalent unit

The performance was generally above average, and it was a passing question.

Except, few students had difficulties in computing the equivalent units and could not score as much.

#### **QUESTION FOUR**

Generally the question was well presented and asked students to basically (a) calculate the (under)/over absorbed fixed production overhead for the given months and (b) using a marginal and absorption costing to prepare a profit statement. On (c) as usual, the question was to prepare a statement reconciling the absorption costing profit with the marginal costing profit.

t Most students failed to prepare the statements using either methods.

The following were the common errors:

- i. Poor presentation of solutions
- ii. Candidates did not know how to prepare the lay out under each costing method, solutions were mixed up in many situations.

#### **QUESTION FIVE**

This question was on variance analysis with a full range of variances tested. It was a very popular question and the candidates who attempted scored very well above average. However the following were observed;

candidates were required to compute a range of variances (sales price, sales volume profit, material price, material usage, labour rate, labour efficiency and variable overhead efficiency variances). Candidates showed a lack of understanding on the following variances;

- Sales price variance
- Sales volume profit variance

- Variable overhead efficiency variance.

Candidates were also required to calculate fixed variances and most candidates clearly lacked understanding and could not calculate the following variances;

- Fixed overhead expenditure variance
- Fixed overhead volume variance
- Fixed overhead volume efficiency variance
- Fixed overhead volume capacity variance.

## **QUESTION SIX**

This question covered accounting for material, specifically; inventory control and over 90% of the candidates attempted it. Requirements of the question included:

- (i) Usage and lead time durations were supposed to be harmonised since lead time was in days while usage was per week.

$$\text{Usage per day} = \frac{\text{Usage per week}}{5 \text{ days per week}}$$

- (ii) Annual demand = average weekly usage X 52 weeks

Candidates were supposed to state the assumptions of EOQ and what appeared like either importance or purposes/objectives of EOQ. Some candidates did not interpret the question properly.

### **Overall performance of candidates:**

Highest mark obtained in this paper: **79%**  
Lowest mark obtained in this paper: **6%**  
Average score in this paper: **37%**

**DA 6 BUSINESS LAW**

**QUESTION ONE**

Question One was compulsory and attempted by all candidates. This part being a multiple choice, the performance was generally exceptionally good. About 70% managed to give correct answers attaining a grade beyond 50%.

The performance was fairly good, with most of the candidates scoring above average.

Candidates are encouraged to practice more often on the multiple choice questions in the module and other relevant material they may find.

## **QUESTION TWO**

The question was dealing with the law of tort and the principles of negligence including its remedies.

It further required students to show their understanding under contract of sale and different types of sale that occurs therein and the remedies that could be available for a seller who suffers breach.

Students lacked knowledge on the areas of Sale of Goods and the types of sale, including the remedies available for a buyer and seller.

## **QUESTION THREE**

This question was not a compulsory question; meaning there was an option on the part of the students to either attempt or not attempt it. Despite this, over 90% of the candidates attempted the question.

The students were required to ascertain the chances of Kakoma's success against Magonya, the Partnership and Champonda's estate.

Students did not to explain the advantages that judicial precedents bring in the legal structure.

#### **QUESTION FOUR**

This paper had 504 candidates of which about 70% of them attempted the question. The performance of those who attempted it mostly ranged from poor to average. The question had two parts (a) and (b).

This scenario was based on the law of contract and how a contract can be discharged. However, the question was based on how in the scenario the contract was discharged and not generally.

Part (a) Required students to deduce and explain that the contract in the case study came to an end due to breach by one of the parties, most of them (students) went for frustration of contract and others simply listed the causes of contract discharge. By so doing, a lot of marks were lost. In future, students must read the question carefully to appreciate its facts and be able and should be able to have a miniature understanding of the different ways by which contracts can be discharged.

Part (b) required candidates to explain the meaning of damages and the rationale that is available for the measure of damages in that given scenario. Most candidates lost marks because they did not answer it properly. They were giving the meaning of the term *damage* instead of *damages*. The two terms do not mean the same in legal language. Future candidates are encouraged to learn the distinction between the aforesaid two terms.

#### **QUESTION FIVE**

This question was based on the law of torts, particularly negligence. It needed students to show what action can be taken in that given scenario against the restaurant.

This question was relatively easy it looked at the effect of negligence and its elements on the parties who went to eat at a restaurant.

Students needed to discuss vicarious liability on the theory of employment law under certain relationships like the employer/employee relationship and to identify the tests that have been developed to determine whether a person is an independent contractor or not.

Students did not properly address the question in relation to liability on the theory of employment law.

### **QUESTION SIX**

95% of the candidates attempted the question of which 75 % scored above 10 of the available 20 marks. The question was divided into three parts, part (a) dealing with Agency of necessity, part (b) dealing with Sources of law and part (c) dealing with the duties of a buyer under the Sale of Goods Act of England, 1893.

The first part was on the law of agency and the elements needed for agency of necessity to exist.

It further needed the students to explain their understanding on the sources of law namely legislation, judicial precedent and common law.

Students did not perform well as they were missing this with court structure or formation without really looking at it from the source of law point of view.

### **Overall performance of candidates**

Highest mark obtained in this paper: **77%**

Lowest mark obtained in this paper: **04%**

Average score in this paper: **37.6%**

## **DA 7—PRINCIPLES OF MANAGEMENT**

### **QUESTION ONE**

All the 190 candidates attempted this question. The section had 10 multiple choice questions covering the syllabus. 70 candidates got more than an average mark of 60 %

representing a 37 pass rate while 120 failed to pass representing a 63 % failure rate. The question had sufficient syllabus coverage and an average candidate could have passed.

The question was poorly answered. Most of the candidates failed to show any proper knowledge of management. As a result it led to guessing in answering the question.

## **QUESTION TWO**

The question had three parts with direct questions on Human resource management and public sector operations. A total of 170 candidates attempted this question. This represented 41% and 59% pass rate respectively.

Candidates were required to list and explain the importance of four (4) key activities of HRM cycle as well as Explain the following terms relating to disadvantages of interviews (i) Halo Effect, (ii) Stereotyping as well as define the following relating to public sector operations.(i) commercialization, (ii) Non-governmental organisation, (iii) Parastatal organisations

Some candidates found this part of the question easy. Those who failed showed some misunderstanding of the question.

## **QUESTION THREE**

138 candidates attempted this question. Out of which only 46 passed, representing a pass rate of 33% and 92 candidates failed to answer this question, representing 67% fail rate. The question had two parts, and required candidates to:

Identify and briefly explain four (4) decisional roles as suggested by Mintzberg and describe the following two (2) formal relationships, giving one (1) relevant example for each (i) Line relationship (ii) lateral relationship.



However most candidates poorly answered this part and got poor marks because they were only defining the terms without giving examples.

#### **QUESTION FOUR**

157 candidates attempted this question. Out of which 53 representing 34% passed and more than 104 representing 66% failed. This question had two part based on motivation and on change management. Candidates were required to:

Discuss the theory of motivation according to Stacey Adams and to State four (4) reasons employee resist change in organizations.

This part was challenging to most candidates. Most candidates gave the general motivation theory of Maslow's needs theory instead of restricting themselves to Stacey Adams.

#### **QUESTION FIVE**

147 candidates attempted this question. Out of which 61 passed and 86 failed representing 41% pass and 59 % fail. The question had two parts on HRM and management of change process, and required candidates to:

Explain four main objectives of HRM in organizations and to describe the change in management process that may help companies to cope with change.

The question was friendly but most candidates could not understand the context of answering the question. Many were explaining the change process according to Lewins and this made them lose marks.

#### **QUESTION SIX**

139 candidates attempted this question out of which 32 representing 23% passed while 107 representing 77% failed. This was a straightforward set of a question but it paused

a challenge to most of the candidates and hence the poor performance. The question had two parts, and required candidates to:

Explain six (6) areas argued by Johnson and Whittington that make a strategic plan different from other types of plans and to define the term Stakeholder and explain the importance of stakeholder expectations. They were to give examples where applicable.

It was clear that most candidates failed to explain what makes the strategic plan different from other plans. Those who tried this question only managed to define the strategic plan. Marks were given for defining the strategic plan and for giving at least 5 differences. Most candidates lost marks. Most candidates managed to get the full marks on the first part of the question but failed to state the stakeholder expectations. This led to poor performance on this question.

### **Overall performance of candidates**

Highest mark obtained in this paper: **82%**

Lowest mark obtained in this paper: **7%**

Average score in this paper: **39.5%**

## **DA8 FINANCIAL REPORTING**

### **QUESTION ONE**

This question was on group accounts. Generally, the question was fairly attempted by few candidates at this diet. About 47% of candidates at this sitting passed this question with 53% failing.

Common mistakes here included:

- 1) Inability to calculate post acquisition retained earnings of associate
- 2) Inability to calculate total additional depreciation
- 3) Few were also unable to correctly carry out intra-group balance cancellations
- 4) Failure to appreciate meaning of full consolidation as subsidiary was consolidated at the parent's holding % though these were very few cases.

## **QUESTION TWO**

This question was on single entity financial statements. Generally, performance on this question was similar to that of question one with almost half candidates at this sitting getting half the marks available, that is 46% pass with 54% fail.

Common mistakes here included:

- 1) Lack of understanding of IFRS 15 that led to all candidates at this diet to fail to correctly adjust for not (iv) on sale of machine with 3 years servicing required. This is common adjustment in the exam for this standard. Future candidates are advised to learn this adjustment. 2 years sales servicing should have been deferred and divided into non-current and current liabilities.
- 2) Treatment of note (v) on financial instrument was a serious flaw among candidates. Some did not subtract issue cost to arrive at effective finance cost for profit and loss; others applied nominal rate on the reduced for issue cost figure and some simply got the trial balance figure for interest and dividends to use in profit and loss. The correct treatment was to subtract issue cost from nominal loan amount, apply effective interest rate on the balance and that was profit and loss figure.

- 3) Inability to ascertain dividend paid was common among all candidates at this sitting. Some used trial balance figure in full while others never bothered to subtract any dividend from profit for the year to arrive at retained earnings carried forward. The correct thing to do was to subtract calculated finance cost for profit and loss as per above point from trial balance figure and that should have given candidates dividends paid.
- 4) Failure to subtract issue costs from administrative expenses where they were wrongly included.
- 5) The 'other comprehensive income' portion of the profit and loss was almost entirely not included as part of the profit and loss.

Part (b) required preparation of statement of financial position. Common mistakes were:

- 1) Non-inclusion of deferred income from sale of machine
- 2) Recognizing loan note at its nominal value
- 3) Failure to bring correct tax balances to the statement

### **QUESTION THREE**

This question was on ratio analysis. The general performance was not that good and candidates' performance in this area has continued to be poor. Ratios were already calculated and all candidates were required to do was to interpret. Only 7.7% candidates managed to get half or more marks available for this question with 92.3% failing to obtain half of the available marks.

Common mistakes were similar to all which included:

- 1) Talking about a ratio increase or decrease with no associated connection for the increase/decrease.
- 2) Failure to include background information such as operating in thriving economy, positive bank balance, repairs to PPE, changing from outsourcing to own production of goods etc.
- 3) Inability to state impact of revaluation of PPE on ROCE by one entity.

- 4) Giving wrong explanation together for increase or decrease (some candidates were referring to increase in ROCE as very poor performance)

#### **QUESTION FOUR**

This question was on a number of standards including IFRS 15 Revenue from contracts with customers; IAS 12 income taxes and IAS 16 Property, plant and equipment. It was the least attempted question with only 40% of candidates going for it compared to about 78% who attempted Question Three and 57% who attempted Question Five, all of which were optional questions. The pass rate of question Four stood at 3%, i.e those who obtained half the marks available to this question.

While most candidates that went for this question were able to calculate overall profitability, they failed to use the data to ascertain amounts for financial statements and hence losing a lot of marks. A few were able to get their figures for profitable contract but could not especially correctly deal with the loss making contracts.

#### **QUESTION FIVE**

This question was on a number of standards that included IAS 21 effects of changes in foreign currency transactions, (old) lease standard IAS 17 and IFRS 5 Non-Current assets held for sale and Discontinued Operations. The question, though second famous among the optional ones, was least performed with pass rate of only 1.3% while 98.7% failed out of the 57% who attempted the question.

Common mistake was to simply add figures for the two divisions and prepare single statement or not to merge the results by required presentation but mere preparation separately.

#### **Overall performance of candidates**

Highest mark obtained in this paper: **68%**

Lowest mark obtained in this paper: **0%**

Average score in this paper: **31.7%**

## **DA9 MANAGEMENT ACCOUNTING**

### **QUESTION ONE**

This question was a compulsory one and tested functional budgets, a key subject area at this level. It accounted for 95.8 percent of the candidates attempting it with most of them scoring very high. Most candidates were able to prepare the budgets with ease except for a very few.

However, a few observations were made;

a) In part (a) in preparation of budgets the following were noted;

- In (i) Candidates failed to present the sales budget on a month by month basis.
- In (ii) the common finding was that candidates failed to find the quantity of materials for production.
- In Part (iii) Candidates did not find the purchase price and hence wrongly valuing the materials to be purchased.
- In (iv) the presentation on the cash budgets was a challenge for some candidates who decided to consolidate the budget as opposed to a month by month presentation.

b) In part (b) candidates did not quite understand the requirements and chose to define and explain what planning is instead of looking at the previous solution and linking their explanation to what they calculated in(a). They offered general solutions as opposed to specifics.

## **QUESTION TWO**

Covered decision making, specifically; make or buy, accept/reject a special order and CVP- Analysis which too forms a critical importance at this level.

As the second compulsory question, more than 98% of the candidates attempted this question with the majority providing poor answers.

Observations:

Part (a) – Most candidates had challenges in;

- (i) Defining opportunity cost
- (ii) Identifying the importance of opportunity cost in decision making

Part (b) – Candidates could not

- (i) Calculate the opportunity cost of direct labour being the scarce resource resulting in failure to calculate the relevant cost of making the component. This was the lower of the contribution per direct labour hour of a Basic and Scientific calculator.
- (ii) Determine the relevant cost of the contract as they included the general fixed costs which an irrelevant cost.

Part (c) – Some candidates did not include

- (i) Sales commission in the variable cost of sales in determining the contribution per unit for the calculation of the break-even point.
- (ii) Fixed selling and distribution cost and advertising cost in determining the total fixed costs.

### **QUESTION THREE**



The question was very unpopular and was not scored well. Candidates overlooked the practical aspects of the question thereby losing out on valuable marks. The theoretical part was well scored by those who attempted the question.

The most common mistakes made by candidates were:

- 1) Candidates lacked understanding of the funding policies
- 2) They lacked understanding of the subject matter under the working capital management.
- 3) Candidates could not perform calculations of working capital such as receivables days and payable days.

#### **QUESTION FOUR**

This question was one of the most popular questions and candidates who attempted scored well on theoretical part and an average score on the computational part of the question. Generally good marks were obtained from this question.

The following errors were observed;

- 1) Candidates failed to differentiate between full costing and marginal costing
- 2) Students were offering theoretical solutions when a question required computations.

#### **QUESTION FIVE**

This question was yet another one of the most popular questions and candidates none of the candidates who attempted this question understood part A and B.

The following error was observed; candidates failed to note that the question wanted them to recommend one option of out the two components and the two could not be produced at the same time.

#### **Overall performance of candidates**

Highest mark obtained in this paper: **67%**

Lowest mark obtained in this paper: **0%**

Average score in this paper: **33.7%**

## **QUESTION ONE**

This question had two parts (a) and (b).

In part (a) candidates were required to prepare of the computation of taxable profits to be allocated to each partner and In part (b) candidates were required to calculate each partner's income tax payable for the tax year 2018.

A good number of candidates could not split the profits into their respective periods. This showed lack of knowledge on allocation of partnership profits by most candidates. As a result, the performance on this part of the question was not impressive by a good number of candidates. The major contributing factor could be due to lack of practice.

## **QUESTION TWO**

This question had three parts (a), (b) and (c).

In part (a) candidates were required to calculate the maximum capital allowances claimable on implements plant and machinery and the buildings for a limited company for the 2018 tax year; In part (b) candidates were required to calculate tax adjusted business profit for the tax year 2018 and in part (c) candidates were required to calculate the income tax payable by the limited company for the tax year 2018.

The performance on this part of the question was very poor as most candidates failed to compute the correct capital allowances with exception of very few candidates who scored good marks. Most candidates demonstrated lack of knowledge on capital allowances. The overall performance was way below the average as it appeared that a number of candidates did not do a lot of practice on this area of the syllabus.

## **QUESTION THREE**

This question had four parts (a), (b) and (c).

In part (a) candidates were required to explain four main sources of tax law and regulation in Zambia; In part (b) candidates were required to state whether each of the companies given in the question were Zambian resident companies and in part (c) candidates were required to explain the VAT registration requirements; date of registration, obligations of a VAT registered trader and recovery of input VAT.

The performance was quite poor on this part of the question. The majority of candidates seemed to have problems in handling questions on Value Added Tax (VAT) as it had been the case in the past. Very few candidates were able to explain the VAT registration requirements.

#### **QUESTION FOUR**

This question had two parts (a) and (b).

In part (a) (i) candidates were required to calculate the value for duty purposes and total import taxes paid by on the importation of the Rosa bus; in part (a) (ii) candidates were required calculate the value for duty purposes and total import taxes paid by on the importation of the Toyota Corolla; in part (a) (iii) candidates were required to explain how Kalenda was to be assessed to income tax on the income from the transportation business; in part (b) (i) candidates were required to explain tax treatment of the expenses the company will incur wholly and exclusively for the purposes of the business; in part (b) (ii) candidates were required to explain the tax treatment of the expenditure incurred by the company on the purchase of non-current assets and in part (b) (iii) candidates were required to calculate the total tax that will be paid by the company for the tax year 2018.

The overall performance on this question was poor as most candidates were getting the fixed charges of customs and excise duty which are applicable to old vehicles depending on the age.

## **QUESTION FIVE**

This question had three (a), (b) and (c).

In part (a) (i) candidates were required to explain why professional code of ethics exists for the accountancy profession; in part (a) (ii) candidates were required to briefly explain how the principles of Integrity and Objectivity apply to professional accountants and in part (b) candidates were required to calculate, giving reasons, the amount of property transfer tax payable on the transactions given in the question.

Some candidates managed to give the correct explanation and amount of property transfer tax and earned the required marks though some could not explain the reasons for their answer.

### **Overall performance of candidates**

Highest mark obtained in this paper: **76%**

Lowest mark obtained in this paper: **0%**

Average score in this paper: **42.1%**

## **DA 11 PRINCIPLES OF AUDITING**

### **QUESTION ONE**

The percentage of those who attempted this question was 99%. 22% passed while 78% failed.

- a) Part A (i) of question one required candidates to explain the purpose of an audit strategy. (ii) The question required candidates to explain an audit plan. However some candidates lost marks as they continued to refer to ISA 315 again. Overall the part was well answered by candidates.
- b) The question required candidates to explain why it was important for Malabo Chartered Accountants to assess the risks at planning stage of the audit of EMS Ltd.
- (c) (i).Candidates were asked to identify and explain six audit risk in the financial statements of FMG Ltd. (d) The question required candidates to describe substantive procedures in relation to the valuations of land and buildings.

Most candidates were explaining audit assertions and defining audit assertion in generic. Candidates could not explain what purpose the audit strategy serves correctly. Instead a number of candidates were referring to ISA 315 which was outside the requirement of the question. Some were giving answers that an audit strategy checks the size of the organization and agree the audit fee.

## **QUESTION TWO**

A total of 99% attempted this question. 30% passed and 70 % failed.

The question requested the candidates to describe four (4) controls you would expect to fund over sales.

Most candidates stated that the credit period given was too long and it should be reduced to avoid having cash flow problems. Most of them stated that the company should use a credit bank to check the credit worthiness of the customer. Most candidates wrote on general controls that a company should have.

### **QUESTION THREE**

The total of 83% attempted this question .Only 48% passed and 52% passed.

Candidates were required to explain what is meant by the term precondition of an audit; to describe the process the auditor should undertake to assess whether the precondition for an audit are present and to explain and identify (5) corporate governance weaknesses.

Some candidates could not match threats Identified in (1) with the specific mitigation factor hence lost marks. Some mitigation measures or factors were generic and could not be linked to the scenario. Some candidates were giving audit procedures such as the auditor to perform substantive tests and tests of controls which was not required.

### **QUESTION FOUR**

The percentage of those who attempted the question was 78%. Only 4% passed and 96% failed.

The question requested candidates to explain the factors to be taken into account by an organization when assessing the need for internal audit. The question further asked candidates to explain how the proposed internal audit department of HCS LTD could assist in the prevention and detection of fraud and why it will be important for an auditor to prepare appropriate audit documentation.

Most of them responded by stating its responsibility of management to prevent and dictate fraud and not the internal auditors. Most candidates responded by stating that the internal auditors will put in controls to fraud but cannot state what controls or measures.

### **QUESTION FIVE**

The percentage of those who attempted was 36%. This was poorly attempted question. Only 1% passed and 99% failed.

This part asked candidates to explain the term misstatement, to explain the term pervasive and to state the responsibilities of the auditor up to the date of the auditor's report and to describe any three (3) audit procedures.

A good number of candidates were giving recommendations that the auditor has to seek legal advice from the lawyers which was not related to the question. Question was poorly answered and in most cases no marks were being awarded.

**Overall performance of candidates:**

Highest mark obtained in this paper: **64%**

Lowest mark obtained in this paper: **0%**

Average score in this paper: **32.6%**

**DA 12 - GOVERNANCE AND COMPANY LAW**

**QUESTION ONE**



The paper had 249 candidates and all of them attempted question one as it was compulsory. The general performance on it was that 60% of the students managed to get over 50%.

The scenario question was on incorporation of a company and the duties and or liabilities of a promoter under common law and statute. The students were also needed to discuss agency in the context of director shareholder relationship under corporate governance. Further the candidates were required to advise under the scenario question on the modes of winding up a company.

The performance of students was fairly good here.

## **QUESTION TWO**

As a compulsory question, all candidates attempted it and the performance was very good with most candidates being able to distinguish the principles of issued and unissued capital in good corporate governance. The question was drawn from corporate finance, specifically types of capital. About 90% out of 100% of the candidates were able to distinguish between issued and unissued share capital.

There was need for them to look at the businesses that are conducted during an Annual General Meeting. Lastly, students were to explain the procedures that are employed to strike a company off the register by the Registrar of Companies.

Those who failed were instead looking at business entities and not the business to be conducted at an AGM.

## **QUESTION THREE**

This question was fairly attempted by most of the candidates and was well answered as the majority of the candidates scored above average. However, more than 75% of the students got the answer correct.

The question was based on explaining debenture, stockholder and stakeholder theories and the concept of transferability. Further students were needed to differentiate between fixed and floating charge at company law.

A few students did not get it correct fully as they were mixing the differences between stockholder and stakeholder theories and between fixed and floating charge.

#### **QUESTION FOUR**

This question had three parts, a-c with c further divided into three components. It was an extremely well attempted question. In all, only about 20 Students did not attempt this question.

This question needed students to name the details required when incorporating a company. It further required students to distinguish business entities like a sole trader and a partnership.

They were also needed to explain the meaning of promoter's liability before incorporation, the theory of winding up and the concept of lifting the veil of incorporation. Students were ably able to discuss the concepts as set above.

Nevertheless, in all spheres, the students demonstrated solid understanding of the requirements for Business name registration as well as Incorporating a company requirements. However, a few showed lack of understanding on the distinction and kept giving guess work answers.

#### **QUESTION FIVE**

This question was attempted by 98% of the candidates of which 95% scored above 15.

The question was on explaining limited liability, voluntary disclosure and prospectus to mention a few.

The majority of students managed to explain fairly well. Those who did not get the answer nicely showed lack of understanding on the word active stakeholder as they were giving guess work answers..

### **Overall performance of candidates**

Highest mark obtained in this paper: **83 %**

Lowest mark obtained in this paper: **31%**

Average score in this paper : **60.1%**