JUNE 2019 EXAMINATIONS

CHIEF EXAMINERS REPORTS

DIPLOMA
IN
ACCOUNTANCY

PROGRAMME

SUBJECT: DA1 – FINANCIAL ACCOUNTING

QUESTION ONE

This was a multiple choice question and was compulsory. The general performance in this section was good. The section had satisfactory coverage of all topics in the syllabus hence gave candidates fair choice and performance.

QUESTION TWO

The general performance on this question was very good. 87% of the candidates who attempted this question passed while 13% of those failed.

Candidates that attempted this question performed well except in part "b" of the question where some candidates included discount allowed and irrecoverable receivables. These items belong to receivables control account.

QUESTION THREE

The general performance on this question was good. 63% of the candidates who attempted this question passed while 37% of those failed.

The question had two parts, (a) and (b).

In part (a): candidates were required to prepare Mukonje's manufacturing account for the year ended 31 March 2017.

In part (b): candidates were required to prepare Mukonje's statement of profit or loss account for the year ended 31March 2017.

The following were the mistakes noted:
i. Candidates had problems in part "a" where they lost marks due to poor presentation of manufacturing account.
ii. Some candidates did not include direct expenses on royalty in the manufacturing account.
iii. Overhead apportionments were incorrectly done.

iv. A good number of candidates failed to account for depreciation on plant and machinery. This is a manufacturing overhead not a statement of profit or loss expense item.

QUESTION FOUR

The general performance on this question was bad. 22% who attempted this question passed while 78% failed.

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

In part (a): candidates were required to explain the extent of application of IASs/IFRSs to companies in a country such as Zambia. Most students could not provide valid explanations as require.

In part (b): candidates were required to give four (4) benefits of global application of International Accounting Standards. The majority of the student were unable to explain the benefits and as a result lost marks.

In part (c): candidates were to give four (4) limitations to global application of International Accounting Standards. The performance on this part was equally not good. Students are advised to familiarise themselves with the ISAss and IFRSs.

QUESTION FIVE

The general performance on this question was good. 67% candidates who attempted this question passed while 33% of those failed the question.

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

In part (a): candidates were required to prepare the partnership statement of profit or loss, and appropriation account for the year ended 31 December 2018.

In part (b): candidates were required to prepare the current accounts for the partners.

In part (c): Prepare the partnership's statement of financial position as at 31 December 2018.

Part "b" candidates lost marks on current accounts. Common error was posting interest on capitals to the debit side of current accounts.

QUESTION SIX

The general performance on this question was bad. 32% of the candidates who attempted this question passed while 68% of those failed the question.

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

In part (a): candidates were required to describe Five (5) users of public sector financial reports.

In part (b): candidates were required to prepare B Chabala's Journal Proper and find hiscapital as at 1 March 2017.

Part "a" users of public sector financial reports.

A lot of candidates wrote on issues of commercial sector financial statement instead of public sector financial reports.

Candidates are encouraged to give brief uses of the information for each user.

Overall performance of candidates

i.   Highest mark obtained in this paper: 89%
ii.   Lowest mark obtained in this paper: 4%
iii.   Overall pass rate in this paper: **50.2%**

SUBJECT: DA2 – QUANTITATIVE ANALYSIS

QUESTION ONE

This was a multiple choice question and was compulsory. The general performance in this section was good, with candidates getting an average of 12 marks out of 20 marks. The section had satisfactory coverage of all topics in the syllabus hence gave candidates fair choice and performance.

QUESTION TWO

This question was attempted by 80% of candidates and the average performance was 12 marks out of 20 marks. The question was divided into part (a), and (b).

Part (a): required candidate to calculate the period of time taken for an amount of money (K60000) deposited to increase to K95628. Most of the candidates used the correct formula but failed to use logarithms which was one of the steps required to arrive at the correct answer. It can be recommended that candidates should study the 'topic' logarithm to enhance their ability to solve such questions.

Part (b): required candidates to use grouped data to calculate mean, standard deviation and the median. Most of the candidates failed to get the correct median as they could not locate the median class hence need for critical emphasis of finding median of grouped data.

QUESTION THREE

This question was attempted by 60% of the candidates and the average performance was 8 marks out of 20. The question was divided into part (a), and (b).

Part (a): required a candidate to use grouped data to find the average and draw the cumulative frequency curve hence using it to find the median. It was observed that candidates had challenges in drawing the curve as they were using wrong values for axes eventually failing to locate the median.

Part (a): required candidates to write down equations (linear programming) required to maximize the objective function from a given scenario. Most candidates managed to find the objective function but struggled with constraint function, mostly making mistakes on inequality signs.

QUESTION FOUR

This question was attempted by 99% of all candidates and the average performance was 15 marks out of 20. The question was divided into part (a), and (b).

The first part gave a scenario of investment into two projects and candidates were required to use the Net Present Value method to find the best project to invest in. Majority of candidates got the question correct, with only few who were not sure on how to select the best project even after finding the NP for both.

The second part presented a scenario with a list of ungrouped data and candidates were required to find the median and standard deviation. The performance on this part was very good.

QUESTION FIVE

This question was attempted by 30% of all candidates and the average performance was 9 marks out of 20. The question was divided into part (a), and (b).

The first part of the question was on time series and forecasting requiring candidates to find moving averages and seasonal variations. Most candidates had challenges in obtaining correct seasonal variation as it was observed that they lacked the required concept to solve the question. On the other hand they were able to correctly find the moving averages.

The second part required candidates to solve problems using the normal distribution. The general performance on this part was good except some candidates failed to correctly use the Z-tables to get correct probabilities.

QUESTION SIX

This question was attempted by 35% of all candidates and the average performance was 10 marks out of 20. The question was divided into part (a), and (b).

Part (a): had a scenario involving data of rainfall variation in some selected districts in Zambia. Candidates were required to use the maximax and the minimax Regret rule to select the best farming block. Only 50% of candidates were able to correctly use the required method to get the correct answer. It was observed that other candidates had no understanding of the required concept to solve the problem.

Part (b): required candidates to use given random numbers to simulate demand for the given scenario. There was on observed struggle in writing the correct simulation by many candidates hence it was observed that very few candidates found the required correct answer to the question.

Overall performance of candidates

   i.   Highest mark obtained in this paper: **93%**
   ii. Lowest mark obtained in this paper: **6%**
   iii. Overall pass rate in this paper: **61.3%**

SUBJECT: DA 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 257 candidates attempted it. The general performance was very good. 155 candidates passed and 102 failed the question representing a pass rate of 60%. The highest score was 18 out of 20 and the lowest was 0 out of 20. 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 239 students attempted the question. 191 of these passed, representing 80% pass rate while only 48 failed the question representing 20%. The highest score was 20 while the lowest was 0.

The question was divided into two parts (a), and (b).

Part (a)(i) required candidates to draw a production possibilities frontier using the given table and guidance. Performance was excellent.

Part (a) (ii) required candidates to explain if it is possible and/or efficient for this society to produce 50 hospitals and 80 schools. The question required candidates to identity whether the point was along inside or outside the PPF.

Part (a) (iii) required candidates to determine the opportunity cost.

Part (b) (i) required candidates to calculate the equilibrium price and quantity. All that candidates were required to do is to equate the two function, then solve for P and Q. However, some candidates seemed not to remember anything.

Part (b) (ii) asked candidates to calculate the new equilibrium when a price ceiling of K40 is imposed by the government. All candidates were required to do was to substitute K40 where there was P in both functions. Once this was done, it would have been clear that quantity demanded was 16 400 while quantity supplied was 14 400 creating a shortage of 2 000 units. Many candidates did not know what to do here.

Part (c) asked candidates to explain any four (4) factors that affect demand for a good.
Part (d) required candidates to distinguish between change in demand' and "change in quantity demanded'. A change in demand is a shift in a demand curve caused by changes in any factors other than own price of a good while change in quantity demanded is a movement along a demand curve. It is caused by a change in own price of a good. Answers were very disappointing on this part of the question.
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 poor. A total of 176 students attempted the question. 25 of these passed while 151 failed, representing a 14% pass rate and failure rate of 86%. The highest score was 18 out of 20 available marks while the lowest was 0 out of 20.

The question was based on Market Structures divided into four parts namely (a), (b), (c), and (d).
Part (a) required candidates to explain the difference between change in quantity demanded and change in demand.

Part (b)(i) required candidates to find the equilibrium price and quantity using the given information.

Part (b)(ii) required candidates to find the equation for the supply of lemonade if producers reduce the quantity supplied by 400 litres. Candidates were simply required to subtract this 400 from the supply function.

Part (b)(iii) required candidates to find the new equilibrium price and quantity using the new supply function.

Part (c) asked candidates to outline any three factors that affect elasticity of supply. Many candidates performed poorly here. They need to know that factors affecting supply are not the same factors affecting elasticity of supply!

Part (d) asked candidates to use diagrams to explain the difference between relative elastic supply and relative inelastic supply. Candidates provided answers relating to perfectly elastic demand and perfectly inelastic demand which were not required!

QUESTION FOUR

This was the least attempted question. The general performance for this question was very poor. A total of 102 students attempted the question. 17 of these passed while 85 failed representing a 17% pass rate and failure rate of 83%. The highest score was 14 out of 20 available marks while the lowest was 0 out of 20.

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

Part (a) required candidates to distinguish between public sector organisations and non-profit organisations. Many candidates mistook public sector organisations for public limited companies. Performance was poor.

Part (b)(i) required candidates to write down the associated cost, revenue and profit functions form the given information. Many candidates had problems to derive the functions.

Part (b)(ii) required candidates to calculate the profit or loss when 500 copies are sold. Candidates who could not come up with the correct functions couldn't get this one correct.

Part (b)(iii) required candidates to state the number of copies that must be sold to breakeven. Candidates needed to understand the meaning of breakeven point i.e. a point where TR =TC

Part (c) required candidates to explain the shutdown point graphically for a firm under perfect competition. Graphs were below par.

Part (d) required candidates to explain any three characteristics of oligopoly apart from interdependence of firms already given. Surprisingly, some candidates provided characteristics for perfect competition.

QUESTION FIVE

The general performance for this question was very bad. A total of 160 students attempted the question. 20 of these passed while only 140 failed, representing a 13% pass rate and failure rate of 87%. The highest score was 18 out of 20 available marks while the lowest was 0 out of 20.

This question was divided into three parts (a), (b) and (c).

Part (a) required candidates to show how to derive NNI given GDP and GNP. There was fair performance though some candidates demonstrated lack of understanding .

Part (b) required candidates to explain how a country can attain a point of full employment using an appropriate diagram. The diagrams presented were very poor. Candidates are advised that economics is all about diagrams and they have no choice but to understand them.

Part (c)(i) required candidates to determine the equilibrium income for the economy using the given information.

Part (c)(ii) required candidates to write the aggregate demand function/equation.

Part (c)(iii) required candidates to determine how much equilibrium income would change if exports fall to 3 500.

Part (c)(iv) required candidates to explain whether the change in equilibrium income would be an increase or a decrease.

Question 5 (c is a very popular question in DA 3. Some candidates got all the marks allocated but many others could not manage to do the required computations.

QUESTION SIX

The general performance for this question was below average. A total of 114 candidates attempted the question. 35 of these passed while 79 failed, representing a 31% pass rate and failure rate of 69%. The highest scored 14 out of 20 while the lowest was 0 out of 20.

The question was divided into four parts (a), (b), and (c).

Part (a) required candidates to explain how domestic price level, domestic income level, domestic interest rate and expected inflation are related to the demand for money. Answers given by majority of the candidates were unsatisfactory. Many simply explained what these variables are without relating them to demand for money as required.

Part (b)(i) required candidates to calculate the fall in output following a reduction in investment spending. Candidates needed to calculate the multiplier using
$m = 1/1 - MPC$ i.e. $1/1-0.2 = 1/0.8 = 1.25$ which is then multiplied by K50 million. Many candidates simply multiplied the K50 million by the MPC of 0.2!

Part (b)(ii) was similar to (b) (i) but with a new multiplier of 1.11.

Part(b)(iii) required candidates to explain the crowding out effect on interest rates and level of private investment. This was done fairly well.

Part (c) required candidates to explain ways in which government can finance its expenditure. Performance was fair.

QUESTION SEVEN

The general performance for this question was below average. A total of 213 candidates attempted the question. 101 of these passed while 112 failed, representing a 47% pass rate and failure rate of 53%. The highest scored 20 out of 20 while the lowest was 0 out of 20.

The question was divided into four parts (a), (b), and (c).
Part (a) required candidates to explain any three arguments that can be used to support the use of trade barriers. Some candidates gave the barriers instead of the reasons as required.

Part (b) required candidates to outline three advantages and two disadvantages of floating exchange rates. Some weak candidates were giving uneconomic common sense answers!

Part (c) required candidates to distinguish between spot market and Forward market. Very few candidates seemed to know what a spot and forward market are going by their answers.

Overall performance of candidates

i.	Highest mark obtained in this paper:	**85%**
ii.	Lowest mark obtained in this paper:	**11%**
iii.	Average score in this paper:	**41.2%**

SUBJECT: DA4 - INFORMATION TECHNOLOGY AND 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. 215 candidates scored 50% and above, while only 22 candidate scored below 50%. Highest mark was 100% while lowest was 20%.

Some students were merely guessing there answers without understanding the answer being selected.

QUESTION TWO

The question was asking the candidates to (i) state the roles of AIS that facilitate the processing of transactions reducing uncertainty and improving (ii) distinguish single user and multi user operating system and (iii) describe five examples of output controls to ensure output of data is authorized, accurate and complete.

The following were noted in this question:

i. Most students were giving advantages and characteristics of AIS instead of its roles
ii. Some students were explaining multitasking and multiprogramming on multi user operating systems while others were looking at the physical computer usability
iii. Some students were writing on output devices instead of output controls, while others were explaining access controls.

QUESTION THREE

The question was asking candidates to (i) explain four main advantages of a network that uses the client server (ii) write short notes on classes of computers (iii) state four Dos required when using passwords and (iv); explain copyright law regarding to software.

The following were noted in this question:

i. Most students wrote about the general advantages of a network instead of a client server network
ii. A few students could not properly distinguish between mini and micro computers
iii. Some students were giving procedures of creating a password
iv. Some students were guessing the explanation of copyright law and explaining it with regard with music and not software.

QUESTION FOUR

The question was asking candidates to (i) explain the features of Excel, macros and how it's used and absolute and Relative referencing (ii) distinguish between Quality control and Quality assurance as well as Batch processing and online processing (iii) Describe Enterprise Resource Planning System and two advantages

The following were noted in this question:

i.   Some of the students were mistaking a macro with a formula
ii.   Some students were switching the definition of Absolute and Relative Referencing
iii. Quality control definition wasn't coming out clear when being explained because the word control was not being explained correctly
iv.   Some students were not explaining online processing well and were usually referring it to using the internet.

QUESTION FIVE

The first part of this question required candidates to state any situations when one is expected to write notes while part (b) required them to briefly explain any six note taking techniques that can be used in different situations. The last part of the question required candidates to list types of questions that are commonly used during oral communication.

The following were common mistakes were noted:

i.   situations where note taking is applicable mixed with techniques of note taking.
ii.   Repeated answers from part (a) and (b) of the question
iii. Wrong content in most cases were presented
iv.   Mixed note taking techniques with guidelines to effective listening
v.   Examples of types of question which included the 5 W's and 1 H (i.e. what , when, where, who and how) were presented instead of providing specific classes of questions such as open and closed questions etc.).

QUESTION SIX

This consisted of three parts, (a), (b) and (c). Part (a): required candidates to define a communication barrier while part (b): required them to briefly explain any six (6) barriers to effective communication. Part (c): of the question required candidates to also briefly explain any three (3) C's that can be used to overcome some of the barriers to effective communication.

The following mistakes were observed:

i.   Failure to define the communication barriers
ii.   Failure to identify and give a brief explanation of barriers to effective communication
iii.   Giving examples of situations when barriers to communication occur without a clear explanation
iv.   Repeated answers on barriers
v.   Mixing the communication C's with barriers
vi.   Barriers were presented as ways to overcome them which was not supposed to be the case
vii.   There was use of wrong words such as concept, care, courage, confident etc. which were not part of the 7C's to effective communication giving wrong content.

QUESTION SEVEN

Candidates were requested to define the term report in the first part of the question. The second part of the question required them to write a memo from a given scenario stating any six (6) aspects that need to be considered when preparing a report, while
The last part (c) required them to distinguish between a formal and an informal report.
The following errors were noted from this question:

i.   Information was not logically presented in the memo
ii.   Mismatching the memo features
iii.   Repeated answers especially in the main body of the memo
iv.   Provided content of a report without writing the actual memo that was required.
v.   Presented information as a notice for a meeting which was not supposed to be the case.
vi.   Wrong format or layout was used in some cases. i.e. letter
vii.   Failure to provide a clear distinction between a formal report and an informal report.

The total number of candidates who attempted the examination was 237. The pass rate for this paper was 60% with the remaining 40% failure rate.

Overall performance of candidates

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

   ii.   Lowest mark obtained in this paper**: 12**%

  iii.   Overall pass rate in this paper: **54.4**%

SUBJECT: DA 5 – COSTING

QUESTION ONE

The performance was above average. Candidates were scoring as high as 90%.

This comprised of compulsory 10 multiple choice sub-questions covering the whole syllabus.

QUESTION TWO

Performance on this question was below average as most students found it challenging. This question had three (3) parts, (a), (b) and (c).

In part (a): most candidates were able to define the cost classifications of variable, fixed and mixed cost but failed in most cases to give appropriate examples.
In part (b): candidates were asked to prepare a table for cost behaviour. It was unfortunate to see a number of candidates failing to make the distinction among the different cost behaviours. However, for those who were ready scored highly.
Part (c): received a number of answers at an activity level of 60,000 production units and sales of 46,000 units using the data in part (b). Many candidates struggled to apply the different cost behaviours.

QUESTION THREE

This was the most popular optional question in the paper, seemingly. Close to 98% of the candidates attempted and the performance was remarkably good. A good number of candidates scored well above 75%. Undoubtedly the question contributed to the success of many who passed the paper.

This question was the learning outcome number four (4) –Explain and apply the accounting methods for materials

Part (a): required the determination of cost of goods sold and value assigned to ending inventory using FIFO, LIFO AND AVCO.

The following were observed:

  i.   In some instances candidates did not show workings but wrote down the correct final answers: this cost them marks since workings were required in an exam paper such as this one.
  ii. Different approaches (short cuts) were applied to calculate the required figures, some which were not clear

iii.   FIFO and LIFO are better understood by candidates than AVCO. This is evident from the number of candidates that got AVCO workings and answers wrong.

In part (b): candidates appeared to have been answering this question using guesswork rather than studying the subject. It was apparent from the manner of answering that the topic might not have been studied adequately. Majority of the candidates suggested that the purchase requisition was directed to the supplier as opposed to directing to the stores/ purchasing department.

QUESTION FOUR

Less than 30% of the candidates attempted this question. The performance was poor.

Covered Activity Based Costing and Traditional Absorption Costing.

Observations:

i.   In part (a), most of the candidates who attempted this question could not get the correct machine hour rate due to failure to determine the total budgeted machine hours and in some cases even total budgeted production overheads.

ii.   In part (b), majority failed to determine the cost driver rates.

This generally, led to obtaining wrong unit production costs by most of the candidates.

QUESTION FIVE

Despite more than 70% of the candidates attempting this question, the performance was below average.

The question covered the preparation of a price quotation for a job in part (a) and processing costing in part (b).

In part (a): some candidates assumed that direct materials cost figures from stores and bought-in of K16,500 and K12,600 respectively related to each department as a result ended up preparing price quotations for the job in each department as though there were three jobs each produced in one department.

In part (b): candidates exhibited lack of understanding of features of process costing as some were giving process costing framework, others examples of industries where process costing could be applied etc.

QUESTION SIX

This was equally a popular question with most candidates performing well above average.

Part (a)of this question required candidates to calculate material price and usage variances, labour rate and efficiency variances, variable overhead expenditure and efficiency variances and fixed overhead expenditure and volume variances. Part (b) required the listing of four causes of idle time variances.
Poorer candidates failed to calculate the fixed overhead volume variances by using the wrong rates to value hours.

Overall performance of candidates

i. Highest mark obtained in this paper: 91%
ii. Lowest mark obtained in this paper: 12%
iii. Overall pass rate in this paper: 59.1%

SUBJECT: DA6 - BUSINESS LAW

QUESTION ONE

The general performance under this question was satisfactory in that half the candidates who attempted managed to score 50% and above. The total number of students who attempted the question was 473.

Only 237 of the candidates managed to score at least 10 out of 20 Marks. The other 236 scored below half the marks, which is below 10.

Candidates who performed well here were familiar with the mixed topics and the main principles supporting them.

QUESTION TWO

The general performance on this question was bad. The total number of candidates who attempted this question was 159. 56 candidates managed to pass representing a pass rate of 35% while 103 candidates failed representing a failure rate of 65%.

Under Part (a) of the question, most of the students seemed not to have the much-desired idea in terms of contracts that emanates from restraint of trade. These are contracts in restraint of trade, a legal device to balance between an employee's right to exercise his profession freely and the employer's interest in keeping certain aspects of his business confidential. The general rule is that such clauses are prima facie illegal and void as they infringe on freedom to compete in a free market.

Most students failed to identify that contract law is wide and includes contracts which have clauses which allow persons to be restrained from working for a competitor.

The mistake was that most of the students were explaining the elements of a contract and stating their validity which was not the case.

For prospective students, it is vital to note that when a question like this is posed, they must not concentrate on the validity of the contract but on whether the clauses or terms in the said contract are void or not. Thus, a restraint of trade clause is void unless the party alleging its validity proves that it is reasonable between the parties

and is in the public interest. Only then can the contract may be enforceable against the parties. Reasonableness is a matter of law to be determined by the court depending on trade practices and customs.

On Part (b) (i), students needed to provide a definition of caveat emptor. Caveat emptor means let the buyer beware which means the buyer alone is responsible for checking the goods before a purchase is made. Those who failed, completely failed to define it showing a lack of understanding of the term. Prospective students must read the Sale of Goods Act 1893 very well to avoid failing into certain terms that needs an explanation or definition.

Part (b) (ii) was a follow up to (i) above. The term that was violated was section 14 of the Sale of Goods Act of 1893. The law provides that where a buyer indicates to the seller the purpose of the goods, there is an implied condition under section 14 of the Sale of Goods Act, that the goods shall be fit for the intended purpose.

Most of the students failed to identify the section that was violated especially that they had challenges to define the term above.

Prospective students must read the Sale of Goods Act 1893 and cite the terms and conditions found under the Act very well to be able to answer questions like these. A number of students failed to answer this question as it is related to part (i) and (ii) above. Most of the students appeared to be guessing especially that they failed t answer part (i) and (ii) above.

Prospective students must read the Sale of Goods Act and look at the terms and conditions that are listed therein and study the remedies that cmes up once the said terms are breached. For example, in this question, the buyer may reject the goods or he may ask for a refund upon returning the defective goods to the seller.

QUESTION THREE

The general performance on this question was bad. The total number of candidates who attempted this question was 416. 155 candidates managed to pass representing a pass rate of 37% while 261 failed representing a failure rate of 63%.

This question required candidates to explain the law relating to redundancy and unfair dismissal. A number of students failed this scenario question. It must be noted that the right to claim compensation in the event of redundancy and compensation for unfair dismissal are important statutory employment rights contained in the Employment. Thus, in order to claim compensation for either redundancy or unfair dismissal, an employee is required, as a precondition of a successful claim, to show that he or she has been dismissed.

The common mistake made here was to either swap the difference between redundancy and or dismissal and to show whether the given scenario would result into redundancy or dismissal so as to cite the claims.
It appears the students did not peruse the provisions of the Employment Act or read the modules on the topic of Employment Law or Labour Law.

Prospective students are advised to read the above Act and the modules on the topic of dismissal and its type. Care must be taken to note that each type of dismissal has a ground and a remedy in case the employee sues.

A few problems or mistakes were seen here under this part.
The students were required to analyse the correctness or otherwise of the statement "*It is true that every contract is an agreement but not all agreements amount to a Contract".* The distinction lies in the intentions of the parties to the agreement to enter into legal relations and thereby bind themselves to carry out the agreement.

Thus, a valid contract is characterized by Intention to create legal relations, offer, acceptance, consideration and capacity. If anyone of these components is missing in an agreement, then such agreement will be e mere agreement that does not amount to a contract.

The common mistakes made by the students were that they just explained the elements of a valid contract but they did not talk to the statement. The statements needed them to discuss for and against that statement noting that even when there elements of a binding contract are not present, an agreement can be there which is not a contract.

Prospective students are advised to look at what makes a valid contract, is it the mere agreement or an agreement that has all the valid elements? It is advisable to look at intention to create legal relations in details.

QUESTION FOUR

The general performance on question was average, with only 60% of the candidates scoring from 10 and above out of 20.

The question was attempted by 426 of the candidates of which half of the number performed well as already alluded to. 47 did well while the remaining 40% scored below 10 marks.

The question was divided into five parts, (a), (b) and (c) as follows:

In part (a): candidates were required to identify the advantages of delegated legislation.
Almost all candidates managed to give the advantages of delegated legislation except a few who just seemed to show knowledge of what they are.

Common mistakes here were that some students were mixing the advantages of delegated legislation with case law. Others were just totally lost as they showed lack of knowledge on the subject matter.

In part (b): candidates to explain the controls over delegated legislation.

It must be noted that Parliament controls delegated legislation by way of parliamentary scrutiny, which is the process by which the body designated to make the law lays it before parliament for examination. Further, Courts do

control delegate legislation through pronouncements I courts on the wrong legislation or that which offends the parent statute.

The only thing seen here was that students showed lack of knowledge on the subject matter. Others were just explaining an area of Parliamentary scrutiny in terms of control.

Prospective students must take time to look at legislation, the types of legislation and how this legislation is controlled.

In part (c)(i): candidates were to identify whether or not liability could be established by making reference to elements of employment law.
Students were able to handle this question very well by showing how employment law comes to play in the given scenario.
However, those who failed to answer correctly, failed to apply the elements of employment law to the given scenario.
Prospective students must be able to note that application of the subject matter is vital to the given scenario. Once student identify the relationship of either contract of service or of services is identified, the student's duty is to show how to apply the identified elements of contract of service or for services to the given scenario of FWD.

Prospective students are encouraged to identify who should be held liable between the employee or the employer. This can only be identified by taking a careful scrutiny of a contract of service or for services.

In part (c)(ii): candidates were required to establish the extent of liability of the parties in the scenario question.

In this given question, a professional has to take steps to avoid being negligent. In this case, it was the negligence of as a contractor has made FWD to suffer loss by way of a damaged and not mended roof. Thus, KC is liable for the repair of the damaged roof of FWD.

However, common mistakes seen are that the students were failing to apportion who is to be blamed for the damage caused to the roof.

Prospective students must pay attention when there is a contract for service and or for damages. Once this is done, the blame can be apportioned to who and how the acts were being done.

QUESTION FIVE

The general performance on this question was bad. A total number of 413 candidates attempted this question and 158 managed to pass representing a 38% pass rate while 255 candidates failed representing a failure rate of 62%.

On Part (a) students had no challenges as they were able to identify this clause. Most of the students here were able to perform very well. The explanation to the company is that for a term or clause to be relied upon, there must be proof that it was or formed part of a contract at the time the said contract was made. Thus, one party cannot try to add or remove terms such as exemption clauses after a contract has already been made. The contract was made at the point the ticket was made while the clause was made after the contract was made.

A few who did not do well failed to elaborate on the rules that will be taken to show if an exemption clause is part of the contract or not.

Prospective students must note that with exceptional clauses, it is vital to note at what point the clause was made part of the contract. If the clause come after the contract was made, it can't be part of the contract. But if it is put in a contract before the contract is agreed upon, then it is part of the contract and enforceable.

Part (b) seemed to be problematic to students as well. It must be noted that Redundancy arises when an employer intends to stop carrying on his business or is reducing the size of his workforce due to poor business and or in a bid to save the business while Constructive dismissal arises when the employer makes the working environment so uncomfortable for the employer that it is impossible for the employee to continue working.

The common mistakes seen here are that students were swapping the two definitions and also confusing them with other types of dismissal that were not asked. Others students got the concepts wrong as this could be attributed to lack of understanding of the subject matter by the students.

Prospective students must be able to identify the different types of dismissal and how they arise. In this context, Constructive dismissal arises when the employer makes the working environment so uncomfortable for the employer that it is impossible for the employee to continue working while Redundancy arises when an employer intends to stop carrying on his business or is reducing the size of his workforce due to poor business and or in a bid to save the business.

QUESTION SIX

The general performance on this question was not good. 466 candidates attempted the question and 165 managed to pass with a pass rate of 54% while 301 candidates failed representing a failure rate of 64%.

The performance of the students under part (a) was fair as students were able to identify the circumstances. Thus, there are three occasions where a principal may be bound by a contract entered into by an agent on his behalf but without his express authority. These are agency of necessity, agency with implied authority and agency involving apparent (or ostensible) authority.

The common mistakes made by those who failed to answer it successfully are to just explain everything on agency law and how it can be created.

Prospective students must be able to understand the question fully. This one was only talking about agency without express authority which only involves agency of necessity, agency with implied authority and agency involving apparent (or ostensible) authority.

Part (b) of the question needed an explanation of the 3 features of a partnership which are that there must be two or more person, there must be a common purpose of which each partner must contribute and that the carrying on of such a business should be with the objective of making profit.

However, common mistakes identified herein are that students were writing on the element or features of the Partnership deed than the 2 features cited above.

Others students got the concepts wrong as this could be ascribed to dearth of thoughtful of the subject matter.

Prospective students are to carefully read and understand the question before answering. In this case, the student only needs to list and explain the 3 features of a partnership without wasting time.

Part (c) was also fairly attempted as most students were able answer as it related to the difference between damages and injunction in the law of torts. In this context, damages are compensation in monitory form while an injunction is an order restraining a person/s to do something.

The common mistakes made by those who failed hereof are that students were failing to distinguish how damages and injunctions are obtained and how they can be effected.

Prospective students must be able to identify and distinguish damages and injunctions that are found in the law of torts from those that emanates from the law of contract. In contract, the remedy comes as a result of there being a contract while in tort it comes as a result of breach of the duty of care.

The overall performance was good.
  i.   Highest mark obtained in this paper: **72%**
  ii.   Lowest mark obtained in this paper: **12%**
 iii.   Overall pass rate in this paper: **37.8%**

SUBJECT: DA 7–PRINCIPLES OF MANAGEMENT

QUESTION ONE

All the 215 candidates attempted this question. The section had 10 multiple choice questions covering the syllabus. 123 candidates got more than an average mark of 50 % representing a 57.2 pass rate while 92 failed to pass representing a 42.8 % failure rate.

Good response was noticed. Most of the candidates managed to get above 50% total score.

QUESTION TWO

The question had three parts with direct questions on Leadership and motivation. A total of 182 candidates attempted this question and 118 passed while 64 failed. This represented 64.8% and 35.2% pass rate respectively.

The question was very familiar to most of the candidates and they gave good solution and earned marks. Those who failed to get good marks showed some luck of understanding of the question.

QUESTION THREE

193 candidates attempted this question. Out of which only 101 passed, representing a pass rate of 52.3% and 92 candidates failed to answer this question, representing 47.7% fail rate. The question had three parts, (a), (b) and (c).

Part (a): required candidates to define a mission statement. This was a clear question and most of the candidates got the full marks. Part (b): required candidates to explain six (6) advantages of private limited company form. An average good performance was recorded by most candidates. Part (c): required candidates to explain what is meant by 'objectives must be SMART'. Most of the candidates had full marks.

QUESTION FOUR

181 candidates attempted this question. Out of which 114 (62.98%) passed and more than 67 (37.02%) failed. This question had three parts, (a), (b) and (c).

Part (a): required candidates to explain five (5) characteristics of parastatal organization. This part of the question gave most of the candidates good marks. Part (c): required candidates to explain two (2) ways in which public sector organisations differ from public limited companies. Some candidates could not show clear understanding between PSO and PLC. Part (c): required candidates to explain two (2) objectives of community non-profit organization. This was well answered by most candidates.

QUESTION FIVE

119 candidates attempted this question. Out of which 104 passed and 15 failed representing 87.4% pass and 12.6 % fail. The question had two parts, (a) and (b) on Organisation culture and HRM.

Part (a): required candidates to describe how the following would influence the culture of an organization:

(i)   History
(ii)   Leadership style
(iii)   Organization environment

This question was clear and most candidates had an advantage answering this question.

Part (b): required the candidates to explain the importance of a personal development plan to an individual. Most candidates showed good skill and intellect answering this part of question.

QUESTION SIX

163 candidates attempted this question out of which 136 (83.4%) passed while 27 (16.6%) failed. This was a straightforward set of a question and most of the candidates performed well. The question had two parts, (a) and (b).

Part (a): required candidates to state the advantages and disadvantages of individual interviews. While most of the candidates were able to answer correctly, some students could not understand the question completely and lost marks.

Part (b): required candidates to explain how the following social and cultural environmental factors can affect how business is done.

(i)   Impact of HIV and AIDS
(ii)   Influence of religion
(iii)   Values

Most candidates explained well on part (i) and (ii) but failed to answer part (iii) properly to collect full marks.

215 candidates sat for this paper and 72.1% passed while, 27.9% failed.

Overall performance of candidates

i.   Highest mark obtained in this paper: **94%**

ii.   Lowest mark obtained in this paper: **17%**

iii.   Overall pass rate in this paper: **71.3%**

SUBJECT: DA8 FINANCIAL REPORTING

QUESTION ONE

The general performance of this question was satisfactory. 494 Candidates attempted the question. The lowest score was 0 and the highest score was 22 the average score was 11.85. The pass rate was 56.88%.

The question was compulsory and had two (2) parts, (a) and (b). Part (a): required students to prepare group consolidated statement of financial position; part (b) had two parts (i) required students to identify the alternative method of measuring Non-Controlling Interest and part (ii) required students to distinguish between fair value method and the identified method in (i).

Generally part (b): was well answered though students had challenges in the computation of deferred consideration and unwinding particularly taking time into account.
Part (b): proved to be challenging to students as many of the students did not manage to identify the alternative method. Students, who managed to identify the alternative method, simply gave generic differences between fair value method and proportionate method without proper reference to measurement and accounting treatment of impairment loss of goodwill.

QUESTION TWO

The general performance of this question was good. 481 Candidates attempted the question. The lowest score was 1 and the highest score was 25 and the average score was 11.97. The pass rate was 53.32%.

This was a compulsory question with part (a) and (b). Part (a) required students to prepare statement of profit or loss and other comprehensive income; while part (b) required students to prepare statement of financial position.
Most students, however, did not calculate the finance cost and equity and the few students that did were unable to calculate the figures for finance cost and equity correctly.

QUESTION THREE

The general performance of this question was not so good. 446 Candidates attempted the question. The lowest score was 0 and the highest score was 20 and the average score was 9.56. The pass rate was 34.08%.

This was an optional question with part (i) and (ii). Part (i): required students to prepare a statement of cash flow using the indirect method; part (ii): required students to prepare extracts for financial statements and required candidates to determine the closing payables, cost of property and to determine the exchange gain/loss.

Generally part (i) was not well answered and most of weak students failed to take full advantage of the easy marks which were available in this question. A number of students showed poor understanding of the use of T-Accounts and showed credits as debits and vice versa. This was so pronounced in the income tax account and Government grant account. Students found a tax payment instead a tax refund.

A few students used the direct method instead of the indirect method which was required by the question while others misclassified the cash flow activities under operating, investing and financing activities.

In part (ii), most students did not know the exchange rate to use in determining the closing payables balance and also failed to correctly compute the exchange gain or loss. A number of students did not attempt this part of the question and therefore lost 5 easy marks.

QUESTION FOUR

The general performance of this question was below average. 174 Candidates attempted the question. The lowest score was 0 and the highest score was 21 and the average score was 7.12. The pass rate was 24.14%.

This was a 25 mark optional question with part (a), (b) and (c). Part (a) required students to explain five step model of accounting for a contract using IFRS 15; part (b) required students to perform relevant calculations in relation to IFRS 8 operating segments and identify the department which was a reportable operating segment; (c) required students to explain the difference between value in use and recoverable amount; the question further required students to calculate the CGU impairment loss and explain how it was to be allocated and the value of the CGU was to be reported in the statement of financial position according to IAS 36 impairment of assets.

In part (a): a number of students were able to identify the steps but very few gave adequate explanations. Part (b): proved to be challenging to students as many of

the students did not manage to attempt it due to poor time management and limited technical knowledge on IFRS 8. Part (c): also posed a challenge as many students could not calculate the CGU impairment loss and therefore could not proceed further.

QUESTION FIVE

The general performance of this question was below average. 303 Candidates attempted the question. The lowest score was 0 and the highest score was 19 and the average score was 6.74. The pass rate was 12.54%.

This was an optional question with part (a), (b) and (c). Part (a): required students to explain the accounting treatment of investment and property IAS 40 and prepare extract for the financial statements; part (b): required students to identify and explain the four qualitative characteristics of financial statements; (c): had three parts; (i): required students to outline the three conditions for capitalization of borrowing costs to commence (ii); explain the accounting treatment of investment income from temporary investment of borrowed funds (iii) calculate the amount of borrowing cost to be capitalized as part of qualifying non-current asset.

Generally part (a) was fairly answered as students were able to explain the accounting treatment of investment property. However, a number of students could not calculate the figures for inclusion in the extract financial statements.
Part (b): was well answered though some students mixed the qualitative characteristics with accounting concepts. Part (c): posed a serious challenge as many students could not explain conditions for capitalization of borrowing costs, accounting treatment of investment income and make relevant calculations of borrowing cost to be capitalized due to time constraints and limited technical know-how.

Overall performance of candidates

  i.   Highest mark obtained in this paper: **72%**
 ii.   Lowest mark obtained in this paper: **9%**
iii.   Overall pass rate in this paper: **29.4%**

SUBJECT: **DA 9 – MANAGEMENT ACCOUNTING**

QUESTION ONE

The performance in this question was above average. Candidates were required to examine the functional budgets, namely, production, materials purchases and cash budgets.

Observations:

i.   Production budget - Some of the candidates lost all the marks because they simply presented the sales forecasts as production level and either adding the opening finished goods inventory or subtracting the closing finished goods inventory.
ii. Raw material cost budget – Half the candidates did not recognize the need to account for material wastage and some who attempted got the formula wrong.
iii. Labour cost budget – Most candidates were on the right except in instances where the production was wrong though no marks were deducted for wrong brought forwards from (i)
iv. A good number of candidates showed good understanding of this. A few, candidates however, wrongly treated depreciation and cash discount as cash budget transactions. The K162, 500.00 investment was correctly placed as opening cash balance.

Erroneously, a good number of candidates based the calculation of cash sales on 100% of sales figure, not on 98% in view of the 2% discount.

On Zero Based Budgeting – Most students were unable to address the key verbs such as 'explain'.

QUESTION TWO

The performance was below average in this question. As a compulsory question, more than 95% of the candidates attempted this question with a minimum of 40% providing good answers. The question had three (3) parts; part (a), (b) and (c).

Observations:

 Part (a) – Some candidates had challenges in explaining a relevant cost and an opportunity cost as they failed to give an example of each of the two terms.

Part (b) – Some candidates could not see that the 150,000 units contract per month was for three (3) months. Consequently, they ended up with relevant cost of making/buying 150,000 units instead of 450,000 units (150,000 units per month X 3

months).

Part (c) – this was poorly attempted. There was overwhelming evidence that candidates did not understand qualitative factors as issues that cannot be expressed in monetary terms which affect the quality of product produced or service provided such as employee morale.

QUESTION THREE

The candidates' performance was poor. This question required candidates to prepare an appropriate budgetary control statement in part (a); and in part (b); to prepare a report on activity based costing (ABC) basis for the managing at JLL that: (i) explains the distinction between traditional overhead absorption costing and ABC; (ii) describes the operation of an ABC system and (iii) outlines four benefits and two shortfalls of adopting ABC system.

In part (a): most of the candidates scored the maximum marks with a few failing to flex the budget so as to be comparable with the actual performance.

In part (b): well prepared candidates got the free marks for the report presentation. However, many were unable to give a distinction between the two costing systems more especially on the rates used. A few of the candidates were able to bring out the steps involved in ABC and outlining the shortfalls.

QUESTION FOUR

The general performance in this question was above average. Out of those who attempted, very few failed this question. The question had three (3) parts, (a), (b) and (c).

In part (a): candidates were required to explain steps taken before giving credit to receivables instead of a decision to factor debt.
The formula to use in part (b) was BEP = Total Fixed costs ÷ contribution per unit. The common error was only to use all the costs to calculate the contribution per unit. Part (c) was well answered with a few mixing up the steps.

QUESTION FIVE

The performance was generally good with challenges in part (b).This question required candidates to:

i. Calculate sales price, mix and quantity variances and also labour rate and labour efficiency variances
ii. Calculate labour rate planning and operational variances and then explain the relevance of calculating these variances.
iii. Explain changes in working practices if the company adopted the JIT system.

Part (a): was well attempted by most candidates. Poorer candidates valued mix variances at the selling price instead of the contribution per unit. A good number of candidates could not calculate the sales quantity variances. Moreover, some candidates calculated sales volume variances thinking that they are the same as sales mix variances.

Part (b): was poorly attempted suggesting that students at this level have a scanty understanding of planning and operations variances. Some could state the right formulae but could not pick up the right figures to use in the formula. Hardly anyone explained the relevance of calculating these variances. At least the examiner was looking for words like controllability and how each of these variances is calculated.

Part (c): was well attempted. Most candidates explained elements of JIT instead of the changes in working practices if JIT was adopted. They were close but not quite: they needed to apply elements to the changes necessary for JIT to succeed.

Overall performance of candidates

   i.   Highest mark obtained in this paper: **74%**
  ii.   Lowest mark obtained in this paper: **4%**
 iii.   Overall pass rate in this paper: **19.1%**

SUBJECT: DA 10 - TAXATION

QUESTION ONE

The general performance in this question was good. The number of candidates who attempted this question was 128 with a pass rate of 59%. This question had three parts (a), (b) and (c).

In part (a): candidates were required to prepare a computation of the company's capital allowances for the tax year 2019 in respect of Buildings and Implements plant and machinery and most of the candidates were able to calculate the capital allowances.

In this part of the question most candidates were quite knowledgeable on the calculation of capital allowances for industrial buildings where one part of the building was commercial.

In part (b): candidates were required to calculate the tax adjusted business profit for public limited company for the tax year 2019 starting with the loss before taxation figure of K400,000.

In this part of the question most candidates performed fairly except for a few of them who did not know how to deal with a premium.

In part (c): candidates were required to calculate the Company income tax payable by a public limited company for the tax year 2019.

In this part of the question, candidates performed badly because they wrongly calculated the tax adjusted business profit.

QUESTION TWO

The general performance in this question was good. The number of candidates who attempted this question was 124 with a pass rate of 66%. This question had three parts (a), (b) and (c).

In part (a): candidates were required to explain any three (3) properties or qualities of a tax system which would include Economic efficiency, Simplicity, Certainty, Fairness/proportionate/flexible, Efficiency, compatibility and Convenient/progressive.

Candidates performed exceptionally well on this part of the question where they required to explain the qualities of a good tax system. The majority of them were quite prepared for this area of the syllabus and scored good marks.

In part (b): candidates were required to explain the criteria used to establish whether an individual was resident in Zambia for taxation purposes. An individual was resident in Zambia in any tax year if that individual was physically present in Zambia for a period of at least 183 days. An individual who come into Zambia with

an intention of staying in Zambia for a period of at least 12 months becomes resident in Zambia from the day of arrival.

In this part of the question, a number of candidates had no problems in answering this part of the question and managed to get those marks.

In part (c): candidates were required to prepare a computation of income tax payable by an employee for the tax year 2019.

This part of the question was straight forward requiring candidates to compute the tax payable by a tax payer who was employed where the salary and allowances needed to be multiplied by 12 months to arrive at the taxable annual income. Hence, the performance was quite good.

QUESTION THREE

The general performance in this question was not good. The number of candidates who attempted this question was 81 with a pass rate of 49%. This question had five parts (a), (b),(c), (d) and (e).

In part a(i), (a)(ii) and (a) (iii) candidates were required to describe any three (3) properties on which property transfer tax (PTT) is charged, explain how the realized value for given properties would be determined and to explain the meaning of a transfer for the purposes of property transfer tax and state the due date for payment of property transfer tax.

In part (a): (i) candidates produced the required points on the assets on which property transfer tax was chargeable. Therefore, the performance was quite good.

In part (a): (ii), most of them failed to explain how the realized value was determined for the assets that were identified in part (i) above. However, most candidates did not perform very well.

In part (b): candidates were required to calculate the property transfer tax paid by an individual tax payer on each of the given transactions giving appropriate reasons.

In this part of the question, the majority of the candidates performed well in which they were required to calculate the property transfer tax where applicable at 5% based on the realized value.

In part (c): candidates were required to explain any four (4) persons who are not required to pay turnover tax including any person whose annual turnover was more than K800,000, any person whose annual turnover is below K800,000 but has voluntarily registered for value added tax, any individual or partnership carrying on the business of public service vehicle for the carriage of persons, any partnership carrying on business irrespective of whether the annual turnover is over K800,000 or

not ,any person whose business earnings are subjected to withholding tax where the withholding tax is the final tax and income of partners arising from the partnership since the partnership producing that profit is excluded from turnover tax.

In this part of the question, the performance was above average as many candidates were quite conversant with that area of the syllabus.

In part (d): candidates were required to explain any four (4) benefits of presumptive taxes for transporters over the regular assessed system.

In this part of the question the performance was equally good as many of them managed to correctly explain the benefits of presumptive taxes and scored quite good marks.

And in part (e): candidates were required to explain the difference between progressive taxes and regressive taxes.

In this part of the question, only a few of the candidates missed those easy marks of explaining the difference between progressive and regressive taxes. Otherwise, the performance was very good.

QUESTION FOUR

The general performance in this question was not good. The number of candidates who attempted this question was 106 with a pass rate of 48%.This question had two parts (a) and (b).

In part (a): candidates were required to calculate the Value Added Tax payable by the company for the month of December 2019 clearly indicating (0) for each expense where input VAT is irrecoverable.

In this part of the question, the majority of candidates had problems in arriving at the correct VAT payable because they had problems in dealing with certain deductible input VAT.

In part (b) of the question candidates were required to calculate the total amount of import taxes paid by Jack on the importation of the motor vehicle and to explain the functions of the customs services division of the Zambia Revenue Authority.

In this part of the question, most candidates scored above average because they did not have problems in dealing with customs and excise duties. And as such, most of them scored all the marks from the correct calculation of the CIF and the value for duty purposes, although some missed the VDP because they used the wrong exchange rate instead of using the Bank of Zambia rate of K8.75 which was approved by the Commissioner General.

QUESTION FIVE

The general performance in this question was below average. The number of candidates who attempted this question was 70 with a 10% pass rate. This question had two parts (a) and (b).

In part (a): candidates were required to calculate the total amount of presumptive taxes an individual would pay for the tax year 2019.

This part of the question, the majority of candidates appeared not to have been well prepared on the calculation of presumptive tax for two operational vehicles.

In part (b) (i) candidates were required to calculate Clive's taxable business profit for the year ended 31 December 2019.

In part (b) (ii) candidates were required to calculate an individual's final amount of income tax payable for tax year 2019.

In part (b) (iii) candidates were required to state the due date for payment of income tax and the due date for submitting the self-assessment income tax return for the tax year 2019.

In part (b) (iv) candidates were required to calculate penalties and interest in the event that a taxpayer submitted his self-assessment income tax return for 2019 three months after the due date assuming that the Bank of Zambia discount rate is 11% per annum.

In this part candidates were required to compute the taxable business profits, the majority of candidates performed below average except a few of them who managed to get the correct figure.

In part (ii) on the computation of income tax payable, the performance was equally poor because of the wrongly calculated tax adjusted business profit by most of the candidates.

In Part (iii) on the due date for the payment of income tax, most of them stated 30th June instead of the 21st June 2019.

In part (iv), candidates performed poorly on the computation of the penalty for the late submission of income tax returns.

Overall performance of candidates

    i.   Highest mark obtained in this paper**: 79%**
   ii.   Lowest mark obtained in this paper**: 12%**
  iii.   Overall pass rate in this paper**:   60.8%**

SUBJECT: DA11 - PRINCIPLES OF AUDITING

QUESTION ONE.

A total of 418 candidates attempted this question.139 passed representing 33% and 278 failed which represented 67%.

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

In part (a): candidates were required to explain the guidance on safe custody and retention of audit documentation using ISA 230.

In part (b): candidates were required to explain the advantages and disadvantages of flow charts.

Part (c): required candidates to state four limitations of internal controls in relation to fraud.

Most candidates only explained part of the question either stating limitations only without giving reasons why segregation of duties and management may fail to deter fraud. It is important that candidates address all the requirements of the question.

In part (d): candidates were required to explain the use of test data in the audit of computerized payroll system of Luwingu Ltd.

It was found that most candidates could not explain what test data is and how it works.

QUESTION TWO.

A total of 421 candidates attempted this question.130 passed representing 31% and 291 failed which represents 69%.

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

In part (a): candidates were required to answer all the four parts of the question.

Most of the candidates did not get this part correct. They were explaining management responsibility in general being that of preparing financial statements and that of expressing an audit opinion for the auditor, they missed the point that this question was specific on law and regulations. Others wrongly explained professional ethics and others cited different laws governing companies and individuals in Zambia which earned them no marks at all.

In part (b): candidates were required to identify and explain six (6) audit risks and explain the auditor's response to those risks.

Most students did not understand the verbs in the requirements which were to identify and explain the audit risks hence lost marks that were allocated to identification of risks.

In part (c): candidates were required to explain the factors to consider before relying on the work of an expert.

Most of the candidates got this part of the question right and scored maximum marks. A few gave contrary answers by explaining the professional code of conduct such as integrity, confidentiality and professional behavior which resulted in loss of marks.

In part (d): candidates were required to describe four substantive procedures that could be performed in order to obtain sufficient appropriate evidence in relation to inventory held by third parties.

Some candidates got this part right but for others common pitfalls included definitions of assertions only with no related audit procedures.

QUESTION THREEE

A total of 298 candidates attempted this question.107 passed representing 35% and 191 failed which represents 64%.

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

In part (a)(i):candidates were required to explain (5) deficiencies in the purchasing system as given in the scenario; in part (a) (ii): to explain the implications of those deficiencies and in part (a) (iii): to make suggestions.

In part (b): candidates were required to describe five (5) substantive procedures that could be performed on year-end inventory.

In part (c): candidates were required to give tests of control for the purchasing system. Most of the candidates just went on, again to explain the meaning of substantive procedures instead of focusing on tests of controls.

QUESTION FOUR

A total of 421 candidates attempted this question, 345 passed representing 82% and 78 failed which represents 18%.This was a popular question and almost all candidates, excerpt a few, attempted this question.

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

In part (a) candidates were required to explain the five (5) elements of the assurance engagement.

In part (b): candidates were required to analyse the scenario regarding threats and safeguards.

Most of the candidates scored highly on this part of the question.These are the only ones that were able to use the scenario properly. Those who did not use the scenario were not given full marks.

In part (c): candidates were required to explain the benefits of having an audit committee. This question was correctly answered by most candidates with very few having difficulties.

In part (d): candidates were required to explain the differences between external and internal auditors. Most students answered this part of the question well.

However, those that got this part wrong were only explaining one side of the question than bringing out differences as per question requirement.

QUESTION FIVE

A total of 129 candidates attempted this question. 18 passed representing 14% and 111 failed representing 86%.

This part had three parts, (a) and (b).

In part (a): candidates were required to explain the meaning of random and systematic sampling. Most candidates managed to secure maximum points here.

In part (b) (i): Candidates were required to explain the appropriateness of draft audit reports. Most candidates faced a problem of not being able to identify the right audit opinion which should have been given in each of the client's reports extracts. For instance in client one, Mukwa Timba Co, a qualified opinion was expressed .The appropriate one was unmodified opinion since the financial statements were fairly presented, all material respects.

Similarly, in client two, Sombo Co, the senior auditor expressed an adverse opinion which was wrong. Instead a disclaimer was be appropriate due to insufficient audit evidence.

As for client three, ambo Co, the audit senior should not have expressed unmodified opinion when the matter is material but not pervasive. A qualified opinion was appropriate.

Lastly client four, the application of a going concern was inappropriate, a disclaimer of opinion cannot be appropriate .Instead an adverse opinion should be issued. Therefore students are strongly advised to read ISA 700 and ISA 705(all revised) or better still refer to the last topic in the ZICA manual –AUDIT REVIEW AND FINALISATION AND THE AUDITORS REPORT.

In part (b) (ii): candidates were required to explain the difference between emphasis of matter paragraph (EOM) and the other matter paragraph (OM).Despite this being a fair question some candidates showed very little knowledge of these new paragraph in the auditor's report. A good number of them did not give the correct definitions and differences between Emphasis of matter paragraph (EOM) and Other Matter (OM) paragraphs.

In part (b) (iii): In this part, candidates were required to explain the meaning of Key Audit Matters (KAM) and to state how they are determined. The term key audit matter was not given the right definition as some candidates seem not to have adequately read the new revised auditor's reports.

Overall performance of candidates

   i.   Highest mark obtained in this paper: **84%**
  ii.   Lowest mark obtained in this paper: **6%**
 iii.   Overall pass rate in this paper: **45.7%**

SUBJECT: DA 12 - GOVERNANCE AND COMPANY LAW

QUESTION ONE

The general performance on the compulsory question was very good. 143 candidates attempted the question representing 100%. Out of the 143 who attempted 136 of the candidates passed while the remaining 7 did not pass. This question had three parts, (a), (b) and (c).

In part (a): candidates were required to make a comparative analysis of a state and a company; in short candidates were required to give the similarities between a state and a company. 129 managed to give the similarities as required, but the 14did manage to do so.

The most common mistake that the candidates who did not do well made was to refer to the Articles of Association only and instead of looking at the broader perspective of the features of the two entities.

In part (b) (i): candidates were required to describe what capital maintenance was. The most common mistakes made by the candidates was that they were referring to types of capital, share capital and loan capital.

In part (b) (ii): candidates were required to give the differences between incorporating a company and registering a business under the Business Names Act.

In part (c): candidates were required to give the difference between directors and promoters. The common mistake made was not to give an explanation of who a promoter was.

QUESTION TWO

The general performance on this question was good. 138 candidates who attempted this question managed to pass while 8 candidates failed the question. The question had three parts, (a), (b), (c) and (d).

In part (a): candidates were required explain each of the three meetings that may be held by a Company.

In part (b): candidates were required to explain the procedure followed in voluntary winding up.

In part (c): candidates were required to explain the different types of capital that a company may have.

In part (d): candidates were required to explain the functions of the Audit Committee.

QUESTION THREE

The performance on this question was good. 90 candidates who attempted this question passed while 6 of those failed.

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

In part (a): candidates were require to explain the various ways through which a Company may collapse.

In part (b): candidates were required to explain the statement "Shares of a company rank *pari passu* (they have the same class)".

In part (c): candidates were required to explain to uncle on how they could raise the said amount.

It was noted however that students struggled with appreciating the concept of shares and their rank. Future candidates are encouraged to address their mind to issues of Shares as provided for in the Act and the module.

QUESTION FOUR

The performance on this question was good. 106 candidates who attempted this question managed to pass while 6 candidates failed.

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

In part (a): candidates were required to explain any four (4) elements of corporate governance.

In part (b): candidates were required to discuss the fiduciary responsibility that exists between the directors and shareholders.

In part (c): candidates were required to explain any two (2) advantages of the principles-based approach.

In part (d): candidates were required to explain the difference between voluntary and involuntary stakeholders.

Most candidates were able to identify and discuss the elements of corporate governance. The only challenge which few faced was mixing up of concepts of corporate governance.

QUESTION FIVE

The performance on this question was good. 119 candidates who attempted this question managed to pass while 2 candidates failed the question.

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

In part (a): candidates were required to discuss the three (3) types of resolutions of a board.

In part (b): candidates were required to state three (3) types of meetings in a company.

In part (c): candidates were required to explain the competence of a company secretary.

In part (d): candidates were required to elaborate on prohibition of insider dealing.

Overall performance of candidates

  i.   Highest mark obtained in this paper: 86%
 ii.   Lowest mark obtained in this paper: 5%
iii.   Overall pass rate in this paper: 92.5%