



JUNE 2019 EXAMINATIONS

CHIEF EXAMINERS REPORTS

TAXATION

PROGRAMME

## **SUBJECT: C1-BUSINESS MANAGEMENT**

### **QUESTION ONE**

The general performance for this question was good. Eight (8) candidates attempted this question, 6 passed and 2 failed, representing 75% and 25% pass and failure rate respectively. The question had two parts, (a) and (b).

In part (a): candidates were required to describe the communication process that guarantees effective communication in a two way system with a clear diagram.

The question was clear but some candidates could not put up a clear diagram. This showed lack of preparedness.

In part (b): candidates were required to identify and explain the four elements of a marketing mix.

Most candidates got this part of the question with full marks.

### **QUESTION TWO**

The general performance of this question was good. All 8 candidates attempted this question. Out of which 7 passed, representing a pass rate of 87.5%. And 1 failed representing a 12.5% fail rate. The question had three parts, (a), (b) and (c).

In part (a): candidates were required to explain the reasons for Kozo Mining Company engaging Chabota as a recruitment agent.

Good reasoning for this question required one knowing who an agent was and what recruitments means. Majority of the candidates got the answer correct.

In part (b): candidates were required to distinguish between data and information.

Most candidates got this question with full marks.

In part (c): candidates were required to explain how the political and legal External Environmental factors affect business operations.

The question was clear seeking candidates to apply the knowledge on how the two factors affect business and many candidates explained well.

### **QUESTION THREE**

The general performance of this question was good. 8 candidates attempted this question and all the 6 passed representing a pass rate of 75% and 25% failure rate. The question had three parts, (a), (b) and (c).

In part (a): candidates were required to define the term stakeholder and list three (3) examples of stakeholders.

Most the candidates answered the part of the question well and got full marks.

In part (b): candidates were required to explain the three (3) common characteristics shared by Zamtel, Times of Zambia and Zambia Revenue Authority that promote the achievement of organizational objectives.

Notable good answering by some candidates was observed. However, some candidates failed to understand the question.

In part (c): candidates were required to advise Peter who had chosen to open a Private Limited Company and had declared that all the affairs of the company, including the issuance of shares will be done according to his wishes because it is his money after all.

Majority of candidates showed clear understanding on the question.

### **QUESTION FOUR**

The general performance of this question was good. 8 candidates attempted this question. Out of which 2 passed, representing a pass rate of 25% and 6 failed representing a 75% fail rate, the question had clear sub questions needing simple application to answer. The question had three parts, (a), (b) and (c).

In part (a): candidates were required to explain how rationalization can destroy a company using a Zambian example.

Few candidates got full marks on this part of the question.

In part (b): candidates were required to suggest in reference to (4a - above), how rationalization can be discouraged.

It become clear that those who missed 4(a) failed this part too.

In part (c): candidates were required to explain the statement in terms of:

- i. Seller and buyer relationship
- ii. Auditing
- iii. Corporate social responsibility

Most candidates struggled to get full marks on this question.

## **QUESTION FIVE**

The general performance of this question was good. 8 candidates attempted this question. Out of which 2 passed, representing a pass rate of 25%. And 6 failed representing a 75% fail rate; the question had three parts; (a) was about management, (b), about business environment and (c) was about strategic formulation.

in part (a): candidates were required to state the four elements of (MBO), Management by objectives used to evaluate employee performance.

Candidates could not identify the four elements of MBO.

In part (b): candidates were required to analyze if they were appointed as managing director of ZESCO, how would the following benefit them as manager and the organization as a whole:

- i. Focus and flexibility
- ii. Improved coordination
- iii. Better control

Most candidates managed to get the right answers for this part of the question.

In part (c): candidates were required to define and explain the four conditions in the type of partnership that Mukalula would like to enter into with his subordinates to improve productivity and the general welfare in the organization.

Candidates failed to express good knowledge to this question.

### **Overall performance of candidates**

- i. Highest mark obtained in this paper: **87%**
- ii. Lowest mark obtained in this paper: **36%**
- iii. Overall pass rate in this paper: **75%**

## **SUBJECT: C2 – ECONOMICS AND FINANCIAL MATHEMATICS**

### **QUESTION ONE**

The performance on this question was bad. A total of 16 candidates attempted the question of which 4 passed while 6 failed representing a pass rate of 25%. The highest mark scored on the question was 20 out of 20 with the lowest being 0 out of 20.

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

(1)(a) asked candidates to explain the withdrawals from the circular flow of income in the economy. Candidates were simply required to explain savings, taxes and imports. Many candidates seem not to have an ideal of what withdrawals from the circular flow are, let alone to explain them. Candidates are strongly advised to study.

Q(1) (b) asked candidates to describe any four weaknesses of using national Income as a measure of economic welfare in a country. Candidates were required to describe the limitations of national income.

Q(1)(c) asked candidates to determine the equilibrium level and consumption for a closed economy from the information given. Equilibrium occurs where Savings = Investment. Candidates were required to determine the savings from the consumption function given. Answers given suggested that candidates had not fully studied the Study Manual.

### **QUESTION TWO**

A total of 16 candidates attempted the question of which 14 passed while 2 failed, representing a pass rate of 87.5%. The highest score was 16 out of 20 while the lowest score was 0 out of 20.

The question was divided into four parts namely (a), (b), (c) and (d). Question 2(a) asked candidates to explain any four functions of money. This was a direct question which majority of candidates scored well. However, some candidates merely listed the functions instead of explaining them as required.

Q(2)(b) asked candidates to explain whether a country always become better off when it has more money. Many candidates answered in the affirmative which is the opposite. More money implies inflation which is not good for the economy. Some candidates answered the question from a non-economist's point of view.

Q(2)(c) asked candidates to compare and contrast import tariffs and import quotas. The question required candidates to bring out the similarities and differences between these

two. Some candidates just brought out differences. Others seemed not to know what these were altogether.

Q(2)(d) asked candidates to explain any four canons of taxation as given by Adam Smith, and comment on how relevant they are to the Zambian tax system. Some candidates correctly identified equity, certainty, economy and convenience but could not explain what these are, let alone their relevance to the Zambian tax system. Candidates are advised to correctly read the questions and address the specific requirements of each question or part thereof.

### **QUESTION THREE**

This question was attempted by all of the candidates and the performance was very bad. The question had parts (a), (b), (c) and (d). Part (a) required candidate to how it will take to double investment at a given interest compounded quarterly, very few managed to get it right. Part (b) and (c) required candidates to find interest earned (finance charge) on monthly compounded deposits, very few candidates got this right, most of them where computing the amount earned and some notable ones computing simple interest.

Part (d) required candidate to define, Yield Curve, and a good number of candidates were able define it.

### **QUESTION FOUR**

All the candidates attempted this question. The question had three parts, (a), (b) and (c), part (a) required candidates to find the least-square regression equation. Most candidates where able to compute the summations, those getting this part of the question wrong where substituting wrong figures. Part (b) and (c) was dealing with probability distributions of discrete random variable, specifically binomial and Poisson distributions, respectively. Candidates failing part (b) of the question where unable to realize that the question required them to use binomial distribution. However, very few candidates had challenges in make use of Poisson, those getting it wrong used wrong substitutions. Some candidates were using  $e=2.7$  on this part of the question.

### **QUESTION FIVE**

All the candidates attempted this question and it had three parts, (a), (b) and (c). Part (a) required candidates to define APY and YTM, most them could not define especially the first one. Part (b) required candidates to compute the equivalent annual percentage yield(APY), very few candidates were able to get it and seems most candidate did not know what was required of them to do on this question as most of

them were calculating compound interest or simple interest. Part (c) required candidates to get compute Net present values (NPV) and Internal rate of return (IRR). A good number of candidates were able to get this part of the question correctly and interpret the NPVs correctly.

**Overall performance of candidates**

- i. Highest mark obtained in this paper: 69%
- ii. Lowest mark obtained in this paper: 9%
- iii. Overall pass rate in this paper: 25%



## **SUBJECT: C3 – ACCOUNTANCY FOR TAX PRACTITIONERS**

The general performance on this question was good. Out of the 11 candidates that attempted it, 8 got above 10 out of 20 marks, representing a pass rate on the question of 72.7%. The lowest score was 25%, whilst the highest score was 80%.

### **QUESTION TWO**

The general performance on this question was very poor with only 1 out of the 7 candidates who attempted the question achieving a pass (that is a score of at least 10 out of 20 marks), representing a pass rate on the question of 14%. The lowest score was 5%, whilst the highest score was 60%.

### **QUESTION THREE**

The general performance on this question was very poor with only 3 out of the 10 candidates who attempted the question achieving a pass (that is a score of at least 10 out of 20 marks), representing a pass rate on the question of 30%. The lowest score was 30%, whilst the highest score was 65%.

### **QUESTION FOUR**

The general performance on this question was poor with only 5 out of the 11 candidates who attempted the question achieving a pass (that is a score of at least 10 out of 20 marks), representing a pass rate on the question of 45.5%. The lowest score was 8%, whilst the highest score was 80%.

### **QUESTION FIVE**

The general performance on this question was poor with only 4 out of the 10 candidates who attempted the question achieving a pass (that is a score of at least 10 out of 20 marks), representing a pass rate on the question of 40%. The lowest score was 0%, whilst the highest score was 85%.

### **Overall performance of candidates**

- |      |                                      |       |
|------|--------------------------------------|-------|
| i.   | Highest mark obtained in this paper: | 58%   |
| ii.  | Lowest mark obtained in this paper:  | 19%   |
| iii. | Overall pass rate in this paper:     | 18.2% |

## **SUBJECT: C4 - DIRECT TAXES**

### **QUESTION ONE**

The general performance of this question was average with 8 candidates passing and 6 of them failed. The percentage of the pass rate was at 57% and that of a failure rate was at 43%. This question was on tax computations of partnerships and had two parts (a) and (b).

In part (a): candidates were required to calculate the tax adjusted business profit for the partnership for the year ended 31 December 2019 and in part (B): candidates were required to calculate the business profits on which each partner was to be assessed for the year ended 31 December 2019.

In part (a), some candidates performed well because they were quite conversant with the calculation of the adjusted business profits. However, others had difficulties in calculating the capital allowances for individual partners whose personal motor cars were being used for both private and business purposes. All in all, the performance was above average on this part of the question.

The performance of the majority of candidates in part (b) was below par because they failed to apportion the profits earned before and after the introduction of the new partner in line with the partnership agreement ruling in each of the cases. This error was partly aggravated by the wrongly calculated adjusted business profit in part in (a) of the question.

### **QUESTION TWO**

The general performance of this question was good. 6 candidates passed with a 67% pass rate and 3 of them failed with a failure rate of 33%. This question involved a tax computation for a sole trader and had three parts, (a), (b) and (c).

In part (a): candidates were required to calculate the tax adjusted business profit for one sole trader for the tax year 2019. Most of the candidates performed well in this part of the question in that they were able to compute the correct adjusted business profits except a few of them who had challenges in identifying disallowable expenditure which needed to be added to the net profit per accounts.

In part (b): candidates were required to calculate the final income tax payable by the sole trader for the tax year 2019. In this part of the question candidates who calculated the correct adjusted business profit in part (a) of the question performed better and scored all the marks.

And in part (c) (i) candidates were required to describe the types of taxable persons who are required to pay provisional income Tax. These would include individuals whose taxable income was above K39, 600 in cases where such income did not consist only of emoluments taxable under the PAYE system and also where such income was not covered by turnover tax and also in the case of limited companies and other taxable bodies of persons who are expected to make profits where turnover tax is not applicable. However, most of the candidates failed to explain the type of taxable persons who are required to pay provisional income tax. Therefore, the performance was below average.

In part (c) (ii) candidates were required to explain how Provisional Income Tax for the tax year 2019 was to be calculated whose procedure would be for the taxpayer to estimate the taxable income at the start of the tax year in order to calculate provisional income tax for the year and then the estimated taxable income would be the provisional taxable income for the tax year 2019. And then Provisional income tax would be computed on the provisional taxable income at the tax rate applicable in the tax year 2019. In part (c) (ii) like in part (i) most of the candidates failed to explain how the provisional income tax is calculated.

And in part (c) (iii), candidates were required to state the due dates for payment of provisional income tax for the tax year 2019 which would be as follows:

Installment	Due date	Grace period
First	31 March 2019	10 April 2019
Second	30 June 2019	10 July 2019
Third	30 September 2019	10 October 2019
Fourth	31 December 2019	10 January 2020

The majority of the candidates were able to score all the required marks relating to the due dates when the provisional income tax was payable on quarterly basis as indicated above. However, a few of them lost part of the marks because they only stated dates for the grace period and not the due dates.

### **QUESTION THREE**

The general performance of this question was very good. 9 candidates attempted this question and all passed representing a 100% pass rate. This question was on residence status of tax payers and the tax implications thereof which had four parts (a), (b), (c) and (d).

In part (a) (i), (a) (ii) and (a) (iii) candidates were required to explain the criteria used to determine whether an individual is resident and ordinary resident for tax purposes in Zambia and to also list any four (4) persons who are resident and ordinary resident in Zambia but are exempted from the Zambian Income Tax and to explain the meaning of the term domicile.

In part (a) (i) most of the candidates did not have problems in explaining the residence of an individual for the purpose of tax and were able to score all the marks.

In part (a) (ii), just like in part (i) above, most of the candidates were able to state the persons resident and ordinary resident in Zambia who are exempted from paying income tax and the performance was above average.

In part (a) (iii) a number of candidates were able to explain the term domicile and its implications in tax and they were able to score all the marks.

In part (b): candidates were required to explain the two (2) tests that the Zambia Revenue Authority uses to determine whether or not a company is resident in Zambia for tax purposes.

Candidates performed better and scored good marks in this part of the question.

In part (c): candidates were required to explain the residence status of each of the companies which were given for taxation purposes.

In this part of the question most of the candidates were able evaluate the residence of companies in the scenario and made good conclusions because of the knowledge they had in part (b) above. Therefore, the majority of them scored very good marks on this part of the question.

In part (d) (i), (d) (ii), candidates were required to describe the types of persons who are required to pay turnover tax, the type of income on which turnover tax is chargeable and to state the due date for the payment of turnover tax.

Most candidates performed well in this part of the question as they were able to explain persons that were liable to pay turnover tax except a few of them who failed to state the due date when it was payable.

## **QUESTION FOUR**

The general performance of this question was very good. 8 candidates attempted this question and all of them passed representing a 100% pass rate. This question had four parts (a), (b), (c) and (d).

In parts (a) (i), (ii), (iii): candidates were required to explain what constitutes property for property transfer tax purposes, and to list any four (4) organisations that are exempted from paying property transfer tax and to also list any four (4) documents that have to be provided for a property transaction to take place.

In part (a), (i) most of the candidates performed well as they were able to state the assets that were chargeable to Property Transfer Tax. In part (ii) candidates had a good knowledge of persons who were exempt from paying Property Transfer Tax and scored good marks. And in part (iii) where the candidates were required to state six documents that have to be provided for a property transaction to take place, a number of the candidates lost quite easy marks.

In part (b): candidates were required to calculate the amount of any property transfer tax arising on each one of the given transactions and state the due date when such tax would have to be paid which would be within fourteen days after concluding the transaction. The majority of candidates was able to calculate the Property Transfer Tax and also able to explain instances where it was not applicable. For example, companies listed on LUSE are not chargeable to PTT. Most candidates scored very well as they were quite conversant with the topic.

And in part (c): candidates were required to explain any four (4) sources of revenue for the central government apart from taxation which includes privatisation of state owned enterprises, borrowing from the international financial institutions, issue of government securities/domestic borrowing and donor funding.

In this part of the question, the performance was equally good because most of the candidates were able to state and explain the other sources by which the Government raises revenue other than from tax.

In part (d): of the question, candidates were required to explain the six (6) badges of trade which includes subject matter of realization, the length of the period of ownership, frequency of similar transactions, circumstances giving rise to realization supplementary work and marketing and the tax payer's intention.

In this part of the question the majority of candidates were able to score good marks related to "badges of trade" as most of them would appear to have been well prepared

for this part of the question, except a few of them who failed to take advantage of the easy marks.

## **QUESTION FIVE**

The general performance of this question was not good. 5 candidates passed representing a 45% while 6 candidates failed representing a 55%. This question had three parts (a), (b) and (c).

In part (a): candidates were required to briefly explain the meaning and the tax treatment of premium income received in relation to rental income.

The majority of candidates had no idea in dealing with short term leases and as a result lost easy marks.

In part (b): candidates were required to explain how income of a tax payer is treated in the unfortunate case of the taxpayer passing on in a particular tax year.

Candidates performed poorly on this part of the question because most of them expressed ignorance on the tax treatment of the estates of a deceased person.

And in part (c) (i) and (ii): candidates were required to calculate the final income tax payable by a tax payer for the 2019 tax year and the take away package from the gratuity at the end of his contract.

In this part of the question a number of candidates scored good marks except a few of them who did not discern that the tax payer had only worked for 10 months because his contract expired on 31 October 2019 and not for a full year.

### **Overall performance of candidates**

- i. Highest mark obtained in this paper: **77%**
- ii. Lowest mark obtained in this paper: **39%**
- iii. Overall pass rate in this paper: **71.4%**

## **SUBJECT: C5 - INDIRECT TAXES**

### **QUESTION ONE**

The general performance of this question was good. 8 candidates attempted this question with a 67% pass rate while 4 candidates failed representing a 33% failure rate. This question had five parts (a), (b), (c), (d) and (e).

In part (a): candidates were required to explain the requirements for goods to be admitted into a COMESA or SADC country as originating in another member state which requires that the importer/exporter of the goods concerned must present to the customs authority alongside the bill of entry a certificate of origin duly completed and signed in the exporting member state and certified by designated certifying authority of that member state.

The performance in this part of the question was poor as most candidates were unable to fully explain the requirements

In part (b): candidates were required to explain the evidence required for exported goods to be zero rated which includes commercial invoices, certified copies of documents presented to Zambian Customs at exportation, certified copies of customs import at the country of destination and proof of payment (settlement) if applicable

This part was well answered as most of the candidates were able to state the documents required.

In part (c): candidates were required to state the effective date of registration for both new and continuing businesses which is the date when a business becomes registrable for VAT.

This part was well articulated as most of the candidates were able to state the effective date of registration of businesses for VAT.

In part (d): candidates were required to explain items that are restricted and prohibited to be imported into Zambia which includes base or counterfeit coins, any goods which are indecent, obscene or objectionable, any goods which may tend to corrupt the morals of the inhabitants or any class of the inhabitants in Zambia and any goods the importation which is prohibited by, or under the authority of any law.

Most of the candidates exhibited high level of knowledge on this part.

And in part (e): candidates were required to explain circumstances which may lead to a business to be deregistered for Value Added Tax (VAT).

High numbers of candidates were able to state the circumstances which may lead to be deregistered for VAT

## **QUESTION TWO**

The general performance in this question was bad. 5 candidates attempted this question with 42% pass rate while 7 candidates failed with a 58% failure rate. This question had two parts (a) and (b).

In part (a) (i) and (ii): candidates were required to state four (4) objectives of the Preferential Trade Agreements (PTA) and to explain any five (5) strategies that have been put in place by PTA in order to ensure that the objectives are achieved.

It was sad to note that most of the candidates lacked knowledge regarding the objectives of PTA. This part was poorly answered by most of the candidates. Most of the candidates were unable to explain fully the strategies put in place by PTA to achieve its objectives.

In parts (b) (i) and (ii): candidates were required to explain four conditions which should be met in order to seek approval of a bonded warehouse and also to state two (2) advantages of a bonded warehouse.

Part (b) (i) was well answered as most candidates were able to explain the conditions required for a bonded warehouse.

Part (b) (ii) was also well answered as most of the candidates were able to state clearly the advantages of having a bonded warehouse.

## **QUESTION THREE**

The general performance of this question was very good. 11 candidates attempted representing a 92% pass rate while 1 candidate failed representing 8% failure rate. This question had five parts (a), (b), (c), (d) and (e).

In part (a): candidates were required to calculate import duties and other related taxes paid by an importer of a vehicle from Japan.

Most of the candidates were able to calculate the import duty and other related taxes as required. However a few candidates were not able to apply the correct exchange rate when computing the VDP, in that they used the Bank of Zambia rate instead of the commissioner general approved rate.

In part (b): candidates were required to explain the conditions to be met for the customs officers to use the transaction value method in determining the value for duty purposes which are that there should be no restrictions in the use of the goods and there should be no conditions to deter the determination of the VDP, and no part of the



proceeds on resale would accrue to the seller, unless included in the value and also no relationship should exist to influence the value.

This part was not well answered as most of the candidates were not able to state the conditions to be met before using the transaction value method.

In part (c): candidates were required to state any four (4) documents which should be submitted in respect of a motor vehicle being imported into Zambia. And these would include Invoice or letter of sale indicating the price paid, Bill of lading, Freight statement (including overland costs from port), Insurance certificates and any other documents relevant to the purchase acquisition, shipment or importation of the vehicle.

This part of the question was well answered as most candidates were able to state the documents required to be submitted when importing a motor vehicle.

In part (d): candidates were required to explain how making exempt supplies differs from making zero rated supplies for the purposes of VAT which are that when determining whether a trader should register for VAT by reference to the level of turnover, the turnover of exempt supplies is not taken into account while the turnover of zero rated supplies is taken into account,

This part was well answered by most of the candidates as they were able to state the main difference between making exempt supplies and zero rated supplies.

And in part (e): candidates were required to explain the circumstances which may lead Zambia Revenue Authority to invoke the right to revalue a motor vehicle being imported into Zambia which includes cases when the importer or customs clearing agent provides insufficient or unsatisfactory information and also cases when the vehicle is acquired in abnormal circumstances.

This part was well answered by most of the candidates.

#### **QUESTION FOUR**

The general performance of this question was bad. 5 candidates attempted the question with a pass rate of 42% while 7 candidates failed with a failure rate of 58%. This question had four parts (a), (b), (c) and (d).

In part (a): candidates were required to calculate the amount of VAT payable or refundable for the month of May 2019 and to state when it was payable.

This part was poorly answered as most candidates were not able to calculate both the output VAT and input VAT and eventually the VAT payable or refundable. Many candidates were not able to treat the Diesel expense component. Some candidates were unable to prepare an appropriate VAT computation lay out.

In part (b): of the question candidates were required to explain the meaning of a cash accounting scheme and state the type of organizations that are allowed to account for VAT under this scheme.

This part was well answered by most candidates.

In part (c): of the question candidates were required to define the term 'taxable value' which is the price that is charged for goods and services onto which VAT is added at 16%.

This part was not well answered by most candidates as they were unable to explain the terms taxable value.

In part (ed): candidates were required to explain how a taxable value is determined for a supply that does not attract excise duty and the one which is liable to excise duty. For goods and services which do not attract excise duty the VAT is on the net selling price excluding excise duty.

This part of the question was poorly answered as emanating from lack of understanding of the term "taxable value".

## **QUESTION FIVE**

The general performance of this question was good. 8 candidates attempted this question with 67% pass rate while 4 candidates failed with a failure rate of 33%. This question had five parts (a), (b), (c) (d) and (e).

In part (a): candidates were required to explain how the tax point for an organization operating in the construction sector is determined.

This part was well answered by most candidates.

In part (b): of the question candidates were required to explain the role of the Customs Services of ZRA in the exportation of goods and four documents that are required by the Customs Services Division to accompany form CE 20.

This part was well answered as most candidates expressed a high level of understanding the roles the Customs division.

The other documents required by the Customs to accompany form CE 20 includes Certificate of origin for exports, permits, and other supporting documents such as packing list, consignment note, cargo manifest, commercial invoice, airway bill, bill of lading, insurance, and any other document relevant to the exports.

This part of the question was not well answered as they showed lack of understating of the form CE20 and other documents required to accompany form CE20.

In part (c): candidates were required to define "Duty Drawback System (DDB)" and the purpose of such a scheme in relation to any goods produced for export.

This part was fairly answered as most candidates were able to define DDB and its purpose

In part (d): candidates were required to explain the challenges of the Duty Drawback system.

Most candidates were able to explain the challenges of DDB and its application

And in part (e): candidates were required to explain the term "Currency Declaration" in relation to the importation or exportation of currency notes in any currency in Zambia and its implications.

This part was well answered as most of the candidates fully the term "Currency declaration"

### **Overall performance of candidates**

- i. Highest mark obtained in this paper: **72%**
- ii. Lowest mark obtained in this paper: **27%**
- iii. Overall pass rate in this paper: **67%**

## **SUBJECT: C6 - LAW FOR TAX PRACTITIONERS**

### **QUESTION ONE**

The general performance on this question was poor. Only 4 out of the 9 candidates that attempted it got above 10 out of 20 marks, representing a pass rate on the question of 44.4%. The lowest score was 15%, whilst the highest score was 75%.

### **QUESTION TWO**

The general performance on this question was poor with only 4 out of the 9 candidates who attempted the question achieving a pass (that is a score of at least 10 out of 20 marks), representing a pass rate on the question of 44.4%. The lowest score was 25%, whilst the highest score was 70%.

### **QUESTION THREE**

The general performance on this question was very good. Of the 9 candidates that attempted it, 8 managed to obtain at least 10 marks out of the available 20 (representing a pass rate on the question of 88.9%). The lowest score was 35%, while the highest score was 90%.

Most candidates answered this question correctly. Most of them were familiar with the sources of law in question. They were able to bring out the correct answers as expected of them. Future students are encouraged to study this topic in full.

### **QUESTION FOUR**

The general performance on this question was good with 6 out of the 9 candidates who attempted the question achieving a pass (that is a score of at least 10 out of 20 marks), representing a pass rate on the question of 45.5%. The lowest score was 20%, whilst the highest score was 80%.

Most candidates answered this question correctly. Most of them were familiar with the definitions needed. They were able to bring out the correct answers as expected of them. Future students are encouraged to study this topic in full.

### **QUESTION FIVE**

The general performance on this question was good with 5 out of the 9 candidates that attempted the question achieving a pass (that is a score of at least 10 out of 20 marks). The pass rate on the question was 66.7%. The lowest score was 0%, while the highest was 80%.

## Overall performance of candidates

- i. Highest mark obtained in this paper: 67%
- ii. Lowest mark obtained in this paper: 32%
- iii. Overall pass rate in this paper: 66.7%

## **SUBJECT: D1- BUSINESS INFORMATION MANAGEMENT**

### **QUESTION ONE**

The general performance was good. 6 candidates got 50% and above and 6 candidates got below 50%.

The question was asking the candidates to (i) explain the software testing hierarchy (ii) the three types of financial data security and (iii) computer controls to secure computerized processing.

The following were noted in this question:

- i. Most students were answering the question correctly though they were missing the testing hierarchy done when testing software
- ii. Most students were able to explain the types of data security well
- iii. Most students could not explain the computer processing security controls well, the explanation was not coming out clear but the idea was there.
- iv. Most students were able to distinguish data integrity and systems integrity well.

### **QUESTION TWO**

The general performance was very good. 11 candidates got 50% and above, while 1 candidate got 40%.

The question was asking them to explain (i) outsourcing and its advantages to the organization (ii) explaining the advantages and disadvantages of Knowledge Management Techniques and Technologies and (iii) three technical limitations of e-commerce.

The following were noted in this question:

- i. Outsourcing and its advantages was well answered
- ii. Some students struggled to answer this question correctly but others managed to answer it well
- iii. Some students were writing on operational limitations of e-commerce instead of technical limitations

### **QUESTION THREE**

The general performance was very good. All 12 candidates managed to get above 50%.

The question was asking them to (i) define information and explain how it helps in carrying out the managerial functions (ii) elaborate the characteristics of quality information (iii) explain the importance of aligning IS/IT strategy with Business strategy of an organization and (iv), state three technologies that can be used for collaborative work.

The following were noted in this question:

- i. Students managed to define information very well but were not clearly explaining how the managerial functions are carried out
- ii. Characteristics of quality information was well explained
- iii. Most students struggled to align IS/IT strategies with Business strategy
- iv. Most students explained the technologies used for collaborative work well.

### **QUESTION FOUR**

The general performance was good. 6 candidates got above 50% and 6 candidates got below 50%.

The question was them to (i) explain the challenges an accountant can commit to enhance e-business linked to strategic accounting and shareholder value (ii) state criteria for selecting the appropriate system methodology and (iii) five ways of how the concept of Data Mining could be exploited by a car manufacturer.

The following were noted in this question:

- i. Some students didn't understand the question because they were not able to explain the challenges correctly
- ii. Some students were only explaining how to approach the challenges and not giving the benefits
- iii. Some students were writing the criteria for selecting a system and not a methodology
- iv. Some students answered well but some were writing about uses of data mining instead of the concepts

### **Overall performance of candidates**

- i. Highest mark obtained in this paper: **69%**
- ii. Lowest mark obtained in this paper: **36%**
- iii. Average score in this paper: **75%**



## **SUBJECT: D2 - FINANCIAL MANAGEMENT**

### **QUESTION ONE**

The performance from student was average. 14 candidates attempted the question and 7 of them passes representing a 50%. Some notable mistakes were failure to calculate dividend per share (which is dividend divide by number of issued shares) and the share price. Some candidates did not realize they could calculate the share price using the P/E ratio. Price earnings ratio was given and therefore candidates needed to calculate the share price by multiplying P/E ratio and EPS since they had already calculated the EPS.

### **QUESTION TWO**

The performance was above average with 9 candidates passing and 3 of them failed. The pass rate was 64.3%. However, some candidates failed to calculate the average investment and profit correctly. For instance, candidates were subtracting the disposal value from the capital investment instead of adding and then divide by two in order to find the average investment.

### **QUESTION THREE**

The performance was very good with 11 candidates passing and 3 failed. The pass rate was at 78.6%. However, candidates failed to explain overcapitalization properly.

### **QUESTION FOUR**

The performance was above average with 9 candidates passing and 5 of them failed. The pass rate was at 64.3%. Candidates failed to explain the usefulness of group financial statements. Affairs of parent company can only be understood by taking into account the financial position and performance of all the companies that is under its control. Some candidates also failed to explain the reason for the elimination of unrealized profits.

## **Overall performance of candidates**

- i. Highest mark obtained in this paper: **83%**
- ii. Lowest mark obtained in this paper: **19%**
- iii. Overall pass rate in this paper: **64.29%**

## **SUBJECT: D3 - BUSINESS TAXATION**

### **QUESTION ONE**

The general performance of this question was good. 14 candidates attempted this question and 13 of them passed with a pass rate of 93%, while 1 candidate failed representing a failure rate of 8%. This question had two parts: (a) and (b).

In Part (a): candidates were required to calculate the income tax payable in a partnership case study for the tax year 2019.

Most of the candidates were able to calculate the disallowable expenses and added them back to the net profit as per accounts. However in most instances the candidates failed to compute the adjusted business profit. A high number of candidates failed to calculate the tax implication of goods withdrawn for personal use.

A high number of candidates correctly calculated the Capital allowances despite a few of them failing to restrict the Nissan car to business usage only.

Most of the candidates failed to correctly apportion the business profits to each partner.

In part (B): candidates were required to calculate the VAT payable for the year ended 31 December 2019.

This part of the question was poorly answered by most candidates a good number of them failed to compute the Input VAT correctly. A high number of candidates failed to calculate the Input VAT on diesel expense and standard rated purchases.

### **QUESTION TWO**

The general performance was bad. 13 candidates attempted this question and 6 of them passed with a pass rate of 46% while 7 candidates failed with a failure rate of 54%. This question had three (3) parts (a),( b) and( c).

In part(a): candidates were required to show the loss incurred by CCM Plc. during the year ended 31 December 2017 and show how the loss was going to be relieved in the year 2018, stating the remaining loss , if any at 31 December 2018.

Most of the candidates correctly calculated the loss relief and were conversant with the indexation formula.

In part (b): candidates were required to calculate the amount of income tax payable by CCM plc for the tax year 2019.

A high number of candidates scored good marks as they were able to add back the disallowable expenses and adjust the allowable expenses correctly and most of the candidates computed the Capital allowances correctly.

In part (c): candidates were required to calculate the income tax payable by CCM PLC for the tax year ended 2019.

The performance on this part was average.

### **QUESTION THREE**

The general performance on this question was good. 14 candidates attempted the question and only 8 of them passed with a pass rate of 57% while 6 candidates failed with a failure rate of 43%. This question had three parts (a),( b) and (c).

In part (a): candidates were required to explain the company income tax and property tax treatment of group companies.

This part was poorly answered by most candidates as they were unable to clearly state how to treat income tax and property transfer tax for the group.

In part (b): candidates were required to describe any four conditions to be met in order for a loss incurred by one company to be surrendered to another company.

The performance on this part was average as a good number of them scored average marks.

In part (c): candidates were required to calculate the income tax payable by a sole trader for the tax year 2019.

This part of the question was correctly answered by most candidates. Most candidates scored high marks. The computation of capital allowances part of the question was correctly calculated by most candidates.

Part (d) candidates were required to calculate the income tax payable by Project Bank plc for the tax year 2019.

Most candidates scored high marks on this part of the question. The candidates correctly calculated the income tax payable.

## **QUESTION FOUR**

The general performance on this question was bad. 14 candidates attempted the question. 4 candidates passed with a pass rate of 29% while 10 failed representing 71% failure rate. This question had four (4) parts,(a) (b) (c) and (d).

In part (a): candidates were required to explain the basis of assessment for the periods ended 28 February 2019 and 31 December 2019.

This part of the question was poorly answered by most candidates. A high number of candidates scored below average marks as they failed to explain the basis of the assessment.

In part (b): candidates were required to calculate the taxable profits for each of the tax years 2018 and 2019.

The part of the question was poorly answered, however the calculation for capital allowances was correctly done and above average. The general performance on this part was slightly above average.

In part (c): of the question candidates were required to calculate the income tax payable by the company for each of the tax years 2018 and 2019.

Most of the candidates were unable to calculate the income tax payable by DAN limited.

In part (d): candidates were required to explain the taxation treatment for the company of loans made to effective shareholders.

Most of the candidates' performance on this part was below average as good number of candidates failed to gross up the loan amount.

### **Overall performance of candidates**

- i. Highest mark obtained in this paper: 83%
- ii. Lowest mark obtained in this paper: 30%
- iii. Overall pass rate in this paper: 64.3%

## **SUBJECT: D4 - PERSONAL TAXATION**

### **QUESTION ONE**

The general performance on this question was good. 9 candidates attempted this question and 5 of them passed with a pass rate of 56% while 4 candidates failed with a failure rate of 44%. This question had five parts; (a), (b), (c), (d) and (e).

In part (a): candidates were required to explain why a tax payer was regarded as resident and ordinarily resident in Zambia in the tax year 2019.

In this part of the question, the majority of candidates performed better on whether an individual was regarded as resident and ordinarily resident in Zambia of which the following were the required points:

An individual is regarded as resident and ordinarily resident in Zambia if he or she is physically present in Zambia for a period of not less than 183 days in a charge year or the individual normally lives in Zambia or comes to Zambia with the intention of remaining for a period which will exceed 12 months.

The overall performance on this part of the question was above average.

In part (b): candidates were required to explain the tax treatment of investment income received by a taxpayer in the tax year 2019 of:

- i. Dividends from the company listed on the LUSE.
- ii. Fixed deposit interest from the Zambian Bank.

In this part of the question candidates performed well as most of them were quite conversant with the tax treatment of dividends and fixed deposit interest received by an individual.

In part (c): Candidates were required to explain the tax treatment of the following benefits provided by his employer in the tax year 2019:

- i. Payment of his board and lodging fees
- ii. Payment of rentals and incidental costs for his accommodation
- iii. Provision of Personal to holder motor car
- iv. Payment of motor car running expenses in relation to the personal to holder motor car
- v. Reimbursement of the costs for medical treatment

The performance of most candidates in this part of the question was below par because most of them failed to address the question requirement and ended up using the general treatment of those expenses.

In part (d): candidates were required to calculate the income tax payable by the tax payer for the tax year 2019. In this part of the question some candidates performed quite well on the computation of the income tax payable by the tax payer. The main challenge was to calculate the double taxation relief on foreign income.

In part (e): candidates were required to describe three methods that can be used to give double taxation relief to a Zambian resident individual receiving income from foreign sources.

In this part of the question candidates performed exceptionally well on the methods that can be used to give Double Taxation Relief to the Zambian resident individual receiving income from foreign sources and managed to provide the following double taxation reliefs: Treaty relief, unilateral credit relief and unilateral expense relief.

## **QUESTION TWO**

The general performance in this question was good. 9 candidates attempted this question and 6 passed with a pass rate of 67% while 3 candidates failed with a 33% failure.

In part (a): candidates were required to explain the circumstances under which a trader may be required to pay turnover tax and give five (5) persons who are not required to pay turnover tax.

In this part of the question some candidates performed quite well because they were able to state the persons who are not required to pay turnover tax who includes any person carrying on any business with an annual turnover of more than K800, 000. Partnerships carrying on any business irrespective of whether the annual turnover is K800, 000 or less, partners' income from partnership is also excluded from turnover tax

In part (b): candidates were required explain the persons who are required to pay provisional income tax and the due dates for the payment of provisional income tax.

In this part of the question some candidates had challenges in providing points on persons who are supposed to pay provisional income tax which includes any person carrying on any business whose annual turnover is more than K800, 000. Any person whose income does not constitute income generated from employment, any person whose taxable income is more than the annual tax free amount of K39, 600 and any

person in business whose annual turnover is less than K800, 000 but has voluntarily registered for Value Added Tax (VAT).

In part (c): candidates were required to advise the tax payer on the type and amount of tax he would be required to pay for the tax year 2019. The answer should include an explanation of the tax treatment of the salaries, rentals and the motor van and motor car which the tax payer intended to buy during the tax year 2019.

In this part of the question candidates ended up providing the general points on the treatment of those expenses without reference to what the question required.

### **QUESTION THREE**

The general performance on this question was very good. 9 candidates attempted this question and 8 passed with a pass rate of 89% while 1 candidate failed with a failure rate of 11%. This question had two parts (a), (b) and (c).

In part (a): candidates were required explain the tax treatment of the repatriation pay, compensation for loss of office, pension and leave pay received by the tax payer on retirement.

In this part of the question, the performance was above average as most of them were quite knowledgeable of the tax treatment of terminal benefits such repatriation pay, compensation for loss of office, pension refund are all terminal benefits (pension benefit).

In part (b): candidates were required to compute the income tax payable by the tax payer for the tax year 2019. And the majority of candidates performed well except a few of them who did not know the tax treatment of long service and Labour Day awards. Long service award payable in cash is taxable and if it is payable in kind it is not taxable. However, Labour Day award whether payable in cash or kind is exempt.

In part (c): candidates were required to explain the tax treatment of Labour Day awards, Long-term service awards and rental income which was well explained by most of the candidates.



## **QUESTION FOUR**

The general performance in this question was bad. 9 candidates attempted this question with 4 candidates passing, representing a pass rate of 44% while 5 candidates failed representing a failure rate of 56%. This question had two parts, (a) and (b).

In part (a): candidates were required explain the differences between tax avoidance and tax evasion.

The performance on this part was good as most candidates scored above average

In part (b): candidates were required to calculate the income tax that would be

Paid by two persons in the tax year 2019 if:

- (i) One of them was taken on as an employee.
- (ii) One of them was taken on as a partner

In part (i) of this question the candidates performed above average however in part (ii) of the question most candidates were unable to apportion the taxable profits to the respective partners. The performance here was quite poor.

In part (iii) candidates were required to advise the sole trader the best option he should undertake from a tax point as to whether he should engage the new entrant as a partner or an employee.

In this part the performance was very poor.

### **Overall performance of candidates**

- i. Highest mark obtained in this paper: 80%
- ii. Lowest mark obtained in this paper: 30%
- iii. Overall pass rate in this paper: 89%

## **SUBJECT: D5 - INTERNATIONAL TAXATION**

### **QUESTION ONE**

The general performance in this question was good. 12 candidates attempted the question and 7 passed with a pass rate of 58% while 5 failed with a failure rate of 42%. This question had four (4) parts: (a) (b) (c) and (d).

In part (a): candidates were required to explain whether an employee will be regarded as being a resident and ordinarily resident in Zambia for the tax year 2019.

Most of the candidates understood and fully explained the requirements of how to treat a person as resident or ordinarily resident in Zambia. A high number of candidates scored high marks on this part.

In part (b): candidates were required to describe the income tax implications for general purpose allowance of \$5,200.

The performance of most candidates on this part of the question was above average although a few of them were not fully conversant with Double Taxation Agreement (DTA) concept.

Part (c): of the question required candidates to calculate the income tax payable in Zambia by a resident for the tax year 2019.

The performance by a high number of candidates was very good as a number of them scored high marks on this part

Part (d): of this question required candidates to explain the risks of globalization on the Zambian economy.

Most candidates expressed a high level of knowledge of the risks on the Zambian economy and very good marks

### **QUESTION TWO**

The general performance on this question was bad. 13 candidates attempted the question and 6 passed with a pass rate of 46% while 7 failed with a failure rate of 54%. This question had two (2) parts: (a) and (b).

Part (i) required candidates to explain the criteria for identifying tax havens using OECD guidelines.

The performance on this part of the question was below average.

Part (ii) required candidates to state the main co-operation models between revenue authorities.

The performance on this part of the question was good as most candidates scored high marks

Part (iii) required candidates to explain the term Thin Capitalization.

The performance on the part of the question was good as most candidates understood and explained what thin capitalization is. The scoring was good.

Part (b): of the question had (i) and (ii).

In part (i) candidates were required to calculate the interest to be disallowed when computing the tax adjusted profit for the year ended 30<sup>th</sup> June 2019

The performance on this part was generally good with most candidates scoring good marks.

In part (ii) candidates were required to calculate the amount of Withholding Tax (WHT) paid by impala Plc for the tax year 2019 on the investment income.

The performance on this part of the question was above average as most candidates correctly calculated the WHT.

### **QUESTION THREE**

The general performance on this question was bad. 13 candidates attempted the question and 6 passed with a pass rate of 46% while 7 failed with a failure rate of 54%. This question had four (4) parts: (a) (b) (c) and (d).

In part (a): the candidates were required to explain the residence position of the Company's subsidiaries.

Most candidates did exceptionally well on this part as they stated the correct residence status of the subsidiaries.

In part (b): the candidates were required to define the permanent establishment using the OECD model convention and give eight examples of permanent establishment.

The performance on this part of the question was above average as a high number of candidates stated the examples correctly.

In part (c): the candidates were required to explain the features of taxes on estates, inheritances or gifts using the OECD MODEL Taxation convention.

This part of the question was poorly answered by most candidates as they scored below average marks.

In part (d): the candidates were required to calculate the company income tax payable for the tax year.

The performance on this part of the question was below average.

#### **QUESTION FOUR**

The general performance on this question was very bad. 13 candidates attempted the question and 2 pass with a pass rate of 15% while 11 candidates failed with a failure rate of 85%. This question had three (3) parts: (a) (b) and (c).

In part (a) (i): the candidates were required to define transfer pricing and state its tax implications in Zambia.

The performance of most candidates on this part of the question was average.

In part (a) (ii): the candidates were required to explain the advance pricing arrangements.

The performance of candidates on this part was above average.

In part (a) (iii): the candidates were required to state four (4) problems of arm's length principle in relation to transfer pricing.

The performance by most candidates was below average as they were unable to explain the problems related to arm's length principles.

In part (b): the candidates were required to re-compute the additional amount of income tax payable under self-assessment using the transfer pricing rules.

The performance of most candidates on this part of the question was poor as they failed to correctly compute the additional income tax payable. Most of the candidates failed to calculate the additional taxable income on intra-group sales.

In part (c): the candidates were required to discuss European Convention on Human Rights (ECHR) and Taxation in relation to Property right and taxation.

This part of the question was poorly answered by most candidates as most of them failed to mention the provision of protocol "ANNEX I" (II) Freedom of Travel and taxation.

The performance on this part of the question was average, however most candidates failed to mention the 2<sup>nd</sup> and 3<sup>rd</sup> clause of the convention.

**Overall performance of candidates**

- i. Highest mark obtained in this paper: 76%
- ii. Lowest mark obtained in this paper: 24%
- iii. Overall pass rate in this paper: 46.2%

## **SUBJECT: D6 - TAX AUDIT AND INVESTIGATIONS**

### **QUESTION ONE**

The general performance on this question was bad. 15 candidates attempted this question and 7 managed to pass with a pass rate of 47% while 8 failed with a failure rate of 53%. This question had FIVE (5) parts: (a), (b) (c) (d) and (e).

In part (a), candidates were required to explain the difference between revenue and capital expenditure from a tax point of view.

Most candidates did not fare well on this part of the question as they were unable to explain the treatment of revenue and capital expenses from the tax point of view

In part (b): candidates were required to explain five (5) specific deductions one would make from a client and to state why request for such deductions would be made.

The performance by most candidates was above average as they scored good marks.

In part (c): candidates were required to explain what taxpayer did right as per given scenario.

The performance by most of the candidates was good.

In part (d): candidates were required to explain five key principles that the auditor should take into account in order to come up with a quality tax audit with regard to a given case study.

A fair number of candidates scored very good marks on this part of the question.

In part (e): candidates were required to state five (5) taxpayers' obligations under tax audit and investigation.

The performance on this part was average by most of the candidates.

### **QUESTION TWO**

The general performance in this question was very bad. 15 candidates attempted the question and 4 managed to pass with a pass rate of 27% while 11 failed with a failure of 73%. This question had five (5) parts, (a), (b), (c), (d) and (e).

In part (a): candidates were required to explain any five (5) roles of the audit function of ZRA.

Unfortunately the performance on this part was poor as most candidates failed to correctly state the roles of the Audit function.

In part (b): candidates were required to briefly describe how a functional model operates as an essential part of a tax audit.

The performance of candidates on this part of the question was average as they tried to mention the functionality of the model.

In part (c):, candidates were required to explain briefly three (3) reasons for using audit manuals and to list down any four (4) items that an audit manual would contain.

Most of the candidates did not fare well on this part as they failed to explain what guidance will be derived from the audit manual.

The performance of most candidates regarding the mentioning of the contents of the audit manual was poor as they failed to list them down.

In part (e): candidates were required to explain three (3) reasons why tax auditors need to maintain audit working papers and list down any two (2) items that they could contain.

The performance by most candidates was average, although most of them failed to explain the use of audit working papers in relation to taxation.

And most of the candidates failed to explain the contents of good audit working papers; the performance on this part was very poor.

In part (e): candidates were required to explain the difference between the treatment of discount to airtime dealers and subscribers for tax purposes.

Most candidates failed to adequately explain the treatment of the discount for tax purposes and their performance was below average.

### **QUESTION THREE**

The general performance on this question was very bad. 13 candidates attempted this question and 1 candidate passed representing a pass rate of 8% while 12 candidates failed, representing a failure rate of 92%. This question had four (4) parts: (a), (b) (c) and (d).

In part (a): candidates were required to briefly explain four (4) elements that can contribute to the operational management and the audit function.

Many candidates performed above average as they were able to state the elements of a good operational management for tax audit.

In part (b): candidates were required to explain the difference between performance objective and performance measurement.

A good number of candidates were able to explain the difference between performance objective and performance measurement and the score was above average.

In part (c): candidates were required to discuss four (4) output measures that can be used to benchmark and evaluate an effective output measure.

The performance by most candidates on this part was poor as they failed to state the main output measures ending up losing the marks.

In part (d): candidates were required to explain any five (5) indirect methods the tax auditor can use to verify income.

The performance by most candidates was exceptionally good on this part and they scored good marks.

#### **QUESTION FOUR**

The general performance on this question was very bad. 14 candidates attempted this question and 3 managed to pass with a pass rate of 21% while 11 failed with a failure rate of 79%. This question had two (2) parts: (a) and (b).

In part (a): candidates were required to calculate the partnership's tax adjusted business profit for the tax year 2019 before division between the partners.

Most candidates were able to correctly calculate the disallowable expenses being added back to the net profit. However they failed to compute the correct adjusted business profit because of wrong adjustments of disallowable expenses.

In part (b): candidates were required to calculate the amount of business profits on which each partner will be assessed for the tax year 2019.

The performance of most candidates was very poor as they failed to correctly apportion the profits accordingly.



### **Overall performance of candidates**

- i. Highest mark obtained in this paper: 72%
- ii. Lowest mark obtained in this paper: 12%
- iii. Overall pass rate in this paper: 33.3%