



DECEMBER 2019 EXAMINATIONS

CHIEF EXAMINERS REPORTS

DIPLOMA IN ACCOUNTANCY PROGRAMME

SUBJECT: DA1- FINANCIAL ACCOUNTING

QUESTION ONE

The general performance on the question was poor. A pass rate of 44.9% was recorded (only 105 out of the 234 candidates scored 10 and above marks out of 20). The highest score was 18 while the lowest was 2 out of 20.

This was a multiple choice compulsory question and candidates scored reasonably well.

QUESTION TWO

The general performance on the question was very good. 181 out of 227 candidates that attempted it obtained 10 and above marks out of 20. The pass rate was 79.7%. The highest score out of 20 was 20, while the lowest was 0.

This question required candidates to prepare statement of profit or loss and the statement of financial position as at 31 December 2017.

It was noted that candidates had difficulties calculating the closing inventory which should have been calculated as $K75,500 - K3,000(K5,000 - K2,000) = K72,500$

Some candidates also had problems with the calculation of interest on loan. This was supposed to be calculated as $8\% \times K20,000 = K1,600$.

QUESTION THREE

The general performance on the question was poor. A pass rate of 31.7% was recorded from the 199 candidates that attempted the question. The highest mark scored was 17 while the lowest was 0 out of 20.

This question required candidates to define the elements of financial statements, distinguish between capital and revenue reserves and also to prepare the trial balance.

Many candidates who attempted the question were writing qualities of financial statements instead of elements which includes Assets, Liabilities, capital, revenue and expenses. Candidates are advised to understand the question before attempting.

Many candidates completely failed to distinguish between capital and revenue reserves.

QUESTION FOUR

The general performance on the question was very poor. Only 14 out of the 68 candidates that attempted it got 10 and above marks out of 20. The recorded pass rate was 20.6%. The highest mark scored was 19.5 while the lowest was 0.

This question required candidates to calculate accumulated fund at 1 January 2017, profit or loss, income and expenditure and the statement of financial position.

Candidates had Challenges in calculating opening accumulated fund, profit or loss for the dance competition and statement of financial position.

QUESTION FIVE

The general performance on the question was poor. Only 97 out of the 218 candidates that attempted the question obtained 10 and above marks out of 20. The pass rate was 44.5%. The highest mark scored was 20 while the lowest was 0.

This question required candidates to prepare statement of profit or loss and the statement of financial position as at 31 May 2018.

The following mistakes were noted:

- i. A lot of candidates had difficulties picking the correct sales returns and purchases returns. Sales returns are always on the debit side of the trial balance and purchases returns on the credit.
- ii. A number also had difficulties picking opening inventory.
- iii. Calculation of reduction in allowance for receivables posed a challenge to many candidates as well as where to post it.
- iv. Income tax provision was also completely ignored by many candidates in the statement of profit or loss.
- v. A lot of candidates again ignored to prepare the appropriation account after computing the profit after tax figure.
- vi. Calculation of the carrying amount of plant was very poorly done in the SFP.
- vii. For bank overdraft again, most candidates picked it as a current asset than current liability.
- viii. Because of failure to calculate the correct amount of reduction in receivables, most candidates had difficulties in calculating the trade receivables in the SFP.

QUESTION SIX

The general performance on the question was very poor as only 26 out of the 152 candidates that attempted it got 10 and above marks out of 20. The highest mark scored was 20 while the lowest was 0 out of 20.

This question was attempted by 154 candidates and 27 passed representing 18% and 127 failed representing 82%.

Most candidates lost a lot of marks because they did not prepare the journals and suspense account correctly.

Candidates are strongly advised to be conversant with the journal, in terms of correcting errors that do not affect trial balance agreement and the suspense account.

OVERALL PERFORMANCE OF CANDIDATES:

- i. Highest mark obtained in this paper: 83%
- ii. Lowest mark obtained in this paper: 04%
- iii. Overall pass rate in this paper: 34.2%

SUBJECT: DA2 QUANTITATIVE ANALYSIS

QUESTION ONE

The general performance on this question was poor. Only 103 out of the 242 candidates that attempted the question obtained 10 and above marks out of the 20 marks available. The overall pass rate recorded was 42.6%. The highest mark scored was 20 out of 20 marks while the lowest was 0.

This was a multiple choice question which was attempted by all candidates. The question covered the entire syllabus hence candidates had a fair choice of questions they could possibly answer correctly.

QUESTION TWO

The general performance on this question was good. 148 out of the 231 candidates that attempted the question obtained 10 and above marks out of the 20 marks available. The overall pass rate recorded was 64.1%. The highest mark scored was 20 out of 20 marks while the lowest was 0.

It was observed that most candidates made minor errors when computing the Pearson correlation coefficient. It was also observed that almost all the candidates did not know the advantage of using regression analysis to analyse data, which was required to be stated in the last part of the question.

QUESTION THREE

The general performance on this question was poor. Only 55 out of the 134 candidates that attempted the question obtained 10 and above marks out of the 20 marks available. The overall pass rate recorded was 41%. The highest mark scored was 20 out of 20 marks while the lowest was 0.

The question was divided into two parts. Part (a) required candidates to construct an objective function, constraint functions and to draw the graph of these functions and indicate the feasible region. It was observed that most of the candidates had an idea on how to construct the objective function but had difficulties in developing the constraint functions. This resulted in loss of marks for most of the candidates. It was also observed that most of the candidates struggled to draw the graph and clearly indicate the feasible region.

Part (b) required candidates to compute the annuity to amortize the loan from the given information. Candidate struggled to find the correct values on this question due to use of wrong formula. Others used the correct formula but made errors when doing the computation.

QUESTION FOUR

The general performance on this question was good. 136 out of the 228 candidates that attempted the question obtained 10 and above marks out of the 20 marks available. The overall pass rate recorded was 59.6%. The highest mark scored was 20 out of 20 marks while the lowest was 0.

The question was split into two parts. Part (a) required candidates to use the given data to compute the probabilities. About 50% of the candidates managed to correctly compute the required probabilities.

Part (b) required the candidates to use the given data to compute the Net Present Values for three different project and recommend to company which project should be undertaken. The performance of candidates on this part of the question was fairly good. Most of them computed the NPV's and concluded correctly.

QUESTION FIVE

The general performance on this question was very poor. Out of the 175 candidates that attempted the question, only 41 obtained 10 and above marks out of the 20 marks available. The overall pass rate recorded was 23.4%. The highest mark scored was 20 out of 20 marks while the lowest was 0.

The question was split into two parts, part A was on payoff tables while part B was on compounded interest. Most candidates demonstrated good working knowledge on the second part of the question. Notable errors resulted due to improper use of formulas and also wrong totals (for compounded interest). The overall performance on this question was not good.

QUESTION SIX

The general performance on this question was very poor. Only 12 out of the 231 candidates that attempted the question obtained 10 and above marks out of the 20 marks available. The overall pass rate recorded was 7.3%. The highest mark scored was 16 out of 20 marks while the lowest was 0.

The question was split in three parts, part (a) required candidates to calculate how often the machine should be replaced from the given data by computing the net present values and annualizing them. Most of the candidates struggled on this part of the question, as a result the lost a lot of marks.

Part (b) of the question required candidates to compute binomial probabilities from the given scenario. Most candidates could only compute the first probability correctly and struggled to compute the second part. It was observed that most of the candidates did not understand the meaning of "at least" in the question, hence ended up with wrong inequalities when computing the probability.

Part (c) of the question required candidates to use knowledge on compounded interest to answer questions from the given scenario. 50% of the candidates managed to answer this question correctly while the other 50% struggled. Of the ones that failed, mostly the use of wrong formula was the cause and others did not just know what was needed to be done.

OVERALL PERFORMANCE OF CANDIDATES

- i. Highest mark obtained in this paper: 95%
- ii. Lowest mark obtained in this paper: 02%
- iii. Overall pass rate in this paper: 32%

SUBJECT: DA3-BUSINESS ECONOMICS

QUESTION ONE

The question was made up of 10 multiple choice questions each worth 2 marks. Since the question was compulsory, it was attempted by all the candidates that sat for this paper. The questions covered the entire syllabus. Performance was excellent at 56.4%. The highest mark scored was 20 out of 20 while the lowest was 0 out of 20. No specific question could be cited for being problematic as scores were evenly distributed.

QUESTION TWO

The general performance on the question was very poor. The pass rate was 18.3% with 18 out of 20 marks as the highest score and 0 out of 20 marks as the lowest.

This QUESTION required candidates to demonstrate understanding the concept of demand and supply, elasticity of demand and privatization.

Part (a) asked candidates to explain any three safeguards that the government may introduce to prevent unfair economic situation. Strong candidates secured the full 6 marks allocated. Surprisingly, a good number could not do so. Many answers related to erecting barriers to restrict imports which was totally not required. Students are encouraged to study the entire syllabus because everything is in the Study Guide.

Part (b) required candidates to calculate equilibrium price and quantity from the given equations. Weak candidates failed to re-arrange the first equation making P the subject of the formula, hence could not secure the 5 marks allotted.

In Part (c)(i), candidates were required to explain the nature of the product whose Income Elasticity of demand was given as +0.1 and Price elasticity of Demand was -2. It simply required understanding of the different types of goods as related to income elasticity of demand value and the price elasticity of demand value. $PE_D = -2$ indicates that a product has elastic demand. Remember, in elasticity calculation we take absolute values i.e. we drop the negative sign to interpret it. Further, $YED = +.1$ indicates a normal good.

Part (c)(ii) required candidates to explain the problems and opportunities facing a the business selling a normal good which has elastic demand. Many answers were totally wrong.

QUESTION THREE

The general performance on this question was very poor. The pass rate was at 17.4 % (only 34 out of 195 candidates managed to obtain 10 and above marks out of 20). The highest score was 16 out of 20 marks while the lowest score at 0 out of 20 marks.

This was an optional question which required candidates to demonstrate understanding of Costs of production. The question was divided into two parts namely (a) and (b).

Part (a) required to complete the table by finding fixed costs (FC), variable costs (VC), Total costs (TC) and marginal costs (MC) columns. Some answers were very poor. FC was already given as K1,000. VC per worker was given as K700 so that for 2 workers it is $K700 \times 2 = K1,400$ and so on. $TC = FC + VC$ and finally $MC = \text{Change in TC} / \text{Change in Output } Q$.

Part (b) required candidates to explain any four sources of diseconomies of scale. Weak candidates were lost here because they seem not to have read this in the Study Guide. Again we encourage candidates to study the entire syllabus to be very safe.

QUESTION FOUR

The general performance on this question was very good. 166 out of the 234 candidates that attempted the question obtained 10 marks and above out of 20. The pass rate recorded was 70.9%. The highest mark scored was 20 out of 20 and the lowest 0 out of 20.

This question tested candidates on their understanding of the production function and market structures. The question was divided into three parts (a) to (c).

Part (a) required candidates to differentiate between Marginal Product of Labour and Average Product of Labour. Lack of syllabus coverage was eminent for weak students.

Part (b) required candidates to explain any two advantages and any two disadvantages of a monopolist. Some weak candidates confused monopoly with monopolistic competition.

Part (c) required candidates to explain any three factors that will make price cartel successful. Many candidates were totally lost. Again this is evidence of not studying the entire syllabus.

QUESTION FIVE

The general performance on the question was very poor. Only 10 out of the 145 candidates that attempted the question managed to obtain 10 and above marks out of 20. The pass rate was 6.9%. The highest score was 15 and the lowest was 0 marks out of 20.

The question tested candidates' understanding of inflation and unemployment as economic problems. The question was divided into three parts namely (a) to (d).

Part (a) required candidates to distinguish between stagflation and hyperinflation. This was well answered though with a lot of none economic definitions.

Part (b) required candidates to explain how fiscal policy can be used to control inflation. Clearly, candidates need to appreciate the fiscal policy tools being government spending and taxation. To control inflation government has to cut its spending and raise tax rates. Weak answers provided monetary policy tools like controlling interest rates, money supply, and so on.

In part (c), candidates were required to explain any three types of unemployment. Fairly done well.

Part (d) (i) required candidate to calculate the size of the labour force from the given data. What was needed here was understanding of what constitutes the labour force. It is total population minus children under 16 years minus those not in the labour force.

Part (ii) of (d) required candidates to calculate the unemployment rate. Candidates needed to remember the formula and substitute as required.

Part (d) (iii) required candidates to graphically illustrate what happens when the wage rate, quantities of supplied and demanded as the economy goes into recession and demand for labour falls given the initial equilibrium. All that was needed was to add a left ward shift in the demand curve for labour and a brief explanation.

QUESTION SIX

The general performance on the question was fair. 98 out of the 189 candidates that attempted the question got 10 and above out of the available 20 marks. The pass rate was 51.9%. Highest marks scored were 20 out of 20 and the lowest was 0 out of 20.

This question examined candidates' understanding of National Income Determination. The question was divided into four parts from (a) to (d).

Part (a) required candidates to explain any four factors that can influence the level of investment. Weak answers were too general. However, overall performance was good on this part.

Part (b) required candidates to explain to compute marginal Propensity to Consume (MPC) from the given data. Well attempted, generally.

In part (c) (i) the candidates were required to calculate the credit multiplier using the given data. $D = 1$ divided by required reserve ratio, that is, $1/r = 1/0.2 = 5$

Part (c) (ii) required candidates to calculate the total increase in bank deposits which is simply the credit multiplier x additional deposit, that is $5 \times K1,000,000 = K5,000,000$.

Part (d) required candidates to explain any two negative consequences of a current account deficit. Performance was average.

QUESTION SEVEN

The general performance on this question was very good. 159 out of 234 candidates that attempted the question scored 10 and above marks out of the available 20 marks. The pass rate was fair at 69%. Highest mark scored was 19 out of 20 and the lowest was 0 out of 20.

This was another optional question examining candidates' understanding of international trade. The question was divided into four parts.

Part (a) required candidates to state any three changes in the capital markets. Required answers are globalization, securitization of debt, risk management and fiercer competition. These are provided in the Study Guide. Weak candidates never even came closer to addressing the issues required by the question.

Part (b) required candidates to explain any three advantages that Zambia can derive from international trade. The question was fairly answered.

Part (c) required candidates to explain any four effects of a rise in interest rates in an economy. Answers were fair. The common problem candidates stated was that a rise in interest rates causes inflation. This is the total opposite. When inflation rate is high one monetary policy tool that can be used is to raise interest rates to reduce money in circulation!

Part (d) required candidates to outline any three fiscal policy measures that the government may introduce in order to reduce youth unemployment. Again fiscal policy measures deal with government spending and taxation only. Any other measures such as reducing interest rates, money supply and so on are not part of fiscal policy. This must be very clear.

Future candidates are strongly encouraged to study the entire syllabus and make use of the examiners' feedback and past papers to improve on their performance

OVERALL PERFORMANCE OF CANDIDATES:

- i. Highest mark obtained in this paper: 80%
- ii. Lowest mark obtained in this paper: 08%
- iii. Overall pass rate in this paper: 45.7%

SUBJECT: DA4 INFORMATION COMMUNICATION TECHNOLOGY

QUESTION ONE

The general performance on this question was good. 148 out of the 239 candidates that attempted it obtained 10 marks and above out of 20 (representing a pass rate of 61.9%). The highest mark scored was 20 while the lowest was 2 out of 20.

This question was compulsory and was of multiple choice questions. Most candidates were able to get most questions correctly. Future candidates are urged to thoroughly study the topics since the multiple choice questions cover the entire syllabus.

QUESTION TWO

The general performance on this question was poor. Only 59 out of 160 candidates that attempted it managed to get 10 and above marks out of 20. The pass rate recorded was 36.9%. The highest mark scored was 17 out of 20 while the lowest was 0.

The most common mistakes noted included the following:

- i. Listing elements of the Graphical User Interface(GUI) instead of the features of MS Windows operating system as required.
- ii. Failure to show understanding that malware is not a type of virus, but rather a group of malicious software which includes viruses.
- iii. Failure to explain eavesdropping very well.
- iv. Some candidates failed to indicate the encryption is the best way of safeguarding Information Systems

QUESTION THREE

The general performance on this question was very poor. Only 17 out of 93 candidates that attempted it managed to get 10 and above marks out of 20. The pass rate recorded was 18.3%. The highest mark scored was 20 out of 20 while the lowest was 0.

The following were some mistakes noted:

- i. Most students did not perform well because they did not write correct formulas for calculating TOTAL and AVERAGE.
- ii. The conditional formula or analysis was poorly done when finding the average sales.

QUESTION FOUR

The general performance on this question was poor. Only 91 out of the 224 candidates that attempted it managed to get 10 and above marks out of 20. The pass rate recorded was 40.6%. The highest mark scored was 19 out of 20 while the lowest was 2.

The following were observed:

- i. Part (b) of the question was poorly answered because students could not distinguish between search engine and web browser.
- ii. On part (c), most students were explaining the types of Information systems, instead of components of and Information system.

Future candidates are urged to read and understand the question requirements so that they provide the solutions required.

QUESTION FIVE

The general performance on this question was very good. 120 out of the 158 candidates that attempted it managed to get 10 and above marks out of 20. The pass rate recorded was 79.1%. The highest mark scored was 18 out of 20 while the lowest was 0.

The question required candidates to draw a diagram to illustrate the communication process and briefly explain each stage of the process. The second part of it required them to state the factors that affect the choice of medium.

Some common mistakes observed on this question included the following:

- i. Drawing a wrong diagram of the communication process.
- ii. Leaving out the title on the diagram.
- iii. Mixing up of the medium of communication with barriers of communication.
- iv. Stages of the communication process had wrong or no details at all.

QUESTION SIX

The general performance on this question was good. 112 out of the 167 candidates that attempted it managed to get 10 and above marks out of 20. The pass rate recorded was 67.1%. The highest mark scored was 17 out of 20 while the lowest was 0.

Candidates were required to state the roles of an agenda, notice and minutes of a meeting in the first part of the question while the second part required them to explain the duties of a chairperson

Some common mistakes observed on this question included the following:

- i. Lists of items to be discussed in a meetings were presented as roles of an agenda (An agenda was defined which not the case).
- ii. Mixing up the roles of the three documents (notice, Agenda and minutes).
- iii. A lot of irrelevant information on the duties of a chairperson.

QUESTION SEVEN

The general performance on this question was fair. 81 out of the 150 candidates that attempted it managed to get 10 and above marks out of 20. The pass rate recorded was 54%. The highest mark scored was 18 out of 20 while the lowest was 0.

Question seven required candidates to write a memo to Human resources manager requesting for temporal staff from a given scenario. Part b required them to briefly explain the three main formal channels of communication used in organization.

Some common mistakes observed on this question included the following:

- i. Failure to mention reasons for requesting for temporal staff not in the memo.
- ii. Writing a wrong subject line.
- iii. In some cases no content in the main body was provided.
- iv. Salutation and complimentary close was indicated in a memo which was not the case.
- v. Provision of wrong content on the sender and recipient of information on the memos presented.
- vi. Medium of communication such as oral, written and visual were presented as the three main channels of communication instead of vertical, horizontal and diagonal.
- vii. Channels of communication were presented as what role they play in communication which were wrong answers.

OVERALL PERFORMANCE OF CANDIDATES

- i. Highest mark obtained in this paper: 85%
- ii. Lowest mark obtained in this paper: 12%
- iii. Overall pass rate in this paper: 57.3%

SUBJECT: DA5 COST ACCOUNTING

QUESTION ONE

The general performance on this question was very good. 211 candidates out of the 264 that attempted it obtained 10 and above marks out of the 20 marks available. The pass recorded was 79.9%. The highest mark obtained was 20 out of 20 while the lowest was 0.

This was comprised of compulsory 10 multiple choice sub-questions covering the whole syllabus. The candidates had challenges on question 8 whose requirement was to compute under/over absorption of production overheads.

QUESTION TWO

The general performance on this question was very good. 191 candidates out of the 251 that attempted it obtained 10 and above marks out of the 20 marks available. The pass recorded was 73.7%. The highest mark obtained was 19 out of 20 while the lowest was 0.

This question was a well attempted question. However, the following mistakes were noted:

- i. Part (a) – some candidates failed to differentiate between a cost object and cost unit.
- ii. Part (b) (i) wrong application of the high low method for example using the maintenance hours as a numerator.
- iii. Part (b) (ii) a number of candidates could not state the alternative methods of separating the semi- variable costs.

QUESTION THREE

The general performance on this question was very good. 198 candidates out of the 239 that attempted it obtained 10 and above marks out of the 20 marks available. The pass recorded was 76.4%. The highest mark obtained was 20 out of 20 while the lowest was 0.

The question required candidates to 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 mistakes were observed:

- i. In some instances candidates did not show workings but wrote down the correct final answers: this cost them marks since workings are 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.

Part (b) required the calculation of ordering and holding costs, the economic order quantity (EOQ) and stating the meaning of the EOQ.

The calculation of orders and the holding cost was problematic to some candidates as they failed to state the formulas applicable. Most candidates could not state the meaning of EOQ.

QUESTION FOUR

The general performance on this question was very poor. Only 32 candidates out of the 205 that attempted it obtained 10 and above marks out of the 20 marks available. The pass recorded was 15.6%. The highest mark obtained was 17 out of 20 while the lowest was 0.

This was a second least attempted question. The performance was poor, less than 17% of the candidates passed this question. The poor results could be attributed to lack of in depth knowledge on the topic.

This question tested the knowledge on costing methods. The performance was not as good as in the other questions.

In part (a) most of the candidates has challenges in determine the cost per unit when using either absorption or marginal costing systems. The separation of costs into variable and fixed using the high low method was also another problem noticed.

In part (b) a number of candidates confused the advantages and disadvantages of marginal costing with those of absorption costing. In certain cases candidates lacked knowledge on the topic.

QUESTION FIVE:

The general performance on this question was fair. 131 candidates out of the 239 that attempted it obtained 10 and above marks out of the 20 marks available. The pass recorded was 54.8%. The highest mark obtained was 20 out of 20 while the lowest was 0.

This question was on specific order costing (contract) and variance analysis.

In part (a) candidates failed to identify the costs, debits and credits. They also found it difficult to determine the profit on cash basis.

In part (b), well prepared students scored all the required marks. Those who failed this part of the question were unable to calculate the standard costs for comparison with the actual costs incurred.

QUESTION SIX

The general performance on this question was very poor. 11 candidates out of the 76 that attempted it obtained 10 and above marks out of the 20 marks available. The pass recorded was 14.5%. The highest mark obtained was 15 out of 20 while the lowest was 0.

This question was on cost bookkeeping entries comprising four parts. All parts had to do with the preparation of cost accounts. It was poorly done by most of the candidates. The common mistake was that candidates debited credit entries and vice versa in almost all the accounts (stores ledger control, wages control, work- in-progress control and production overhead control accounts).

OVERALL PERFORMANCE OF CANDIDATES

- i. Highest mark obtained in this paper: 87%
- ii. Lowest mark obtained in this paper: 17%
- iii. Overall pass rate in this paper: 53%

SUBJECT: DA6- BUSINESS LAW

QUESTION ONE

The general performance on the question was very good. 320 out of the 449 candidates that attempted this question obtained 10 and above of the 20 marks available. The highest was 18 while the lowest was 0 out of 25 marks. A pass rate of 71.3% was recorded.

This question was compulsory and consisted of multiple choice questions. The general view is that candidates had to think critically for them to pick the correct answer. The majority of the candidates were able to at least get most questions correct.

Candidates must take ample time to go through each and every topic in the manual as multiple choice questions are drawn from different topics. Once this is done, it will enable them to apply the knowledge acquired and using the elimination method to arrive at the correct/best answer.

QUESTION TWO

The general performance on the question was very good. 268 out of the 371 candidates that attempted this question obtained 10 and above of the 20 marks available. The highest was 19 out of 20 marks. A pass rate of 72.2% was recorded.

The question required the candidates to explain supremacy of the constitution and the elements of a partnership deed. Part (a) was based on supremacy of the constitution and what that entails in a country like Zambia. Those who attempted this part did very well because though the question wanted only the "other thing" which the teacher forgot, there were several answers which came from the question and are deemed correct. To be specific the other thing which the teacher forgot was that the Constitution provides for the creation of organs of government.

To those who did not fully answer it, failed because they kept talking about supremacy of the constitution which as already given above. The rest appeared not to understand the question or what was needed all together.

Prospective students must study the topic sources of law very well and too be specific must look at the constitution as the primary source of law. As students' study, they must note the features or what the constitution establishes or its importance in relation to other sources.

Part (b) was based on Partnership and it required students to explain on the elements or features of the Partnership deed. Almost everyone was able to give a precise answers in terms of the elements of a partnership deed the nature of business or practice, firm name, duration of partnership, capital, division of profits, bank account & drawing of cheques, management and accounts to mention but a few.

However, a few did not get it correct because they were confusing the elements of a partnership deed with the elements of a partnership which are that there must be a business, the business must be carried on in common between two or more persons and that the persons carrying on the business must do so with a profit motive. Prospective students must take time to read fully on the Partnerships and be able to

distinguish elements of the partnership, elements of a partnership deed, authorities of partners and termination of partnership for them to answer confidently in the exams.

QUESTION THREE

The general performance on the question was very good. 322 out of the 446 candidates that attempted this question obtained 10 and above of the 20 marks available. The highest was 20 while the lowest was 0 out of 20 marks. A pass rate of 72.2% was recorded.

The question had three parts (a) offer, (b) contract of service and contract for services, (c) agency by ratification. The answers were ok, except students were writing too much on (b) and others went on to write about agency by estoppel instead of agency by ratification.

In future candidates must be advised to answer questions according to the number of marks provided. Further, they need to read around creation of agency thoroughly.

QUESTION FOUR

The general performance on the question was poor. Only 145 out of the 330 candidates that attempted this question obtained 10 and above of the 20 marks available. The highest was 18 while the lowest was 0 out of 20 marks. A pass rate of 43.9% was recorded.

Part (a) of the question required the candidates to show an understanding and appreciation of the principles of the law of contract, in particular, Past consideration and its effect on contractual obligations. This is a vital component of business law accounting for 25% of the course content. After having appreciated the principles embedded in the scenario question, candidates were then expected to give advice based on the law of contract vis-à-vis past consideration.. Most candidates were able to appreciate the effect of past consideration on contractual obligations but others completely missed it and used general knowledge

Future candidates must dedicate enough time to study core topics such as contract; grasp the principles and do a lot of practical questions so as to know how to respond to scenario questions. They must make use of the Zica manual and past papers.

In part (b) of the question, candidates were expected to appreciate the law of Agency. Most candidates were able to tell the effect of agency by ratification and the elements thereof. At least three quarters of the candidates who attempted this question managed to identify that the question was based on agency. The failing started when students were now failing to link the law to the scenario. Most students could not tell that the question was based on the agency by Ratification to be precisely. This disadvantaged most candidates as the question could not be fully addressed without understanding this component. The performance was generally good. The candidates who performed well were able identify and explain agency by ratification and some

even gave examples. Those who did not perform well showed total ignorance of this agency armpit. Future candidates must study this topic and be in a position to understand the components of the topic and the effect of this relationship.

QUESTION FIVE

The general performance on the question was very poor. Only 74 out of the 307 candidates that attempted this question obtained 10 and above of the 20 marks available. The highest was 16 while the lowest was 0 out of 20 marks. A pass rate of 24.1% was recorded.

The Question had two parts (a) and (b) and each had its own requirement. Part (a) required students to identify where liability lay which had to be done by explaining vicarious liability in the law of tort.

Part (b) required candidates to differentiate quality of fitness and fitness for purpose in line with the sale of Goods Act 1893.

The most common mistake noted in this question in part (a) was that most candidates did not really understand how vicarious liability actually arise and were placing that liability on the guard. Otherwise there was no vicarious liability in the case and that should have been the stance taken by the student.

In part (b) most candidates did not answer the question in line with the Sale of Goods Act 1893. They answered it as lay men, by giving ordinary examples which any person studying any course other than a law subject would give. From the foregoing, it is advisable for students to study more on how vicarious liability arises in tort. Equally students should have a good understanding of the Sale of Goods Act, the distinction between conditions and warranties.

QUESTION SIX

The general performance on the question was very poor. Only 117 out of the 310 candidates that attempted this question obtained 10 and above of the 20 marks available. The highest was 20 while the lowest was 0 out of 20 marks. A pass rate of 37.7% was recorded.

OVERALL PERFORMANCE OF CANDIDATES

- i. Highest mark obtained in this paper: 75%
- ii. Lowest mark obtained in this paper: 12%
- iii. Overall pass rate in this paper: 54.6 %

SUBJECT: DA7 PRINCIPLES OF MANAGEMENT

QUESTION ONE

The general performance on the question was very good. 149 out of 193 candidates that attempted it scored 10 and above marks out of 20. A pass rate of 77.7% was recorded. The highest score was 20 while the lowest was 2 out of 20.

This was a multiple choice compulsory question and candidates scored very well.

QUESTION TWO

The general performance on the question was very good. 133 out of 178 candidates that attempted it obtained 10 and above marks out of 20. The pass rate was 74.7%. The highest score out of 20 was 20, while the lowest was 0.

This question had three parts (a to c). Part (a) was about defining Strategic plan and identifying the three strategic levels or layers in a large organization. This was well answered by most candidates.

Part (b) was on Explaining how SWOT analysis model is used to appraise the company. This was equally well answered by most candidates, although could not apply the SWOT analysis.

Part (c) asked candidates to show how PESTEL analysis is used in analyzing the macro environment in which the company operates.

QUESTION THREE

The general performance on the question was good. A pass rate of 60.7% was recorded from the 140 candidates that attempted the question. The highest mark scored was 20 while the lowest was 0 out of 20.

This question was about explaining how Management Theories have contributed to modern management, specifically the contributions of Fredrick W. Taylor; Henry Fayol and Max Weber. The question was well attempted.

QUESTION FOUR

The general performance on the question was poor. Only 55 out of the 145 candidates that attempted it got 10 and above marks out of 20. The recorded pass rate was 37.9%. The highest mark scored was 20 while the lowest was 0.

This question had two parts. Part (a) asked candidates to identify and briefly explain any four (4) components of an organization structure suggested by Mintzberg. Candidates did well on this part.

Part (b) asked candidates to identify and describe the two (2) needs suggested by McClelland. Although this question was well answered, quite a number of candidates confused it for Maslow's Hierarchy of Needs.

QUESTION FIVE

The general performance on the question was good. 85 out of the 124 candidates that attempted the question obtained 10 and above marks out of 20. The pass rate was 68.5%. The highest mark scored was 20 while the lowest was 0.

This question had two parts. Part (a) was on International Trade and Competition. It required candidates to use the Rosa Beth arguments that bring out success in business to help competitors fight the competition. These included Innovation; Entrepreneurship and Participative Management. Most candidates answered this part well.

Part (b) asked candidates to explain four (4) main activities that assist in the identification of, 'anticipating and satisfying customer needs' in order to improve sales.

Although many did well, many candidates however, went for the 4Ps of marketing (Product, Price, Place and Promotion)

QUESTION SIX

The general performance on the question was very good. 132 out of the 179 candidates that attempted it got 10 and above marks out of 20. The highest mark scored was 20 while the lowest was 0 out of 20.

This question had two parts. Part (a) asked candidates to explain the purpose of Selection interviews. Most candidates answered this part well, although some candidates were just explaining the selection process in general terms.

Part (b) asked candidates to attach importance to the following leadership traits: Initiative; Emotional stability; Fairness; Foresight. Most candidates simply explained what these are, without attaching their importance to leadership as the questions asked.

OVERALL PERFORMANCE OF CANDIDATES:

- i. Highest mark obtained in this paper: 89%
- ii. Lowest mark obtained in this paper: 02%
- iii. Overall pass rate in this paper: 72%

SUBJECT: DA8 – FINANCIAL REPORTING

QUESTION ONE

The general performance on this question was good. 59.3% of the candidates (259 out of 437) who attempted the question got 13 and above marks. The lowest mark recorded was 0 while the highest was 24.

The question required candidates to prepare the group consolidated statement of financial position. This was a compulsory question and most of the candidates attempted the question. Some candidates had challenges with how to answer the question, some candidates were only consolidating 80% of the assets and liabilities in Dog instead of 100% of the subsidiary.

On share capital and share premium, some candidates were adding the share capital of the subsidiary. On the Goodwill computation candidates had challenges in determining the value of the consideration for acquisition of subsidiary. The candidates were required to determine the number of shares to be acquired in Dog. Candidates were also required to determine the Net Asset Value at acquisition in order to compute for Goodwill. Some candidates were able to obtain full marks while others had challenges in computing the amount correctly.

The retained earning computation was fairly attempted, though with some candidates failing to even obtain marks on figures already given in the question.

QUESTION TWO

The general performance on this question was poor. Only 184 out of the 432 candidates who attempted it got 13 and above marks representing a 42.6%. The lowest mark recorded was 0 while the highest was 23.

The question had three parts, part (a), (b) and (c). Part (a): the candidates were required to prepare the statement of profit or loss and other comprehensive income for MML for the year ended 31 December 2018. Candidates lost marks due to inadequate presentation of workings. Additionally, candidates had serious challenges in the computation of finance costs and income tax to be charged to profit and loss account. Furthermore, the right of use asset lease obligation table was difficulty to some candidates and often times candidates did not know which figures were to be taken to profit and loss account and which one to SFP.

Part (b) required candidates to prepare the statement of financial position of MML as at 31 December 2018. Candidates performed fairly well here with minor mix up of treating 7% preference share capital under equity rather than Non-Current Liability and deferred tax as current liability.

In part (c), candidates were required to prepare the statement of changes in equity for the year ended 31 December 2018. Candidates performed well on this part of the

question. However, few candidates did not include the dividend and total comprehensive income as they were mistakenly included in the profit and loss account.

QUESTION THREE

The general performance on the question was very poor. Only 74 out of the 340 candidates that attempted this question obtained 13 and above of the 25 marks available. The highest was 20 out of 25 marks while the lowest was 0. A pass rate of 21.8% was recorded.

This question had two parts (a) and (b). Part (a) of this question required candidates to prepare a statement of cash flows and it was generally well attempted by candidates with majority of them obtaining marks above half. It was attempted as though it was a compulsory question. A small number of candidates opted for other questions in section B and these were seriously disadvantaged.

The following were common mistakes noted:

- i. Inability to calculate lease rental paid
- ii. Failure to add back amortization of development expenditure to profit before tax.
- iii. Inability to ascertain the profit before tax figure which was not provided via a statement of profit or loss
- iv. Not able to correctly account for the bonus issue within the proceeds from share issue figure.

Part (b) of this question required candidates to explain the importance of EPS as a measure of performance. This part of the question was not so well attempted by almost all candidates as all they could say generally was it measures performance, which phrase had already been used in the question.

QUESTION FOUR

The general performance on the question was very poor. Only 24 out of the 308 candidates that attempted this question obtained 13 and above of the 25 marks available. The highest was 19 out of 25 marks. A pass rate of 14% was recorded.

This question had three parts (a), (b) and (c). The question was least famous to candidates at this diet. Probably, it is because it had many components of different standards that were required to be tackled.

Part (a) had two parts (i) and (ii). Part (i) required candidates to explain the internal indicators of impairment loss of assets. A handful of candidates were able to provide the indicators correctly with few candidates wondering about with their statements.

Part (ii) asked for the treatment of machinery that was apparently impaired but common problem was inability to correctly determine the years passed to impairment date and after impairment and hence wrongly calculating impairment loss, depreciation and carrying amount at the end of the year.

Part (b) had two parts (i) and (ii). Part (i) asked candidates to explain specific conditions for recognizing restructuring provision, but instead gave general conditions for recognizing provision and lost out on this.

Part (ii) of this question was not so well articulated by most candidates especially the theory part. Few candidates explained well arguments for inclusion and exclusion of costs in the amount of provision.

Part (c) of the question required explanation and examples of accounting policy and accounting estimates. This was very poorly done including definitions. Future candidates are reminded to read widely about all listed accounting standards in their syllabus.

QUESTION FIVE

The general performance on the question was very poor. Only 49 out of the 308 candidates that attempted this question obtained 13 and above of the 25 marks available. The highest was 19 out of 25 marks. A pass rate of 15.9% was recorded.

The question had three parts, part (a), (b) and (c). Part (a), (i): the candidates were required to explain the advantages of conceptual framework. Candidates performed extremely well in this section. (ii) Candidates were required to explain relevance and faithful presentation characteristics of financial information. This section was well performed. (iii) Candidates were required to explain the accounting treatment of bearer plants and other biological assets. This section was poorly handled as many candidates did not know what the bearer plants and other biological assets are. The candidates were required to explain the accounting treatment of the two types of assets. (iv) Candidates were required to explain the two concepts of capital and capital maintenance. The performance was mixed as many candidates did not demonstrate knowledge of the two concepts that were being examined.

Part (b): Candidates were required to explain the accounting treatment for the long-term leases under IFRS 16 leases. The performance on this section was average. Some candidates were unable to explain the key features of the lease.

Part (c): Candidates were required to explain the meaning of VFM and identify three key performance measurement indicators for a public university. The performance on this question was average as many candidates were unable to explain the concept of VFM and worse still the performance indicators.

OVERALL PERFORMANCE OF CANDIDATES

- i. Highest mark obtained in this paper: 69%
- ii. Lowest mark obtained in this paper: 01%
- iii. Overall pass rate in this paper: 31.1%

SUBJECT: DA9 MANAGEMENT ACCOUNTING

QUESTION ONE

The general performance on the question was very poor. Only 87 out of the 569 candidates that attempted this question obtained 13 and above of the 25 marks available. The highest was 21 out of 25 marks. A pass rate of 15.3% was recorded.

This was a compulsory question and so more than 97% of the candidates attempted it. The question was from budgeting. This is an area that has been and will continue to be examined as it is a major component in this paper. There were three parts (a, b, c and d) to this component.

In part (a), candidates were expected to prepare functional budgets. Surprisingly, almost half the scripts showed poor to average scores.

The common mistakes particularly on the production and materials purchases budget were:

- i. Adding opening and subtracting closing inventories in the respective budgets instead of adding closing inventory and subtracting opening inventory.
- ii. Preparing materials usage and purchases budgets before changing production budget into litres.
- iii. Inability to establish each material usage per 500ml container produced. They were supposed to use a ratio of 9:1 (Citric acid : Hydrogen).

Part (b) required the preparation of the budgeted income statement based on the results in part (a). Generally, this well attempted subject to the results in part (a).

Part (c) and (d) required the explanation and discussion of the flexible budget and consequences of budgetary slack for cost control respectively. Majority of the candidates lacked knowledge of either.

QUESTION TWO

The general performance on the question was very poor. Only 90 out of the 56499% candidates attempted this question obtained 13 and above of the 25 marks available. The highest was 24 out of 25 marks. A pass rate of 16% was recorded.

This question required candidates to:

(a) Calculate product costs and prices using absorption costing and activity based costing techniques.

(b) Explain how the concept of throughput accounting differs from marginal costing.

This was a compulsory question and candidates could not avoid it. It was very poorly attempted. A number of candidates added up monetary figures and non-monetary figures to get "total costs". A mark- up was then added to this total cost. Others split these costs equally between components C and D. The correct basis was machine

hours for the current approach technique and the number of drivers for the ABC technique.

Part (b) was not as badly attempted as part (a). However, most candidates explained throughout accounting concepts rather than drawing out the differences between the two techniques.

QUESTION THREE

The general performance on the question was very poor. Only 22 out of the 321 candidates that attempted it obtained 13 and above of the 25 marks available. The highest mark recorded was 24 while the lowest was 0 out of 25 marks. A pass rate of 8.4% was recorded.

This question was based on decision making. It required the candidates to evaluate alternative proposals and commenting on each of them.

In part (a), most the candidates struggled and failed to calculate the contribution per unit which is selling price less the total variable costs per unit. Hence were unable to accurately determine the break-even point.

In part (b) and (c), it was expected that comparison be done between the two proposals. The performance was disappointing.

Part (d), students were required to calculate the revised sales volume in order for them to arrive at the appropriate decision.

QUESTION FOUR

The general performance on the question was very good. 402 out of the 559 candidates that attempted it obtained 13 and above of the 25 marks available. The highest mark recorded was 25 while the lowest was 0 out of 25 marks. A pass rate of 71.9% was recorded.

Part (b) this part was not well answered by the majority of candidates except for few candidates who were able to calculate optimal production plan correctly. A lot of candidates tried to calculate the total quantities instead of using per unit approach which was simpler way to answer the question. Those candidates who calculated the total figures got lost in the process and failed to arrive at the correct answer and lost marks.

Part (b) was well answered by almost all the candidates who attempted the question. However the question requested only four differences between Management accounting and financial accounting, but a lot of candidates ended up writing too many differences more than the required points and wasted substantial time that could have been used to answer other questions.

Part (c) was well answered by almost all the candidates as this part requested candidates to explain the role of Management accountant in provision of information to a business.

However, few candidates failed to explain the role of management accountant and ended up writing on qualities of management information which was not the requirement.

QUESTION FIVE

The general performance on the question was poor. Only 83 out of the 239 candidates that attempted it obtained 13 and above of the 25 marks available. The highest mark recorded was 25 while the lowest was 0 out of 25 marks. A pass rate of 34.7% was recorded.

This question required candidates to identify the purposes of standard costing and the levels of performance which may be incorporated in a standard costing system. The question then moved from these factually based questions to explore opinions as to its applicability to different business and environments. Finally, discussion of some of the complexities in calculation of variances was sought.

Part (a) was usually answered well, though some comments were little more related to budgets than standard costs and full marks may have not been gained because of this.

In (b) some good answers were received, however, some candidates had limited ideas about the levels of performance and their implications and it inevitably resulted in lower marks. Examiners were prepared to accept slightly different terminology in this part with a flexible interpretation providing the general thrust of the appropriate.

In (c) failure to make any substantiated comment resulted in lower marks being awarded. Statements such as "standard costing applies in both manufacturing and service business" were insufficient; a reason for making this statement or an example of application was needed to earn the marks. A similar comment applies to the continuous improvement/ cost reduction part of this question.

In part (d) there was scope for a wide variety of discussion. Candidates failed to gain marks because they produced insufficient discussion or insufficient ideas around which to discuss. It was appropriate at the end of the question to examine some critical thinking and where this was in evidence it was rewarded. It seemed that some candidates often had difficulty in thinking beyond the computational technique of standard costing

OVERALL PERFORMANCE OF CANDIDATES

- i. Highest mark obtained in this paper: 66%
- ii. Lowest mark obtained in this paper: 02%
- iii. Overall pass rate in this paper: 20.5%

SUBJECT: DA10 TAXATION

QUESTION ONE

The general performance on this question was poor with only 52 candidates out of 162 candidates who attempted the question passing the question, representing a pass rate of 32.1%

This question had four parts (a), (b), (c) and (d). In part (a) candidates were required to calculate the maximum capital allowances claimable by a company for the tax year 2019.

This part of the question was well answered by most candidates as they correctly computed the capital allowances .

In part (b), candidates were required to calculate the adjusted business profit for the tax year 2019. Most candidates scored high marks on this part of the question despite not correctly computing the final taxable business profit

In part (c) candidates were required to calculate the amount of provisional income tax paid by a company for the tax year 2019 and to state the amount paid on each due date. This was not well answered by most of the candidates as they failed to correctly calculate the provisional taxes and advise the due dates

Part (d) required candidates to calculate the final amount of income tax payable by a limited company for the tax year 2019. A high number of candidates scored very good marks on this part of the question

QUESTION TWO

The general performance on this question was very poor. Only 46 out of 160 candidates that attempted it obtained 13 marks and above out of the total 25 marks available. A pass rate of 28.8% was recorded. The highest mark recorded was 18 while the lowest was 0 out of 25.

This question had five parts (a), (b), (c), (d) and (e). In part (a) candidates were required to calculate the total income tax payable by Helen for the tax year 2019. This part of the question was poorly answered as most candidates failed to apportion the time of employment of Helen. This led most of the candidates calculating earned income for 12 months instead of 10 months.

In part (b) candidates were required to explain the tax treatment of expenses incurred wholly and exclusively for the letting of the furnished cottage. Most of the candidates failed to explain how to treat expenses incurred wholly and exclusively for letting a property. These are not allowable for the purposes of calculating tax payable on rental income

In part (c) candidates were required to state the due date for submitting returns and making payments under PAYE. The performance was average on this part of the question as some correctly stated the due date of 10th

In part (d) candidates were required to explain the tax consequences of late payment of income tax deducted from emoluments under the Pay as You Earn system. Most of the candidates performed well on this part of the question

And in part (e) candidates were required to explain the consequences of paying the withholding tax late. A good number of the candidates were able to state the penalties for late submission of WHT.

QUESTION THREE

The general performance on this question was fair. 67 out of the 128 candidates that attempted it obtained 13 marks and above out of the total 25 marks available. A pass rate of 52.2% was recorded. The highest mark recorded was 20 while the lowest was 3 out of 25.

This question had two parts (a) and (b). In part (a) candidates were required to calculate the income tax payable by Namawiinga for the tax year 2019. A high number of candidates correctly calculated the income tax payable by Namawiinga.

In part (b), candidates were required to explain five (5) key functions of Taxation in an economy such as Zambia. This was generally a fair question with well-prepared candidates able to explain the functions of taxation. Some candidates merely mentioned general functions of taxation such as curbing tax and thereby lost marks due to lack of adequate explanations.

QUESTION FOUR

The general performance on this question was good. 83 out of the 132 candidates that attempted it obtained 13 marks and above out of the total 25 marks available. A pass rate of 62.9% was recorded. The highest mark recorded was 25 while the lowest was 3 out of 25.

This question had four parts (a), (b), (c) and (d). In part (a) (i) and (ii) candidates were required to calculate the value for duty purposes in Kwacha, customs duty and excise duty in relation to the importation of the motor vehicle and to explain the difference between the transaction value and transaction value of similar goods methods as they are used in the valuation of imports.

Some candidates lost marks as a result of them failing to mention matters such as: insurance, freight and other incidental costs in VDP

In part (b) candidates were required to explain the difference between farm improvements and farm works and the circumstances under which a farmer can be allowed to average income from farming. Most of the candidates performed well as they distinguished the difference between farm improvements and works correctly. In part ii of (b), well prepared candidates were able to mention circumstances under which a farmer may choose to average his income.

In part (c), candidates were required to explain any four (4) qualities of a good tax system. Most of the candidates were able to define and distinguish the difference between farm improvements and farm works. A number of candidates explained correctly the qualities of a good tax system.

Part (d) required candidates to explain other ways, apart from taxation, through which the Central Government can raise revenue.

QUESTION FIVE

The general performance on this question was poor. 28 out of the 64 candidates that attempted it obtained 13 marks and above out of the total 25 marks available. A pass rate of 43.8% was recorded. The highest mark recorded was 24 while the lowest was 2 out of 25.

This question had four parts (a), (b) and (c). In parts (a) (i), (ii) and (iii) candidates were required to explain the types of persons who should register with Zambia Revenue Authority for turnover tax system, to state the due date for the payment of turnover tax and explain the consequences of paying the tax late and to state any five (5) persons who are not eligible to pay turnover tax. In part (ii) Most of the candidates who attempted this question scored high marks as they appropriately stated persons eligible for turnover tax. In part (iii) of the question a high number of candidates scored very high marks

Part (b) required candidates to explain any four (4) properties on which property transfer tax is charged and to explain how transfers made to immediate family members and transfers made by one company to another within the same group are treated for property transfer tax purposes.

A good number of candidates did exceptionally well in stating what constitutes property for the purposes of Property transfer tax. However most of the candidates lamentably failed to explain how to treat property transfers made to immediate family members and those made by one company to another.

Candidates were expected to state that property transferred to immediate family members, the realized value is the actual transfer price received by the transferor and if no transfer has been charged the realized value is nil

In the case of property transfer within the group, such a transfer is deemed to have a realized value of nil by the Commissioner General and therefore the property transfer is nil

In part (c), candidates were required to explain the property transfer tax implications of each of the five transactions on the company and calculate any property transfer tax payable on each transaction for the tax year 2019.

In part (i) well prepared candidates did state the commercial value of the property being K170,000 being the higher of its open market value and ably computed the property transfer tax of k8,500.

In part (ii) most candidates correctly mentioned that the motor vehicles do not qualify as property for the purposes of property transfer tax, therefore no PTT will be paid on disposal.

Part (iii), a good number of candidates mentioned correctly that the PTT is payable by the transferor of the property and not the transferee and therefore there will be no PTT payable by Chisamba farms.

In part (IV) the performance of most candidates was good in that they ably mentioned that the transfer of shares in a listed company does not attract PTT.

In part (v) most the candidates performed well by correctly stating that the sale of shares in DC a company listed on LUSE attracts PTT and as such PTT of K23, 000 was charged.

In part (VI) the performance of candidates was slightly above average. Well prepared candidates correctly stated that letting of property does not qualify as a transfer of property for property transfer tax purposes.

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: 53.1%

SUBJECT: DA 11 PRINCIPLES OF AUDITING.

QUESTION ONE

The general performance on this question was very poor. Only 16 out of 378 candidates that attempted it obtained 13 marks and above out of the total 25 marks available. The highest mark recorded was 19 while the lowest was 1 out of 25. The pass rate was 4.2%.

The question was divided into four parts. Part (a) was asking about four sources of information that would be relevant in gaining an understanding of Samba Co. and then giving an explanation of the information expected to be found in Samba Co.

Most of the candidates did not understand the requirement and were just writing general answers as per ISA 315. For example mentioning enquiries, inspections, observations and explain what each meant. This earned such candidates less marks as the answer provided were not the ones asked for.

Part (b) required candidates to identify six (6) audit tasks, to describe them and explain the auditor's response to each risk in planning the audit of Samba Co. Some candidates did not fully understand the requirement and went on to give descriptions of what audit risk is and the types of risk. For example mentioning components of audit risks such as inherent, control and detection risks. Such answers did not earn candidates full marks as they were not relevant to the scenario given and the question requirement.

Part (c) required candidates to explain the importance of audit working papers to Mango & Co. Most candidates concentrated on definitions and types of working papers such as current and permanent files, most candidates did not state why audit papers are maintained during the audit. Some wrong answers went on to mention that audit working papers are used to maintain the operating system and are confidential documents which was completely wrong.

The final part required candidates to explain the meaning of low balling and whether it allowed. The answer that were being given were contrary to the actual meaning of low balling. It is basically a term used in cases where the external auditor quotes a very low fee in order to win an audit tender or engagement. Some answers given were that low balling is the process of not providing the auditor with the required documents or not providing the auditor with enough information. Most of the candidates went to explain that it is not allowed. Low balling is actually allowed provided safeguards measures are put in place by external auditors. This did not earn such answers any marks.

QUESTION TWO

The general performance on this question was good. 221 out of 377 candidates that attempted it obtained 13 marks and above out of the total 25 marks available. The highest mark recorded was 23 while the lowest was 1 out of 25. The pass rate was 58.6%.

The question had three parts. Part (a) required candidates to identify five deficiencies in the scenario and their implications as well as recommend a control to address each deficiency and describe a test of control.

Most candidates obtained good marks except for the a few candidates that did not address all parts of the question that involved implications. Some candidates wrote only on two deficiencies and then explained a lot on those two. Others identified the correct deficiency but gave wrong recommendations. Part a (iii) on tests of control was poorly answered. Most of them explained as if it was management that was expected to test internal controls and yet it was the auditors. This resulted in a number of them scoring below the maximum marks that were allocated. Students must know by now that audit verbs that can be used to test controls such as obtain, verify and compare. These are basically action verbs, they compel the auditor to perform or do some work.

Part (b) required candidates to explain five safe guards which Kalulu needed to implement in order to manage conflict of interest. The scenario in the question indicated that there was more than one client to be audited by the same auditors. This therefore required that candidates bring out ways of how to manage the conflict that may arise when auditing more than one client. However, most candidates answered as if the conflict of interest arose from the audit of just one client. They ended up giving answers such as "no member of the audit team should not audit the same client". They ended giving general safeguards to threats and ended up scoring very minimal marks.

Part (c) required candidates to state five threats that are contained within the Code of Ethics and Conduct and then give an example of how each can be created. Most of the candidates gave correct answers' for identifying threats but few mentioned codes of ethics such as Integrity, independence, professional behavior and due care and confidentiality, which were not appropriate for this question.

QUESTION THREE

The general performance on this question was very poor. Only 26 out of 226 candidates that attempted it obtained 13 marks and above out of the total 25 marks available. The highest mark recorded was 21 while the lowest was 0 out of 25. The pass rate was 11.6%.

Part (a) of the question required candidates to explain three audit responsibilities of external auditors in relation to subsequent events. Most candidates responded by stating that auditors should ensure that financial statements are prepared, when in

actual fact this is the responsibility of management. Other wrong answers for instance indicated that auditors should form an opinion without first explaining whether they have a responsibility or not. Others generally explained the auditor's responsibilities instead of focusing on specific responsibilities of external auditors regarding events after reporting date. It's an indication that most candidates did not comprehend reporting in totality.

Part (b) required candidates to explain five audit procedures relevant to audit of accounting estimates. Candidates failed to provide the required answers and as a result lost marks. It is very important that students pay attention to what the question is asking them to do.

In part (c), the question requested candidates to explain the difference between sufficient audit evidence and appropriate audit evidence, giving an example of how each may be affected or influenced.

Some students could hardly differentiate the two and ended up giving answers for sufficiency as complete evidence while appropriate to what type of evidence is needed. Others wrongly explained audit evidence as the actual evidence obtained which is true and fair. In the end no marks were awarded to those who gave incorrect answers.

Part (d) required students to explain the differences between data, and audit software and trade receivables positive confirmation. Some of the wrong answers given stated that trade receivable positive confirmation indicates that creditors agree of the amount they owe to other entity and that they will settle the amount. As a result very few candidates scored well on this question.

QUESTION FOUR

The general performance on this question was very poor. Only 28 out of 197 candidates that attempted it obtained 13 marks and above out of the total 25 marks available. The highest mark recorded was 18 while the lowest was 0 out of 25. The pass rate was 12.2%.

In part (a) of the question, candidates were required to comment on the appropriateness of the audit senior's proposal's for the auditor's report extracts and suggest an appropriate opinion.

Most students did not understand the auditor's reports and the topic reporting in general. Students need to understand the type of modification and circumstances under which those modifications or qualifications can arise. There was also a need to assess whether the reports suggested by the auditor in the scenario was appropriate. The comment should have been whether you are in agreement with the opinion given or not, giving reasons. For instance in the first scenario, candidates were indicating that unmodified opinion was the right one, when in fact it was supposed to be a modified one. Just like the unmodified opinion was expected in scenario 2 and adverse option was expected in scenario 3. Except for a few, most candidates gave an

inappropriate audit opinion. This implied that a number of candidates were just guessing and ended scoring poorly for this part of the question.

(b) (i) of the question asked candidates to identify and explain five assertions relevant to classes of transaction and events. Most of the candidates who answered this part of the question scored maximum marks. The acronym to use by most students should be (ACCA COVER). You can expand the letters in order to get all the assertions.

Part b (ii) required candidates to identify and explain five substantive procedures relevant to the audit of newly acquired property (Land and buildings).

Some candidates that got this answer wrong answered as if the auditor was part and parcel of management. They gave answers such as the auditor should ensure that they verify existence of land which was wrong and others mentioned recalculating depreciation when in fact this the question referred to the new building. The audit procedures for a new building cannot include depreciation as not even a year has passed since the asset has just been acquired.

QUESTION FIVE

The general performance on this question was very good. 215 out of 312 candidates that attempted it obtained 13 marks and above out of the total 25 marks available. The highest mark recorded was 24 while the lowest was 0 out of 25. The pass rate was 68.9%.

Part (a) of the question asked candidates to explain advantages and disadvantages of outsourcing the internal audit department. Generally this was a text book question-answer type. Majority performed well. However there were others who kept on repeating the same point but in a different way though the meaning was the same. For instance mentioning that it is cheaper and the next answer as it is less expensive or it saves money.

Part (b) required candidates to identify corporate governance weakness in (b) i and recommendation to address the weakness in (b) ii. Again most candidates did well but a few generally explained governance weaknesses instead of picking from the scenario such as the chairman performing the role of chief executive director.

In part (c) i, the question required candidates to explain how directors are appointed and in (c) ii explain the responsibility of directors in relation to the accounting function of the company.

Most candidates got the first part correct. However in part (c) I, wrong answers stated that directors are expected to make sure that audit assertions are followed. Such answers again earned no marks. It must be mentioned that director's responsibilities are laid down in the company act which are further explained in the audit manual of Principles of Auditing (DA11).

OVERALL PERFORMANCE OF CANDIDATES

- i. Highest mark obtained in this paper: 74%
- ii. Lowest mark obtained in this paper: 02%
- iii. Overall pass rate in this paper: 31.5%

SUBJECT: DA 12 CORPORATE AND GOVERNANCE LAW.

QUESTION ONE

The general performance on this question was good. 111 out of 174 candidates that attempted it obtained 13 marks and above out of the total 25 marks available. The highest mark recorded was 21 while the lowest was 2 out of 25. The pass rate was 63.8%.

The question was divided into four parts from (a) to (d). Part (a) required candidates to identify five stakeholders from the scenario while (b) required candidates to examine the Government Spokesperson opinion in line with the Organisation for Economic Co-operation and Development (OECD) guidance.

In part (c), candidates were required to explain whether shareholders can sue on behalf of the company.

Part (d) (i) required candidates to explain what is meant by a special resolution in line with the Companies Act. Part (ii) of (d) required candidates to explain what will happen to Platinum Gold Plc when it's wound up in line with the Companies Act.

The following were some common mistakes noted:

- i. Some candidates did not understand the principle of separate legal personality as explained in the case of *Salomon v Salomon Co. Ltd.*
- ii. Candidates defined and explained an ordinary resolution as opposed to the special resolution which requires three fourth majorities for a vote to pass on part (b) of the question.
- iii. Some candidates failed to explain the consequences of winding up a company in line with the Companies Act.

It is suggested that for improvements in future, students need study more and understand the principle of separate legal personality, they should study the case of *Sikanyika and Others v ZCCM*. As for the consequences of winding up, students need to focus more on the relevant provisions of the Companies Act.

QUESTION TWO

The general performance on this question was very good. 164 out of 174 candidates that attempted it obtained 13 marks and above out of the total 25 marks available. The highest mark recorded was 22 while the lowest was 4 out of 25. The pass rate was 83.9%.

This was a compulsory question divided into 3 sub sets. The performance under this question was very good. Part (a) focused on shares. Most candidates got this question correctly and scored between 10 and 18 marks.

Some students were able to define shares as provided for in the Companies Act and even tried to discuss the nature of shares and thereafter answered the question. Under

this part, candidates were required to explain the types of shares a company can offer. The shares include ordinary shares, redeemable shares and preference shares. Most students did so well in this question. The only notable pitfall was that of students failing to precisely give characteristics of each share category. There was a lot of mix up of characteristics. Students were expected to categorically deal with these groups of shares with precision. Those who performed well managed to do so without difficulty, most likely, because they studied the topic, while those who did not do well showed lack of knowledge on the topic.

Going forward candidates must study each topic in detail to enhance their ability to respond to any questions given on the various topics. The topic on shares must not be underestimated by candidates as doing so will be lethal to their passing. Candidates must take time to read and discuss the topics in the manual and avoid selective studying.

On part (b) most candidates did well. They were able to indicate how directors are appointed in companies. Students did answer this question with ease and it seemed they had read well on the topic. Other students were able to discuss briefly the appointment and removal process as well as the powers and limitations attached to the office of the director.

The question required students to show knowledge on the impotence of directors appointments. Some of the candidates even referred to the Companies Act which was good though the said Act has been repealed and replaced. Future candidates must stick to the new Companies Act of 2017. Those who performed well showed knowledge of the topic while those who did not, just used general knowledge.

Aspiring candidates must treat each topic with equal weight and endeavor to grasp all the principles under each topic especially on directors as this is fertile ground for examinations.

QUESTION THREE

The general performance on this question was excellent. 87 out of 98 candidates that attempted it obtained 13 marks and above out of the total 25 marks available. The highest mark recorded was 25 while the lowest was 5 out of 25. The pass rate was 88.8%.

The question had three parts (a) duties of promoters, (b) the purpose of the Cadbury Report and (C) agency by estoppel.

QUESTION FOUR

The general performance on this question was good. 98 out of 157 candidates that attempted it obtained 13 marks and above out of the total 25 marks available. The highest mark recorded was 23 while the lowest was 3 out of 25. The pass rate was 62.4%.

The question had parts (a) and (b). In part (a), candidates were required to explain the concepts of corporate governance of which according to statistics given most of them did so with precision.

The candidates were expected to describe exactly what is meant by the principles of management which were listed in the paper. Those who performed well managed to do so without difficulty, most like because they studied the topic, while those who did not do well showed lack of knowledge on the topic.

Going forward candidates must study each topic in detail to enhance their ability to respond to any questions given on the various topics.

Part (b) was divided into two, (i) and (ii). 174 candidates managed to discuss the importance of directors' remuneration with clarity.

The candidates were expected to show knowledge on the impotence of directors' remuneration and the dangers that surround it. Those who performed well showed knowledge of the topic while those who did not just used general knowledge.

Going forward candidates must treat each topic with equal weight and endeavor to grasp all the principles under each topic.

QUESTION FIVE

The general performance on this question was fair. 52 out of 93 candidates that attempted it obtained 13 marks and above out of the total 25 marks available. The highest mark recorded was 21 while the lowest was 1 out of 25. The pass rate was 55.9%.

The first part of the question was based on agency and the problem that was created in the scenario question was on trust. The agency relationship here on the directors was based on trust and the relationship that once the directors start acting on behalf of the company, there could be breach of that trust, where the directors may pursue their own interest rather than the companies.

Most of the candidates who answered this part did very well as they were able to identify the agency problem that exist when directors act as the agents of the company and the trust that subsists. On the other hand, those who failed to answer did not interpret properly the meaning of the scenario question and the question that was asked. As a result, they wrote anything that came from agency. This showed that they were nor competent to answer such a question.

Prospective students must be able to spend time on the law of agency and identify the following: creation of agency, termination of agency, the duties and rights of the agent and not forgetting the authority that the agent has as this makes up all questions in the exams.

The second part was excellently answered as students were able to explain the duties that Malaika had in relation to being a director which included performance, skill, obedience, conflict of interest or confidence which were created out of the agency relationship.

However, a few students were able to list only without an explanation which made them lose a bit of marks because the question said "EXPLAIN."

Prospective students must have an understanding on the duties that exist on the agent once the agency relationship is created. Once they have this, they are able to apply the same to any scenario question like the one in this question. A scenario question can be given on how agency is created or terminated and it is up to the student using the knowledge on agency to apply the law to the given scenario.

The final part of the question was based on alteration of articles of association under a company. It must be noted that Company law allows a company to alter its articles as a general rule, however, there are certain circumstances that may restrict a company to alter its articles even when there is a resolution which include if the alteration is contract to the Companies Act, a person whose contract is contained in the articles cannot obtain an injunction to prevent the articles being altered, the alteration is void because the majority supporting it are not bona fide in what they deem to be the interests of the company as a whole to mention but a few. Some candidates got the answers wrongly as they were confusing alteration of articles with restriction on the said alteration. Prospective students must be able to read widely on the topic of articles of association as it is the drive on the company. Now, these articles can be altered depending on the circumstances though the law provide for some restrictions where possible. It is vital for a student to read around this area before going in an exam as such are an area of exams.

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: 86.6%