



DECEMBER 2019 EXAMINATIONS

CHIEF EXAMINERS REPORTS

TAXATION PROGRAMME

SUBJECT: C1 BUSINESS MANAGEMENT

QUESTION ONE

The general performance on this question was excellent with 10 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 90.9%. The lowest score was 8, whilst the highest was 20 out of 20 marks.

This question had two parts: It had a total of up to 20 marks. Part (a) required the candidates to explain the use of employee performance appraisal or evaluations to Management while part (b) required them to define Ethics and to explain three (3) unethical issues from the employer and the employee side that may arise from the work place. Most candidates did very well on this question.

QUESTION TWO

The general performance on the question was fair. A pass rate of 53.3% was recorded (8 out of the 15 candidates that attempted it scored 10 and above marks out of 20). The highest score was 18 while the lowest was 0 out of 20.

This question had two parts: It had a total of up to 20 marks. In part (a), candidates were required to explain Penetration Pricing strategy and Price- skimming strategy. Part (b) was required them to identify eight (8) functions of effective managers and to explain how that enables them to manage teams in organisations. The following were mistakes noted:

- i. Most candidates got Penetration pricing correct but most failed on Price skimming strategy.
- ii. Some candidates were mixing this up with the roles of a manager and hence failed to get full marks.

QUESTION THREE

The general performance on the question was good. A pass rate of 60% was recorded (6 out of the 10 candidates that attempted it scored 10 and above marks out of 20). The highest score was 20 while the lowest was 0 out of 20.

This question had two parts. Part (a) was about discussing the factors that act as obstacles to effective delegation. Majority of candidates answered this correctly.

In part (b), candidates were required to explain how goal setting in organisations would motivate employees and increase productivity. This part was equally attempted well by most candidates.

QUESTION FOUR

The general performance on this question was very good. 7 out of the 10 candidates that attempted it managed to get 10 and above marks out of 20. The pass rate recorded was 70%. The highest mark scored was 13 out of 20 while the lowest was 0.

This question required candidates to bring out four (4) characteristics of Coaching and Mentoring as well as explain three (3) main areas of job redesign that would result in improved productivity.

QUESTION FIVE

The general performance on this question was very good. 8 out of the 11 candidates that attempted it managed to get 10 and above marks out of 20. The pass rate recorded was 72.7%. The highest mark scored was 18 out of 20 while the lowest was 3.

This question had two parts. The first part required candidates to explain how social and environmental disclosure by mining companies in Zambia constitutes social responsible behavior. The second part required them to use McGregor's Theory of motivation to discuss the concept of motivation and explain how management style is influenced by the assumptions they hold about their subordinates

OVERALL PERFORMANCE OF CANDIDATES

- i. Highest mark obtained in this paper: 82%
- ii. Lowest mark obtained in this paper: 23%
- iii. Overall pass rate in this paper: 72.7%

SUBJECT: C2 ECONOMICS AND FINANCIAL MATHEMATICS

QUESTION ONE

The general performance on this question was very good. 10 out of the 15 candidates that attempted it managed to get 10 and above marks out of 20. The pass rate recorded was 66.6%. The highest mark scored was 14 out of 20 while the lowest was 5.

The question was divided into two parts namely (a) and (b). Part (a) (i) required candidates to explain whether vitumbuwa was a normal good or an inferior good. To answer this part of the question candidates were required to calculate income elasticity of demand and interpret it. Clearly, income elasticity is 1.25 indicating that vitumbuwa is a normal good. Weak candidates could not calculate the 1.25 let alone interpret it.

Part (a) (ii) required candidates to explain any three factors that affect price elasticity of demand. This is a very popular question but surprising majority of the answers were wayward. Candidates are strongly advised to study.

Part (b) required candidates to explain any four benefits a company can derive from listing on a Lusaka Stock Exchange. The performance was excellent though answers indicated more of common sense rather than studying.

QUESTION TWO

The general performance on this question was very good. 11 out of the 15 candidates that attempted it managed to get 10 and above marks out of 20. The pass rate recorded was 73.3%. The highest mark scored was 20 out of 20 while the lowest was 3.

Part (a) of the question asked candidates to describe the budget cycle using the four stages. Surprisingly, a good number could not do so.

Part (b) required candidates to describe any four advantages of direct taxes to Zambia Revenue Authority. Performance was fair but candidates are advised that understanding taxation is core to this course of study.

Part (c) tested candidates on some basic definitions related to public finance. Performance was fair.

QUESTION THREE

The general performance on this question was excellent. 10 out of the 11 candidates that attempted it managed to get 10 and above marks out of 20. The pass rate recorded was 90.9%. The highest mark scored was 16 out of 20 while the lowest was 0.

This was based on Financial Mathematics. The question was divided into two parts namely (a) and (b). Part (a) was based the Binomial Distribution. It was divided into three sub-parts (i) to (iii) for 9 marks. It required the understanding and application of the Binomial formula. Weak candidates performed poorly here.

Part (b) required candidates to use the net Present value method of project evaluation to accept or reject a project projects A, B and C. This part was worth 11 marks. Performance was mixed with good candidates securing the full 11 marks while weak candidates got nothing. Some weak candidates couldn't even calculate the Discount factors let alone apply them in the computation. Candidates are strongly advised to study the entire syllabus to avoid such problems.

QUESTION FOUR

The general performance on this question was poor. Only 6 out of the 13 candidates that attempted it managed to get 10 and above marks out of 20. The pass rate recorded was 46.2%. The highest mark scored was 16 out of 20 while the lowest was 0.

The question tested candidates on their understanding of Regression Analysis. Performance was poor at a pass rate was 40% with the highest mark scored being 16 out of 20 and the lowest being 0 out of 20. The question was divided into four parts (a) to (d). Part (a) required candidates to find the regression equation. To do this, candidates must find the totals first then use these total to find 'a' and 'b' then substitute to get the regression equation. Many candidates were totally lost!

In part (b) candidates were required to identify the fixed costs from the equation. The fixed costs is simply the value of 'a' i.e. K6,680.

Part (c) required candidates to plot the scatter diagram. This was the easiest simply the x and y values are already given. Some candidates seemed not to know what a scatter diagram is.

The final part required candidates to use the regression equation to predict Y when $X = 10,000$. The problem here is that a candidate who failed to find the correct answer to part (a) couldn't find the answer here.

QUESTION FIVE

The general performance on this question was very poor. Only 4 out of the 12 candidates that attempted it managed to get 10 and above marks out of 20. The pass rate recorded was 33.3%. The highest mark scored was 14 out of 20 while the lowest was 0.

This question tested candidates' understanding of Correlation, Compound interest and Normal Distribution. It was divided into three parts namely (a) to (d). Part (a) (i) and (ii) required candidates to calculate Spearman's rank correlation coefficient for

the given data. Candidates were required to calculate the difference (d) first then square these differences to find d^2 then use the formula to find the required rank correlation i.e. 0.929. (ii) 0.929 implies high positive correlation.

Part (b) required candidates to explain any four negative consequences of unemployment. These include loss of output, loss of human capital, social costs, increased income inequalities, and so on.

Part (c) required candidates to calculate the present value of an ordinary annuity from the given data. It was a direct question since compounding was done annually. However, some candidates couldn't relate 'accumulated value' to mean the sum or entirely forgot the formula!

Part (d) required candidate to use the normal distributions to find the proportion of employees who earn:

- (i) Less than K12,000
- (ii) Between K11,000 and K19,000.

Major weakness was that candidates were scoring half answers. Candidates should know when to add or subtract the calculated proportion to or from 0.5; and when to add or subtract the two areas to find the correct final answer. Further, the use of graphs can greatly help in making this decision.

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. Further the rate of absenteeism was staggeringly too high.

OVERALL PERFORMANCE OF CANDIDATES

- i. Highest mark obtained in this paper: 62%
- ii. Lowest mark obtained in this paper: 20%
- iii. Overall pass rate in this paper: 66.7%

SUBJECT: C3 ACCOUNTANCY FOR TAX PRACTITIONERS

QUESTION ONE

The general performance on this question was very good. 13 out of the 18 candidates that attempted it managed to get 10 and above marks out of 20. The pass rate recorded was 72.2%. The highest mark scored was 20 out of 20 while the lowest was 1.

The question required candidates to prepare the income statement and the statement of financial position as at 30th September 2018.

This was a very good question and was within the syllabus. Candidates got very low marks.

QUESTION TWO

The general performance on this question was very poor. Only 4 out of the 19 candidates that attempted it managed to get 10 and above marks out of 20. The pass rate recorded was 21.1%. The highest mark scored was 19 out of 20 while the lowest was 3.

The question required candidates to explain Non-current assets, depreciation, residual and Asset revaluation. The question also required candidates to explain the difference between capital expenditure and revenue expenditure and to prepare an extract of profit or loss.

This is a standard question. Candidates' relatively got low marks.

QUESTION THREE

The general performance on this question was very poor. Only 4 out of the 18 candidates that attempted it managed to get 10 and above marks out of 20. The pass rate recorded was 22.2%. The highest mark scored was 15 out of 20 while the lowest was 0.

This question required candidates to explain four reasons for extracting a trial balance, list and explain four types of errors which cannot be detected by the trial balance and to prepare the journal entry and also clear suspense account.

This was equally a very good question within the syllabus. However, most candidates got very low marks.

QUESTION FOUR

The general performance on this question was very poor. Only 1 candidate out of the 17 that attempted it managed to get 10 and above marks out of 20. The pass rate recorded was 5.8%. The highest mark scored was 10 out of 20 while the lowest was 0.

This question required candidates to identify ledger divisions and to prepare relevant ledger accounts. This question was equally within the syllabus and it has been examined so many times.

QUESTION FIVE

The general performance on this question was very poor. Only 3 out of the 14 candidates that attempted it managed to get 10 and above marks out of 20. The pass rate recorded was 73.3%. The highest mark scored was 13 out of 20 while the lowest was 0.

This question required candidates to calculate the ratios and comment on the performance and position of the company. This was also within the syllabus though candidates got very poor marks especially on interpretation of ratios.

Overall performance of candidates

- i. Highest mark obtained in this paper: 72%
- ii. Lowest mark obtained in this paper: 11%
- iii. Overall pass rate in this paper: 10.5%

SUBJECT: C4 DIRECT TAXES

QUESTION ONE

The general performance on this question was excellent. 27 out of the 29 candidates that attempted it managed to get 10 and above marks out of 20. The pass rate recorded was 93.1%. The highest mark scored was 18 out of 20 while the lowest was 6.

This question had three parts (a), (b) and (c). In part (a) (i) of the question candidates were required to state the circumstances under which a person will be assessed under turnover tax. Most of the candidates performed well as they ably stated the persons who will be assessed under turnover tax. In part (a) (ii) candidates were required to state any four (4) types of persons that are not liable to turnover tax. Most of the candidate's performance in this part was very well as they correctly stated they type of persons liable to turnover tax

Part (b) required candidates to explain any six (6) tests which are normally used by the Zambia Revenue Authority to distinguish between employment and self-employment. Most of the candidate's performance in this part of the question was extremely good.

Part (c) required candidates to calculate the final amount of income tax payable by a sole trader the charge year 2019. The performance of the candidates was average with well-prepared candidates computing the final income tax payable by Manyama correctly. Some of the candidates were not able to apportion the earnings according to time, hence calculating wrong incomes

QUESTION TWO

The general performance on this question was good. 17 out of the 29 candidates that attempted it managed to get 10 and above marks out of 20. The pass rate recorded was 58.6%. The highest mark scored was 20 out of 20 while the lowest was 2.

This question had two parts (a) and (b). In part (a) candidates were required to calculate the profits to be assessed on each partner for each of the tax years, 2018

and 2019. Most of the candidates performance in this part of the question was below average as they failed to apportion the allocation of taxable business profits to the timings of period ended 31/12/2018,, p/e 31/12/2019 and last 9 months. This led to most of the candidates calculating wrong incomes

In part (b) of the question candidates were required to calculate the final amount of income tax payable by an individual partner for the tax year 2019. Most of the candidate's performance of this part was good especially for those who were well prepared with some scoring full marks

QUESTION THREE

The general performance on this question was very good. 21 out of the 29 candidates that attempted it managed to get 10 and above marks out of 20. The pass rate recorded was 72.4%. The highest mark scored was 20 out of 20 while the lowest was 5.

This question had three parts (a), (b) and (c). In part (a) (i) of the question candidates were required to briefly explain the income tax implications of Plant and machinery purchased under a hire purchase agreement. Most candidates were unable to state the taxation implications as the only stated general remarks. With some of the candidates not stating that Capital allowances is available to the buyer and hire purchase interest are allowable expense as a finance charge

In part (a) (ii), candidates were required to briefly explain the income tax implications of Plant and machinery purchased under an operating lease agreement. The performance by most candidates was above average with well-prepared candidates that the legal owner enjoys capital allowances and the lessee is allowed to deduct lease rentals from the profits

Part (b) required candidates to state any four (4) types of income which is classified as investment income. This part of the question was well answered by most of the candidates.

In part (c) of the question candidates were required to calculate the Company income tax payable/refundable by a limited company for the tax year 2019. Most of the candidate's performance was good with well-prepared ones scoring full marks.

QUESTION FOUR

The general performance on this question was very good. 21 out of the 29 candidates that attempted it managed to get 10 and above marks out of 20. The pass rate recorded was 72.4%. The highest mark scored was 16 out of 20 while the lowest was 4.

This question had two parts (a) and (b). In parts (a) (I) and (a) (ii) candidates were required to explain the commencement and cessation rules which are used to determine the basis period for the accounting period in the relevant years. Most of the candidate's performance was below average in both parts of the question. A high number of candidates showed a lack of knowledge and understanding as far as basis periods is concerned

And in part (b) of the question candidates were required to calculate the maximum capital allowances claimable by the tax payer, taxable business profits and income tax payable for the tax year 2019.

Most of the candidates were able to calculate the Capital allowances correctly and well prepared ones earned the full marks

And in part (ii) of the question the performance was extremely well as most of the candidates scored high marks

QUESTION FIVE

The general performance on this question was very good. 20 out of the 27 candidates that attempted it managed to get 10 and above marks out of 20. The pass rate recorded was 74.1%. The highest mark scored was 18 out of 20 while the lowest was 0.

This question had three parts (a), (b) and (c). In part (a) (I) of the question candidates were required to explain what constitutes a transfer for the purposes of property transfer tax and what such a transfer includes. The performance of the

candidates was average with some candidates correctly mentioning the three methods of transfer, however some of the candidates merely made general comments.

In part (a) (ii) candidates were required to list any five (5) persons who are exempt from property transfer tax. The performance for well-prepared candidates was extremely good as they listed persons who are exempt from paying PTT

Part (b) required candidates to explain how the realized value of transfer of land and buildings, transfer of property to members of the immediate family and transfer of a mining right or an interest in a mining a right are determined. In part (i) most of the candidates correctly stated that the realized value of land and buildings is taken as the higher of the contract price agreed upon by the transferor and transferee and the Open market value

In part b (ii) the performance of most candidates was average with some of them not mentioning that the actual price is either the actual price for or nil if no actual price has been paid

In part (iii) most of the candidates ably stated the realized value being the higher of the mining right, but failed to state the value being determined by the Commissioner General.

Part (c) of the question candidates were required to calculate the amount of property transfer tax (if any) that will be payable on a given transactions involving shares. The performance on this part by most candidates was well

OVERALL PERFORMANCE OF CANDIDATES

- i. Highest mark obtained in this paper: 90%
- ii. Lowest mark obtained in this paper: 11%
- iii. Overall pass rate in this paper: 69%

SUBJECT: C5 INDIRECT TAXES

QUESTION ONE

The general performance on this question was very good. 22 out of the 30 candidates that attempted it managed to get 10 and above marks out of 20. The pass rate recorded was 73.3%. The highest mark scored was 18 out of 20 while the lowest was 5.

This question had five parts (a), (b), (c), (d) and (e). In part (a) of the question candidates were required to explain three (3) advantages and two (2) disadvantages of registering for VAT under voluntary registration. The performance was quite good as most of candidates were able to state the advantages and disadvantages of VAT and most of them scored all the marks.

In part (b) candidates, were required to explain how a tax point is determined in the construction industry. The performance on this part was also good as most of the candidates were conversant with the tax point in the construction industry except a few of them who brought out the general points of the tax point.

Part (c) of the question required candidates to explain what is meant by the "Principles of Estoppel" in VAT cases and give two examples when this may occur and its implications. Most of the candidates did not have difficulties in explaining the "Principle of Estoppel", as a result they scored all the marks on this part. Some candidates nevertheless lost some marks because they did not explain the meaning correctly.

Part (d) of the question candidates were required to state the eligibility of foreign tourists visiting Zambia to a refund of VAT paid on goods purchased from approved retailers which they exported from Zambia. The performance was quite good as most of the candidates were able to answer the question correctly and scored all the marks.

Part (e) of the question candidates were required to explain how the basic tax point is determined.

The performance was above average and those who did not do well, the tax point for the goods is when goods are made available, delivered or collected by the customer. For services, when they are rendered to the customer.

QUESTION TWO

The general performance on this question was very good. 23 out of the 30 candidates that attempted it managed to get 10 and above marks out of 20. The pass rate recorded was 76.7%. The highest mark scored was 15 out of 20 while the lowest was 6.

This question had five parts (a), (b), (c) and (d). In part (a) of the question candidates were required to define Excise duty. Most of them had no difficulties in defining the excise duty as a tax on particular goods or products, domestic or imported. Therefore, the performance was good.

Part (b) (i) candidates were required to State six (6) taxes collected by the Customs Services Division and the basis on which each tax is levied.

Most of the candidates scored all the required marks because they had no difficulties in stating the taxes collected by the Customs Services Division and the basis on which each was levied.

Part (b) (ii) candidates were required to explain the meaning of the term exporter and how goods can be exported. The performance was also equally good on this part of the question. A number of candidates had no difficulties in explaining the term exporter and how goods can be exported. Of course others gave a casual explanation contrary to what was required by the examiner. The correct explanation should have been; an exporter is any person in Zambia who takes goods or cause goods to be taken out of Zambia.

In part (c) of the question, candidates were required to explain the meaning and purpose of the surtax on Carbon Emissions. Some candidates had difficulties in explaining the 'Surtax on Carbon Emissions' and its purpose. However, most of them scored good marks on this part of the question. Candidates should have explained the tax as; an environmental tax on emissions of carbon dioxide and the purpose of the tax is to protect the environment by penalizing emissions of carbon dioxide, which may cause global warming.

Part (d) of the question candidates were required to define the term sale and lease back, explain the VAT treatment for a finance lease to both the lessor and the lessee and to Describe the term partial exemption in relation to leased assets, non-lease assets and other business expenses.

On this part candidates were able to explain sale and lease back but could not explain the VAT treatment for a finance lease to both the lessor and the lessee. This

was also the case with the explanation of the partial exemption. Most of the candidates lost quite good marks on this part.

Candidates should have explained the treatment to the lessor that, the lessor can claim the input tax charged by the seller and the lessee can also claim input VAT on the lease rentals.

As for partial exemption, the lessor is entitled to reclaim the full input tax incurred on the leased assets, non-lease assets and other business expenses.

QUESTION THREE

The general performance on this question was very good. 21 out of the 30 candidates that attempted it managed to get 10 and above marks out of 20. The pass rate recorded was 70%. The highest mark scored was 17 out of 20 while the lowest was 2.

This question had three parts (a), (b) and (c). In part (a) of the question candidates were required to calculate the amount of VAT payable/repayable by limited company for the month of January 2019.

The performance was above average as most candidates managed to compute the VAT payable correctly and scored good marks.

Part (b) candidates were required to explain the conditions which must be met for input VAT on a taxable supply to be recoverable. Most of the candidates were not well prepared on this part of the question and the performance was poor. A few who tried to recall the points could still not score all the required marks.

Part (c) of the question required candidates to explain the steps that should be followed in claiming Bad Debt Relief. Most of the candidates could not address the question but ended up bringing the points in a random manner without following the steps to be followed in claiming the bad debt relief. Candidates should have followed the steps in the chronological order to score good marks.

QUESTION FOUR

The general performance on this question was excellent. 27 out of the 30 candidates that attempted it managed to get 10 and above marks out of 20. The pass rate recorded was 90%. The highest mark scored was 19 out of 20 while the lowest was 7.

This question had three parts (a), (b) and (c). In part (a) (i), (ii) and (iii) of the question candidates were required calculate the Value for Duty Purposes of an

imported Mini-bus, calculate the total import taxes paid by James on the importation of the vehicle and to explain how the Value for Excise Duty purposes on imported goods is determined.

In part (a) (i) and (ii) the majority of candidates performed well on the computation of the VDP and the taxes paid on the importation of the Mini-bus. The performance was equally good on part (iii) where they were required to explain how the value for excise duty purposes is determined.

Part (b) candidates were required to explain any four (4) functions of the Customs Services Division. The performance on this part of the question was also above average as most candidates were able to explain the functions of the Customs Services Division and scored quite good marks.

Part (c) of the question candidates were required explain briefly three (3) conditions which should be met in order for new and returning residents to qualify for this rebate. The majority of the candidates did not perform well on this part because most of them directed their answers towards the issue of residence as opposed to the conditions which should be met in order to qualify for a rebate.

QUESTION FIVE

The general performance on this question was excellent. 26 out of the 30 candidates that attempted it managed to get 10 and above marks out of 20. The pass rate recorded was 86.7%. The highest mark scored was 18 out of 20 while the lowest was 8.

This question had five parts (a), (b), (c), (d) and (e). In part (a) of the question candidates were required to describe the circumstances under which a trader may be permitted to use the extended VAT periods to account for Value Added Tax. Most candidates did not bring the valid points to address the requirements of the question and lost all the marks. Candidates should have stated that traders may be granted extended VAT periods in situations where the trader's business is not continuous on a daily basis.

Part (b) required candidates explain any four (4) items on which input VAT is irrecoverable. The performance was quite satisfactory on this part of the question as most candidates were able to state items on which input VAT is not recoverable, e.g. motor cars, business entertainment, telephone bills petrol etc.

Part (c) of the question required candidates to explain the importance of VAT inspection visits. The performance on this part was average because most of the candidates did not really understand the importance of inspection visits. Most of them ended up bringing general points which could not deal with the question adequately. Candidates should have stated points such as; to ensure that traders are performing their obligations properly, as deterrent to fraud and to sort out problems which arise as regards VAT.

In part (d) of the question candidates, were required to explain the powers of the Customs and Excise Division Officers. The majority of candidates performed well on this part of the question and scored good marks.

Part (e) of the question required candidates to explain matters which are emphasized when inspecting a bonded warehouse.

The performance was average as some candidates managed to score all the marks. The other candidates could not recall all the required points. Otherwise, candidates should have mentioned points like; the warehouse should be within 20km from the controlling office, the doors must be strong and restricted access to the warehouse..

OVERALL PERFORMANCE OF CANDIDATES

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| i. | Highest mark obtained in this paper: | 81% |
| ii. | Lowest mark obtained in this paper: | 43% |
| iii. | Overall pass rate in this paper: | 93.3% |

SUBJECT: C6 LAW FOR TAX PRACTITIONERS

QUESTION ONE

The general performance on this question was excellent. 21 out of the 23 candidates that attempted it managed to get 10 and above marks out of 20. The pass rate recorded was 91.3%. The highest mark scored was 20 out of 20 while the lowest was 8.

There were two parts in this question that is (a) and (b). Part (a) required students to answer whether a counter offer invalidates an offer or not. Part (b) required students to list and explain five elements of contract law

The most common mistake noted here was that in part (a), Students treated a counter offer as equivalent to an offer and in part (b) Students confused elements of a valid contract for terms and clauses in a contract. It is recommended that students should read more on contract law with understanding to be able to appreciate the nature of the questions being asked.

QUESTION TWO

The general performance on this question was excellent. 22 out of the 23 candidates that attempted it managed to get 10 and above marks out of 20. The pass rate recorded was 95.7%. The highest mark scored was 20 out of 20 while the lowest was 9.

This question was answered by all candidates as all question are compulsory. The performance was very good with 90% of the candidates scoring 10 marks and above.

(a) This question was divided into three parts.

(i) Required candidates to identify the rights and liabilities of a carrier under a contract of sale. Majority managed to so.

The question merely required the candidates to identify and briefly write on rights and liabilities of a carrier. Those who performed well did what was expected while those who did not do well displayed ignorance on the topic. Going forward students must study this topic and know it well so as to answer questions based on this topic efficiently according to the expectations of the examiner.

(ii) All candidates managed to answer this part correctly. This part required the candidates to highlight in brief terms, the function of the judiciary as an organ of the government.

The question required candidates to write on the functions of the judiciary. Going forward students must study this topic well and understand how the government operates.

(iii) The performance under this part was good. The question required candidates to identify any two duties of a buyer which they. Going forward candidates must continue studying all topics as this give them the ability to respond to such question correctly.

(b) All candidates here did quite well. The question required them to give the differences between a partnership and a limited company. This is drawn from the topic business entities.

Candidates were expected to differentiate between a partnership and a limited company. Going forward candidates must go through all types of businesses that can be formed, know their characteristics then can be able to differentiate one business entity from the other.

(c) All students did very well under this part. The question required candidates to write on any two remedies available to an employee in employment law. All candidates gave all possible remedies, in most cases exceeding two. Going forward students must study such topics in detail and grasp the principles.

QUESTION THREE

The general performance on this question was excellent. 19 out of the 22 candidates that attempted it managed to get 10 and above marks out of 20. The pass rate recorded was 86.4%. The highest mark scored was 20 out of 20 while the lowest was 0.

This question was attempted by all as it was compulsory and had four parts (a) consideration, (b) Privity of Contract (c) Collective bargaining and (d) Receivership. All the students answered it well. The only challenge was on wrongful dismissal where candidates mistook it for unfair dismissal.

In future, this distinction must be candidly made. The pass rate was at 95%, with a 100% attempt rate as it was compulsory.

QUESTION FOUR

The general performance on this question was excellent. 22 out of the 23 candidates that attempted it managed to get 10 and above marks out of 20. The pass rate recorded was 95.7%. The highest mark scored was 18 out of 20 while the lowest was 9.

This question was answered by all candidates as all questions are compulsory. The performance was very good with all candidates scoring 10 marks and above.

(a) This question was divided into four parts. Part (i) required candidates to identify the existing relationship which was basically "agency relationship." The question merely required the candidates to identify this relationship and proceed.

Going forward students must study this topic and know it. They must also look at scenario questions in the manual for ease of understanding. All candidates got this one correctly.

In part (ii), all candidates managed to answer this part correctly. This part required the candidates to explain briefly how the agency relationship can be terminated. The candidates managed to answer the question with total precision. Future candidates need to study this topic well and appreciate all its facets.

Part (b) of the question required the candidates to simply identify the duties of an employee towards his employer. Candidates were expected to just identify these duties. They managed to do so with ease and almost all candidates scored beyond average. Future candidates are encouraged to study the whole topic in full and appreciate its scope. They are encouraged to look at past papers and also revise the manual in full. Candidates must avoid selective study as this is detrimental to their passing.

In part (c), all candidates did very well under this part. The question required candidates to simply identify the three conditions that must be fulfilled by the seller before the right of stoppage in transit can be exercised.

Going forward students must study such topics in detail and grasp the principles.

In part (d) (i), candidates did well in this question. They were able to discuss hire purchase as a concept and were able to tell that this was a conditional sale agreement. They were able to answer the required question accordingly. Future candidates are expected to emulate these candidates by studying broadly and appreciating all concepts.

(ii) Students were able to tell that this was a conditional sale agreement and were able to distinguish it from hire purchase agreement. Most students did well in this question as a sign that they had read the topics well. Those who failed were totally ignorant of the subject matter. They were guessing in their approach. Future candidates are encouraged to study the topics in full and go through the manual from cover to cover.

QUESTION FIVE

The general performance on this question was good. 14 out of the 23 candidates that attempted it managed to get 10 and above marks out of 20. The pass rate

recorded was 60.9%. The highest mark scored was 19 out of 20 while the lowest was 4.

The general performance on this question was good. Students appeared to have understood the legal concepts which were being tested on. 30% of the students passed the question above 50% while the remainder averaged 30-40%. Otherwise the overall performance for the paper recorded a 100% pass rate.

(a) There being no option to select which question, this question was attempted by every student and about 80% of the students got above 10 marks.

Students were able to identify the powers of the official receiver without difficulty. However, though the question restricted to 4 function of the receiver, other students went ahead to mention more powers than those provided in the solution. Therefore, the question was agreed to be changed to "ANY FOUR" powers of the official receiver. Prospective students must endeavor to read this topic widely and acquaint themselves with all the powers of the official receiver.

(b) The term "Umberimae fidei" was properly explained by almost all the students to mean utmost good faith which entails or requires contracting parties to act honestly and not mislead or withhold any information that is essential to the contract.

However, a few students appeared not to have an idea of this latin term and as a result, they were giving guess work.

Prospective students must try to familiarize themselves with notorious latin maxims found in the student manual

(c) This part was brilliantly answered as almost everyone got the answers correct.

Those who appeared to be lost were only lost to an extent of listing the six (6) but at least were able to list most of the sources required. Prospective students must remember that sources of law in Zambia, is a huge and vital foundational topic that does not miss in the exams. As a foundation topic, it is always in the exams so that the examiner tests that student's legal foundation to the subject.

Overall performance of candidates

- i. Highest mark obtained in this paper: 94%
- ii. Lowest mark obtained in this paper: 50%
- iii. Overall pass rate in this paper: 100%

SUBJECT: D1 BUSINESS INFORMATION MANAGEMENT

QUESTION ONE

The general performance on this question was poor. 4 out of the 9 candidates that attempted it managed to get above 12 marks out of 25. The pass rate recorded was 44.4%. The highest mark scored was 22 out of 25 while the lowest was 4.

The common mistake noted on the question was that candidates did not understand it. Instead writing about challenges that might be faced in a system development project, they wrote about general challenges related to development.

QUESTION TWO

The general performance on this question was very good. 7 out of the 9 candidates that attempted it managed to get 13 and above marks out of 25. The pass rate recorded was 77.8%. The highest mark scored was 18 out of 25 while the lowest was 6.

Some candidates seemed to have not understood features of an automated office, thereby not answering the question well. A lot of them were mentioning the internet, intranet and extranet.

QUESTION THREE

The general performance on this question was excellent. All the 9 candidates that attempted it managed to get above 13 marks out of 25. The pass rate recorded was 100%. The highest mark scored was 22 out of 25 while the lowest was 14.

On question three, some candidates lost marks due to their failure to analyze the argument for and against centralization and decentralization from the scenario given. They were listing advantages and disadvantages of centralization and decentralization.

QUESTION FOUR

The general performance on this question was poor. 3 out of the 9 candidates that attempted it managed to get 10 and above marks out of 20. The pass rate recorded was 66.7%. The highest mark scored was 18 out of 20 while the lowest was 7.

Some candidates lost marks on this question because they could not distinguish between internet, intranet and extranet. The explanations they were giving on internet, intranet and extranet were just the same.

OVERALL PERFORMANCE OF CANDIDATES

- i. Highest mark obtained in this paper: 68%
- ii. Lowest mark obtained in this paper: 413%
- iii. Overall pass rate in this paper: 77.8%

SUBJECT: D2 FINANCIAL MANAGEMENT

QUESTION ONE

The general performance on this question was poor. Only 4 out of the 9 candidates that attempted it managed to get above 13 marks out of 25. The pass rate recorded was 44.4%. The highest mark scored was 18 out of 25 while the lowest was 10.

Part(a) and (b) required candidates to calculate WACC and explain advantages and disadvantages of NPV and IRR. A reasonable number of candidates who attempted this question, answered it correctly, however, those who didn't answer this correctly generally failed to calculate the Conversion value and the cost of debt.

QUESTION TWO

The general performance on this question was poor. Only 4 out of the 10 candidates that attempted it managed to get 13 and above marks out of 25. The pass rate recorded was 40%. The highest mark scored was 19 out of 25 while the lowest was 5.

Majority of the candidates failed to correctly determine the current Share price because the correct interest was not subtracted from the profit before interest and tax i.e $16 - 2 = 14$. The EPS was not correctly calculated because of using wrong figures to calculate it. Value of TPIN presented a lot of difficulties. Students could not multiply the share price by 20m shares.

QUESTION THREE

The general performance on this question was good. 3 out of the 9 candidates that attempted it managed to get above 13 marks out of 25. The pass rate recorded was 66.7%. The highest mark scored was 16 out of 25 while the lowest was 5.

Part (a) and (b) required candidates to calculate the gearing ratio and WACC respectively. Part(c) required candidates to explain the relationship between the financial management decisions. Some candidates failed to calculate the WACC

correctly as well as explaining clearly the relation between financial management decisions.

QUESTION FOUR

The general performance on this question was very good. 7 out of the 10 candidates that attempted it managed to get 10 and above marks out of 20. The pass rate recorded was 70%. The highest mark scored was 23 out of 25 while the lowest was 7.

Part (a) required computation of the weighted average cost of capital (WACC) of the company. To compute the WACC, students needed to derive the equity beta using the asset beta formula. Errors in computing the equity beta resulted in an incorrect cost of equity as a follow through and consequently an incorrect share price.

In Part (b) and (c) of the question were generally well answered. Part (b) required knowledge of the conditions defining an associate and a subsidiary. Part (c) required an understanding of the distinction between the weak form and semi-strong form of market efficiency.

OVERALL PERFORMANCE OF CANDIDATES

- i. Highest mark obtained in this paper: 69%
- ii. Lowest mark obtained in this paper: 16%
- iii. Overall pass rate: 60%

SUBJECT: D3 BUSINESS TAXATION

QUESTION ONE

The general performance on this question was good. 8 out of the 12 candidates that attempted it managed to get above 13 marks out of 25. The pass rate recorded was 66.7%. The highest mark scored was 22 out of 25 while the lowest was 5.

This question had two parts (a) and (b). In part (a) candidates were required to explain the meaning of the norm and gross values in the context of the taxation of mining operations in Zambia. Candidates should have mentioned the Norm value as the cash price quoted on the LME multiplied by the quantity of mineral sold or the monthly metal bulletin cash price multiplied by the quantity of minerals sold or recovered. The Gross value as the sales FOB from the point of export from Zambia.

In part (b) candidates were required to calculate the company income tax payable by Tika Tika Ltd for the tax year 2019. The performance was average as most of them at least made a good attempt and were able to compute the income tax payable. The few who performed poorly was a result of lack of knowledge in the taxation of mining companies.

QUESTION TWO

The general performance on this question was good. 6 out of the 12 candidates that attempted it managed to get 10 and above marks out of 25. The pass rate recorded was 50%. The highest mark scored was 18 out of 25 while the lowest was 0.

This question had three parts (a), (b) and (c). In part (a) candidates were required to explain, using appropriate calculations, the value added tax implications of the disposal of business assets on 31 August 2019. Some candidates lost marks on this part because they calculated the VAT on the original costs exclusive of VAT instead of disposal proceeds. Candidates should have computed the VAT on the disposal proceeds by using VAT inclusive fraction of $\frac{4}{29}$ because the proceeds were VAT inclusive.

In part (b) candidates were required to explain, using appropriate calculations, the property transfer tax implications of the disposal of business assets on 31 August

2019. The performance on this part was equally poor as most of them calculated the property transfer price on all the assets including those which do not qualify. Candidates should have computed PTT on the factory building and administrative building only and not on moving assets (i.e. chattels)

Part (c) required candidates to calculate the final taxable business profits for the years 2018 and 2019 explaining the basis of assessment for the final accounting period commencing 1 January 2018 to 31 August 2019. Some candidates had problems in explaining the basis period of assessment. This therefore affected their calculation of the taxable business profits for the tax years 2018 and 2019. Fortunately, some candidates recovered from the correct computation of capital allowances.

QUESTION THREE

The general performance on this question was fair. 3 out of the 12 candidates that attempted it managed to get 13 above and marks out of 25. The pass rate recorded was 25%. The highest mark scored was 19 out of 25 while the lowest was 4.

This question had two parts (a) and (b). In parts (a) (i) and (ii) candidates were required to explain what constitutes a dividend for taxation purposes and compute the amount that will be regarded as dividend, from the distribution that was made on 1 June 2019., and to calculate the amount of withholding tax on the dividend which had been computed.

In part (a) (i) most of the candidates failed to explain the meaning of a dividend under the Income Tax Act. Candidates should have explained a dividend as any profits distributed whether in cash or otherwise or a reduction of capital which is returned to shareholders etc.

In part (a) (ii) the performance was very poor as the candidates failed to compute the amount of withholding tax on dividends using an appropriate formula except a few of them who were quite knowledgeable and ended up scoring good marks.

Part (b) required candidates to explain the income tax and VAT implications of each of given options of acquiring the manufacturing equipment showing appropriate calculations. The performance was not good because most candidates failed to explain the income tax and VAT implications on each of the financing options provided in the question. The problem was compounded by the wrong calculation of VAT recoverable.

Candidates should have explained the implications as to whether the company would claim capital allowances or not and the effect of interest as to whether it would be an allowable deduction or not.

QUESTION FOUR

The general performance on this question was poor. Only 5 out of the 12 candidates that attempted it managed to get 13 and above marks out of 25. The pass rate recorded was 41.7%. The highest mark scored was 17 out of 25 while the lowest was 4.

This question had two parts (a) and (b). In part (a) candidates were required to calculate the income tax payable by PZG Bank Plc for the tax year 2019. The performance was above average as most of them were able to calculate the income tax payable by the bank based on the calculated adjusted business profit including capital allowances.

In part (b), candidates were required to advise the directors of PZG Bank Plc of the taxation implication of using equity finance and debt finance both from the view point of the company and that of an individual investor. This part of the question was performed poorly as most candidates failed to explain the tax implications of using equity and debt finance both from the view point of the company and the individual investor. Candidates should have mentioned the tax implications in terms of the fees incurred on issuing shared capital and dividends as being disallowable for taxation purposes from the company's point of view. For dividends receivable by the investor, the withholding tax is at 15% and is final. While interest on debt is tax deductible provided the loans are not for capital purposes from the company's point of view and interest receivable will be subjected to withholding tax which is also a final tax.

OVERALL PERFORMANCE OF CANDIDATES

- i. Highest mark obtained in this paper: 63%
- ii. Lowest mark obtained in this paper: 25%
- iii. Overall pass rate in this paper: 58.3%

SUBJECT: D4 PERSONAL TAXATION

QUESTION ONE

The general performance on this question was very good. Only 10 out of the 14 candidates that attempted it managed to get 10 and above marks out of 25. The pass rate recorded was 71.4%. The highest mark scored was 18 out of 25 while the lowest was 4.

This question had two parts (a) and (b). In part (a) candidates were required to explain three methods of giving double taxation relief to a Zambian resident receiving income from foreign sources. The performance on this question was quite good as most of the candidates were very conversant with double taxation relief for foreign tax except a few of them who could not differentiate between unilateral credit relief and unilateral expense relief in their explanation.

Candidates were further required to calculate the income tax payable by Chiwama for the tax year 2019 in part (b). In this part of the question, most candidates ably computed up to the total investment income. Most of the candidates were not able to compute the correct income Tax payable as per question

QUESTION TWO

The general performance on this question was very good. 13 out of the 14 candidates that attempted it managed to get 13 and above marks out of 25. The pass rate recorded was 92.9%. The highest mark scored was 22 out of 25 while the lowest was 12.

This question had four parts (a), (b), (c) and (d). In part (a) candidates were required Describe any two (2) types of persons who are required to pay turnover tax and any four (4) types of persons who are not required to pay turnover tax. Most

candidates in this part of the question performed exceptionally well as they stated the persons who are eligible for turnover tax and those who are not.

In part (b), candidates were required to explain the benefits of presumptive tax for transporters over the regular assessed system. This part of the question was well done by most of the candidates

Part (c) required candidates to calculate the total amount of tax payable for the tax year 2019 in relation to Cindy's intended transportation business. This part of the question was poorly answered as most candidates were unable to correctly compute the tax payable because of lack of knowledge.

In part (d), candidates were required explain to Cindy the meaning and taxation implications of critical illness insurance and whole of life assurance in relation to personal financial protection products. This part of the question was very poorly answered as most candidates were unable to fully explain the meaning of Critical illness insurance and Whole of life insurance. The candidates were also not able to explain the tax implications of the foregoing. Under critical insurance the candidates should have explained the lump sum benefits and the seven core conditions being cancer, coronary artery bypass, heart attack, kidney failure, major organ transplant, multiple sclerosis and stroke The candidates also needed to explain the tax implications. The candidates needed to explain the tax implications of the premiums and policy proceeds.

QUESTION THREE

The general performance on this question was very good. 13 out of the 14 candidates that attempted it managed to get 13 and above marks out of 25. The pass rate recorded was 92.9%. The highest mark scored was 22 out of 25 while the lowest was 8.

This question had four parts (a), (b) and (c). In part (a) candidates were required to explain the reasons why the Zambia Revenue Authority queried Mildred's self-employed status in respect of the contract she signed with Monze Ltd on 1 June 2019. The performance was generally average as most candidates were merely stating the general requirement conditions for self-employment criteria without any reference to the scenario. Candidates should have stated what was happening with Mildred employment status

In part (b) candidates were required to explain the factors that Mildred and Monze Ltd would use to defend Mildred's self-employed status in respect of the contract she signed with Monze Ltd. The candidates again used general requirement status of

self- employed criteria instead of referring and bringing out the issues in the scenario.

In part (c), candidates were required to calculate the income tax payable by Mildred for the tax year 2019. The performance on this part was generally good as most candidates were able to compute the taxable business profit despite not arriving at the correct figure.

QUESTION FOUR

The general performance on this question was very good. 10 out of the 14 candidates that attempted it managed to get 13 and above marks out of 25. The pass rate recorded was 71.4%. The highest mark scored was 24 out of 25 while the lowest was 3.

This question had four parts (a), (b), (c) and (d). In part (a) candidates were required to explain what you understand by an 'employee share option scheme'. The performance of most candidates was correctly answered as they correctly explained the definition and requirement of share option scheme.

In part (b), candidates were required to explain the tax benefits for both the employee and the employer of a share option scheme that is approved for tax purposes. Most candidates' performance on the benefits accruing to the employer and employee was poor. The candidates failed to correctly state the tax benefits accruing to both the employer and employee. The candidates should have stated the tax benefits such as tax credits/allowables in terms of costs to the employer

Part (c) required candidates to explain the requirements to be met for the approval of an employee share option scheme. This part of the question was done very well by most candidates as they fully stated requirements of an employer share option scheme

And in parts (d) (i) and (ii) candidates were required to explain the income tax and NAPSA implications if an additional payment of K100, 000 were to take the form of an additional salary and an additional payment was to take the form of a cash dividend payment respectively.

Both parts of this question were generally poorly answered with most candidates failing to explain the income tax implications:

- i. In part (i) candidates should have explained the tax implications of the additional salary and NAPSA contributions

- ii. In part (ii) candidates should have explained the tax implication of additional income and NAPSA.

OVERALL PERFORMANCE OF CANDIDATES

- i. Highest mark obtained in this paper: 78%
- ii. Lowest mark obtained in this paper: 33%
- iii. Overall pass rate in this paper: 92.9%

SUBJECT: D5 INTERNATIONAL TAXATION

QUESTION ONE

The general performance on this question was fair. 8 out of the 14 candidates that attempted it managed to get 10 and above marks out of 25. The pass rate recorded was 57.1%. The highest mark scored was 24 out of 25 while the lowest was 6.

This question had five parts (a), (b), (c), (d) and (e). In part (a) candidates were required to explain the mercantilism theory of international trade while part (b) required them to explain four (4) benefits of international trade.

In part (c), candidates were required to explain the origin and destination bases for indirect taxes in international trade while part (d) required them to explain the differences between treaty relief and unilateral credit relief as methods of giving double taxation relief.

Part (e) required candidates to compute the income tax payable by Nambi Ltd for the tax year 2019, using unilateral credit relief.

QUESTION TWO

The general performance on this question was very good. 11 out of the 14 candidates that attempted it managed to get 13 and above marks out of 25. The pass rate recorded was 78.6%. The highest mark scored was 18 out of 25 while the lowest was 11.

This question had four parts (a), (b), (c) and (d). In part (a) candidates were required to define money laundering, giving four (4) examples of money laundering activities.

In part (b) candidates were required to explain any four (4) recommendations made by the Financial Action Task Force (FATF) which national governments should implement to effectively deal with international tax avoidance and evasion involving money laundering.

Part (c) required candidates to calculate the tax payable on the estate left by Johnson Kabwe.

In part (d), candidates were required to Explain why the use of joint investigation teams by Zambia Revenue Authority (ZRA) may increase the chances of discovering undeclared assets

QUESTION THREE

The general performance on this question was excellent. 12 out of the 14 candidates that attempted it managed to get 13 and above marks out of 25. The pass rate recorded was 85.7%. The highest mark scored was 20 out of 25 while the lowest was 9.

This question had four parts (a), (b), (c) and (d). In part (a) candidates were required to explain the importance of Foreign Direct Investment (FDI).

In part (b) candidates were required to State any four (4) main incentives for Foreign Direct Investment (FDI) given by countries while part (c) required them to state six (6) main roles of Double Taxation Treaties.

Part (d) required candidates to compute Pinkie Nkhwazi's income tax payable for the tax year 2019.

QUESTION FOUR

The general performance on this question was very poor. Only 3 out of the 14 candidates that attempted it managed to get 13 and above marks out of 25. The pass rate recorded was 21.4%. The highest mark scored was 15 out of 25 while the lowest was 1.

This question had four parts (a), (b), (c) and (d). In part (a) candidates were required to explain the OECD transfer pricing guidelines, especially for developing and transition countries which lack tax administrative capacity.

In part (b) candidates were required to advise the tax implications arising from the invoicing of copper ornaments components at their normal trade selling price less a discount of 5%.

Part (c) required candidates required to explain whether Kapalu Ltd's profit will be subject to Zambian company income tax during the charge year 2019. Ignore any regulations related to Controlled Foreign Company (CFC).

In part (d), candidates were required to calculate the company income tax for Ndalu Ltd for the charge year 2019.

OVERALL PERFORMANCE OF CANDIDATES

- i. Highest mark obtained in this paper: 64%
- ii. Lowest mark obtained in this paper: 36%
- iii. Overall pass rate in this paper: 78.6%

SUBJECT: D6 TAX AUDIT AND INVESTIGATION

QUESTION ONE:

The general performance on this question was very good. 5 out of the 12 candidates that attempted it managed to get 13 and above marks out of 25. The pass rate recorded was 71.4%. The highest mark scored was 18 out of 25 while the lowest was 7.

This question had five parts (a), (b), (c), (d) and (e). In part (a) of the question candidates were required to explain five (5) circumstances under which a Tax Investigation will be initiated. Most of the candidates' performance was average.

In part (b) candidates were required to State any four (4) criminal activities that would bring about tax investigation by ZRA. The performance on this part of the question was average as some of the candidates were able to mention the criminal activities

Part (c) required candidates to briefly explain the term Transfer pricing and the arm's length concept. Most candidates were able to mention what transfer pricing is, however they failed to mention what arm's length principle is all about. The candidates should have stated what the price of a transaction could be using the arm's length principle the candidates should also have stated what a controlled transaction is in relation with the arm's length principle

Part (d) of the question required candidates to discuss why due consideration should be given before a transfer pricing investigation is instituted and state three (3) factors ZRA should consider prior to the investigation. The performance on this part of the question by most candidates was below average as they were unable to mention the factors ZRA will have to consider before instituting an investigation. Matters to be considered are time, materiality, cost-benefit analysis and competent officer.

In part (e) of the question, candidates were required to give four (4) reasons why tax audit activities are important in achieving the Zambia Revenue Authority's Mission.

The candidate's performance was slightly below average as they were only mentioning general terms as to why tax audit is important to ZRA. Candidates should have mentioned audit activities which are important to ZRA such as: Educating tax payers, compliance, detection of non-compliance, data, gather intelligent information and identify areas of law

QUESTION TWO

The general performance on this question was good. 7 out of the 11 candidates that attempted it managed to get above 13 marks out of 25. The pass rate recorded was 63.6%. The highest mark scored was 16 out of 25 while the lowest was 9.

This question had three parts (a), (b) and (c). In part (a) (i) of the question candidates were required to briefly justify losses indexation under Mines and Development Act No 7 of 2007 of the law of Zambia. Most of the candidates were able to explain appropriately the meaning of Indexation rules. However most of the candidates failed to give a justifiable reason for indexation rules. Candidates should have stated the losses indexation is there to avoid exchange losses

Part (a) (ii) required candidates to discuss how the real values of the losses incurred from the mining operations are treated. The candidates performed well on this part as the correctly stated the reason for real values for losses

In part (b) (i),(ii) and (ii) candidates were required Explain the tax treatment of the Roaming charges, discounts to Air time dealers and Network switch expenditure Candidates performance was below average as most of the candidates failed to state the tax treatment of Roaming charges, discounts to airtime and network switch expenditure The candidates should have mentioned of income arising from roaming

being subjected to taxation here in Zambia and Network expenditure being treated as a cost.

Part (c) of the question required candidates to give five factors that determine prices of Bonds. This part of the question was generally answered well by most of the candidates.

QUESTION THREE

The general performance on this question was fair. 7 out of the 12 candidates that attempted it managed to get 13 and above marks out of 25. The pass rate recorded was 58.3%. The highest mark scored was 21 out of 25 while the lowest was 8.

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

In part (a) of the question candidates were required to explain to Mrs. Lengwe the differences between a limited liability company and a company limited by guarantee. This part of the question was poorly answered by most of the candidates as most of them failed to state the purpose of a company formed by guarantee which is nonprofit making. They also failed to give examples such as clubs and societies. Many candidates failed to differentiate between a company limited by guarantee and a limited company.

In part (b), candidates were required to explain to Mrs. Lengwe four (4) methods that she can use to extract profits from her business. This part of the question was generally answered well by most candidates as they correctly stated the methods Mrs. Lengwe could extract profit from her business.

Part (c) required candidates to explain any Five (5) methods that she could use to finance her capital requirements. This part of the question was poorly answered by most candidates as they were giving general sources of financing of the business. Candidates should have restricted to the common sources of finance such as: ordinary shares or equity, preference shares, loan stock, retained earnings and sales of tangible assets.

QUESTION FOUR

The general performance on this question was very good. 9 out of the 12 candidates that attempted it managed to get 10 and above marks out of 25. The pass rate recorded was 75%. The highest mark scored was 21 out of 25 while the lowest was 8.

This question had four parts (a), (b), (c) and (d). In part (a) of the question candidates were required to list seven (7) sources of information that a tax auditor can use to discover hidden income of a tax payer. This part of the question was not well done as most of the candidates were mentioning general statements such as financial statements. Candidates should have restricted themselves to matters like offshore accounts, tax returns and savings accounts and money market funds.

In part (b), candidates were required to briefly explain any four (4) assets that could be transferred when a business is transformed into a limited company.

This part of the question was poorly done by most of the candidates as they were stating general assets instead of restricting themselves to items like assets net of liabilities, a lease of premises and employees' wages and salaries.

Part (c) of the question required candidates to explain the difference between desk Tax audit and Field Tax audit. Most of the candidates performed well on this part as they correctly distinguished the difference between the two.

In part (d) of the question, candidates were required to explain any five (5) types of tax audits. Most of the candidates did quite well on this part of the question.

OVERALL PERFORMANCE OF CANDIDATES

- i. Highest mark obtained in this paper: 68%
- ii. Lowest mark obtained in this paper: 27%
- iii. Overall pass rate in this paper: 75%