



**SEPTEMBER 2020 EXAMINATIONS**

**CHIEF EXAMINERS REPORTS**

**CA ZAMBIA**

## **SUBJECT: CA 1.1- FINANCIAL ACCOUNTING**

### **QUESTION ONE**

The general performance on this question was excellent. 21 out of the 24 candidates that attempted the question achieved more than 50% of the total marks (score of 10 out of 20 and above). The pass rate recorded was 87.5%. The lowest score was 0 while the highest 16 marks out of 20.

This is the multiple - choice section of the paper comprising ten (10) questions each carrying two (2) marks. The question was well attempted by nearly all candidates. It showed that candidates at this level are covering the syllabus fairly well, as questions in this section tend to have a wider area focus.

### **QUESTION TWO**

The general performance on this question was also excellent. 23 out of the 24 candidates that attempted the question got 10 and above out of the available 20 marks. The pass rate recorded was 95.8%. The highest score on the question was 20 out of 20 while the lowest was 5.

What the question required candidates to prepare final accounts of an entity. Part (a) was on a statement of profit or loss while part (b) was on statement of financial position. Most candidates showed a good understanding of the necessary adjustments when preparing final accounts from a trial balance.

The following most common mistakes were nevertheless noted:

- i. A few candidates appeared to have had some difficulties with basics such as the need to accumulate the total depreciation in the statement of financial position as opposed to the annual depreciation charge reported in the statement of profit or loss.
- ii. A number of candidates also showed a lack of understanding of the movement's presentation under the Equity and Liability section of the statement of financial position.
- iii. Other candidates were able to correctly calculate the goodwill amount but then recorded it under current assets rather than under the non – current assets.

### **QUESTION THREE**

The general performance on this question was excellent with 20 of the 22 candidates that attempted it achieving more than 50% of the total marks (10 and above out of 20). The pass rate recorded was 90.9%. The highest score on the question was 17 while the lowest was 9 out of 20.

The question had four (4) parts. Part (a) of the question required candidates to explain the importance of bank reconciliation while part (b) required candidates to explain common explanations for the differences between the cash book balance and the bank statement balance.

In part (c), candidates were to prepare a revised cash book while part (d) was on bank reconciliation statement.

Students did well on the question except for part (d) where some candidates failed to properly determine whether to add or subtract unpresented and uncredited cheques in the bank reconciliation statement.

#### **QUESTION FOUR**

The general performance on the question was excellent. 17 out of the 21 candidates that attempted the question got at least 10 out of the available 20 marks. The highest score on the question was 20 out of 20 while the lowest was 2.

Noted common mistakes included apportioning expenses before adjusting for accruals and prepayments. There were also some candidates who had no clue as to what manufacturing accounts are. The solutions for this group of candidates were a mixture of figures thrown everywhere in the reports without proper classification.

#### **QUESTION FIVE**

The general performance on this question was poor. Only 3 of the 8 candidates that attempted the question achieved more than 50% of the available 20 marks. A pass rate of 37.5% was recorded. The lowest score was 2 while the highest 15 out of 20.

The question required candidates to prepare a statement of changes in equity in part (a) and defining elements of financial statements namely. Assets and liabilities, in part (b), besides explain certain qualitative fundamental characteristics.

In part (a) of the solution, some candidates split the K1.40 into K1.000 and K0.40 as par value and share premium respectively, instead of taking the whole K1.40 as the share premium. The question implied that the issue price was K2.40 (K1.00 + K 1.40). Otherwise, the question was reasonably well done.

For part (b) the definition of elements and qualitative characteristics were correct. The solutions did not, however, include examples to make a full demonstration of understanding of the definitions.

#### **QUESTION SIX**

The general performance on the question was fair. 10 out of the 17 candidates that attempted it achieved a score of at least 50% of the available 20 marks. The highest score on the question was 15 whilst the lowest was 1 out of 20.

The question required candidates to prepare some ledger accounts and determine the gross profit and the net profit from incomplete records. Most candidates avoided this question, which was a good examination strategy. For the few who attempted it, the performance was not impressive.

Candidates had difficulties in calculating the following:

- i. Sales figure, which should have been calculated as follows (cash sales – K16, 890 plus (+) credit sales from the trade receivables ledger accounts – K117, 720).
- ii. Loss on disposal (K6, 000).
- iii. Part exchange allowance (K30, 000).
- iv. Changing profit mark-up to profit margin.

Incomplete records topic is technical and involving, but highly examined. Therefore, Both Lecturers and candidates are advised to spend enough time on this topic for the sake of future examinations.

Candidates are also advised to ensure that they go through the syllabus very well before sitting for the examination.

#### **OVERALL PERFORMANCE OF CANDIDATES**

- i. Highest mark obtained in this paper: 77%
- ii. Lowest score in this paper: 32%
- iii. Overall pass rate in this paper: 91.7%

## **SUBJECT: CA 1.2 BUSINESS STATISTICS**

### **QUESTION ONE**

The general performance in this question was fair. 14 out of the 28 candidates that attempted it got 10 and above out of the available 20 marks. A pass rate of 50% was recorded. The highest mark recorded was 14 out of 20 while the lowest was 6.

This was a compulsory multiple choice question that required candidates to solve a variety of short problems. The questions covered the entire syllabus. Some candidates lost marks on this question due to computation errors.

### **QUESTION TWO**

The general performance in this question was excellent with a pass rate of 92.9% being recorded (26 out of 28 candidates that attempted the question got 10 and above out of the available 20 marks. The lowest score out of the available 20 marks was 2 while the highest was 19.

Part (a) of the question required candidates to interpret discrete and continuous data. Candidates were able to identify data and distinguish between discrete and continuous, but few still had challenges on identifying the types of data.

In part (b) the candidates were required to use basic probability rules to solve for required probabilities. It was observed that most candidates were not able to use correctly the formulae involving probability hence they did not get the correct solutions on this part

Part (c) required candidates to find statistical measures from ungrouped data. The general performance in both parts was very good hence no serious challenges were identified from solutions except on calculation of inter-quartile range, where candidates were observed to use wrong formulae hence getting mostly wrong values.

### **QUESTION THREE**

The general performance on this question was fair. 14 of the 26 candidates that attempted it managed to get at least 10 out of the available 20 marks. The lowest score out of 20 marks was 0 while the highest was 18.

The question was divided into two parts. Part (a) required the candidates to solve for the mean, and variance of grouped data. The question also required candidates to formulate a frequency table. Most candidates did not make the correct frequency table due to doubts on what types of columns could be included in the table hence they lost marks.

Part (b) required the candidates to calculate the measures mean median, inter-quartile range from ungrouped data. The performance on this part was good as most candidates used the correct formulae to solve the required problem.

#### **QUESTION FOUR**

The general performance in this question was fair. 10 out of the 19 candidates that attempted the question managed to get 10 and above out of the available 20 marks. The pass rate recorded was 52.6%. 1 and 18 marks out of 20 were recorded as lowest and highest scores respectively.

Part (a) of this question was more descriptive in nature asking candidates to define and interpret statistics terms and variables. It was observed that most candidates have challenges in definition of statistical terms hence need to study more on definition of terms rather than just solving.

Part (b) required candidates to identify population of interest from a given scenario and state the type of data that can be analyzed from the scenario. Candidates were able to correctly state that the data was quantitative for part (i) and qualitative for part ii.

Parts (c), (d) and (e) emphasized on definition of time series and components of time series data. Most of the candidates were able to define time series and its components but few could not appropriately define the time series and named wrong components.

#### **QUESTION FIVE**

The general performance on the question was good. 18 out of the 28 candidates that attempted it achieved a score of at least 50% of the available 20 marks. A pass rate of 64.3% was recorded. The highest score on the question was 18 whilst the lowest was 0%.

This question was divided into parts (a) and (b). Part (a) required candidates to present given data as a bar chart and perform required calculations from the bar chart. Majority of candidates were able to write correct bar charts but few made bar charts with bars continuous instead of leaving spaces between bars.

Part (b) required candidates to solve a problem that involve discrete random variables from a table that has random numbers and their probabilities. Most candidates correctly solved this problem and were awarded full marks. A few could not identify correct probabilities due to lack of understanding of the conditions given on the question.

## **QUESTION SIX**

The general performance on the question was fair. 5 out of the 10 candidates who attempted it (50%) achieved a score of at least 50% of the available 20 marks. The highest score on the question was 16 while the lowest was 0%.

Part (a) of the question required candidates to define the term forecast. Half of candidates managed to define the term correctly, but others failed to give the correct definition, due to inability to use correct mathematical and statistics language

Part (b) involved solving a problem using least square regression method. Candidates who attempted this question failed due to inability of converting the list of years into a respective list of numbers hence getting a wrong regression equation and wrong forecast for the required year.

## **OVERALL PERFORMANCE OF CANDIDATES**

- i. Highest mark obtained in this paper: 78%
- ii. Lowest score in this paper: 17%
- iii. Overall pass rate in this paper: 64.3%

## **SUBJECT: CA 1.3-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 34 candidates that sat for this paper. The questions covered the entire syllabus. The general performance was very good with a pass rate of 77.8% (7 candidates out of the 9 that attempted the question got at least 10 out of 20 available marks). The highest mark scored was 14 out of 20 while the lowest was 4 out of 20.

### **QUESTION TWO**

The general performance on the question was poor. Only 2 out of the 9 candidates that attempted the question got 10 and above marks out of 20. A pass rate of 22.2% was recorded. The highest score was 14 out of 20 marks while the lowest was 1 out of 20 marks.

This was a compulsory question on Market Structures attempted by all candidates. The question was divided into two parts namely (a) and (b). Part (a) required candidates to draw a diagram representing a hotel operating in monopolistic competition in the short-run. The candidates were required to show the profit maximizing price and quantity. Some candidates mistook this to be a perfect competition as a result got the question wrong. Candidates are urged to understand the Market Structures very well as this is one of the core Learning Outcomes in the syllabus

Part (a) (ii) required candidates to show the total profit area from the graph while (iii) required candidates to show the effect of an increase in fixed costs. This would shift the Average Cost curve upwards thereby reducing the total profit.

Part (a) (iv) required candidates to illustrate the statement that 'production efficiency is a necessary price to pay for product variety'. Many candidates got this one wrong. The key to understanding production efficiency is to know the position of the Average Total Cost curve.

Part (v) required candidates to explain what happens to the equilibrium position of the hotels in the given case in the long run. Freedom of entry and exit will ensure that hotels make only and only normal profits in the long run.

Part (b) required candidates to explain any three (3) aims of competition policy. Many candidates could not give the three points required let alone explaining them. It was badly done.

### **QUESTION THREE**

The general performance on the question was good. 4 out of the 6 candidates that attempted it (66.7%) achieved a score of at least 50% of the available 20 marks. The highest score on the question was 20 while the lowest was 5 marks out of 20.



This was optional question on Costs of Production. The question was divided into three parts namely (a), (b) and (c). Part (a) (i) required candidates to complete the table by finding values for ATC, MC, TR and MR. Performance was fair.

The second part of (a) required candidates to determine the level of output at which profit is the highest. Many candidates failed to get the correct answer because they were looking for output where  $MR = MC$  and couldn't find that. However, profit is the difference between TR and TC. The highest profit occurs at 5 units where profit is 65.

In part (a) (i), candidates required candidates to explain what will happen to the profit in the long run. Explanations given by many students were unsatisfactory. They needed to appreciate the fact that this firm is operating under a Perfectly Competitive Market structure since the selling price is fixed at K50. Freedom of entry and exit under this market structure will ensure that this firm only makes normal profits in the long run.

Part (b) required candidates to explain the term negative externality. Performance was fair.

Part (c) required candidates to outline any three (3) arguments in support of pollution tax and any two (2) arguments against pollution tax. This was poorly done. Some candidates seemed not to know what a pollution tax is all about let alone outlining the arguments in support of and against pollution tax. This is an important cause of market failure which candidates must appreciate.

#### **QUESTION FOUR**

The general performance on the question was excellent. All 9 candidates that attempted the question achieved a score of at least 50% of the available 20 marks ( a 100% pass rate was recorded. The highest score on the question was 16 while the lowest was 10 out of 20 marks.

This was optional question on Demand and Supply Analysis. The question was divided into three parts namely (a), (b), (c) and (d) . Part (a) required candidates to explain any three (3) factors that may cause a shift in the supply of pineapples. Performance was fair though some candidates included the price of pineapples as a supply shifter! Further some candidates merely listed the factors instead of explaining them hence could not obtain the full marks allocated. Candidates must pay particular attention to the question verb used.

Part (b) (i) required candidates to calculate the equilibrium price and quantity using the given equations. All that candidates were required to do was to equate the two functions and the solve for P and Q. Some candidates tried to equate but failed to find the correct values!

Part (b) (ii) required candidates to explain the implication if Zambia decides to trade. The correct explanation here is linked to the correct equilibrium price in (b)(i). Equilibrium price in (b)(i) is \$300 while the equilibrium price on the world market is \$200. Trade would, therefore, not be beneficial to Zambia as the world equilibrium price is below the local equilibrium price.

In part (c), candidates to explain what happens to the equilibrium price and quantity of trade pineapples following discovery of a potentially dangerous fungicide in some locally produced pineapple juice. Performance on this part of the question was poor. Candidates need to know that this discovery will shift the demand curve to the left and not the supply curve. This automatically leads to lower equilibrium price and quantity.

Part (d) required candidates to outline any three (3) measures that the government can put in place to promote pineapple production.

## **QUESTION FIVE**

The general performance on the question was fair. 3 out of the 6 candidates that attempted it (50%) achieved a score of at least 50% of the available 20 marks. The highest score on the question was 19 while the lowest was 5 out of the available 20 marks.

This question examined on International Trade. It was divided into three parts namely (a), (b), (c) and (d). Part (a) (i) required candidates to describe Absolute Advantage Theory while (ii) required them to describe Comparative Advantage Theory.

Part (b) (i) required candidates to outline any four (4) ways a country with a persistent current account deficit in her Balance of Payments can use to finance or cover the deficit. Performance was fair while (ii) required them to outline any three (3) was that a country with a persistent current account deficit can use to correct or rectify the deficit. Some candidates interchanged the ways for financing with those of covering the deficit. To finance simply means raising money to pay for imports which rectifying is about making an end to the deficit.

In part (c), candidates were to explain the meaning of an 'infant industry' argument. It was fairly done.

Part (d) required candidates to explain the meaning of an 'invisible items' in the Balance of payment Account. It was fairly done.

## **QUESTION SIX**

The general performance on the question was also fair. 3 out of the 6 candidates that attempted it (50%) achieved a score of at least 50% of the available 20 marks. The highest score on the question was 20 while the lowest was 4 out of the available 20 marks.

This was optional question on Commercial banks. In part (a), the question required candidates to discuss the three (3) objectives of commercial banks. Some candidates provided functions of commercial banks instead of the objectives as required. All that was need was to explain profitability, liquidity and safety or security. Others even explained the functions of the bank of Zambia. Candidates are urged strongly to address the specific requirements of a question.

Part (b) required candidates to list any three (3) services or products that a client can obtain from a bank branch. Well answered, though some candidates provided advantages of branch banking instead of listing the services or products that can be obtained at a bank branch.

In part (c), candidates were required to list any three (3) services or products that a client can obtain using the bank online platform. There was mixed performance  
Part (d) required candidates to explain the term 'online service platforms'. This was well answered by almost every candidate that attempted the question.

#### **OVERALL PERFORMANCE OF CANDIDATES**

- |      |                                      |       |
|------|--------------------------------------|-------|
| i.   | Highest mark obtained in this paper: | 77%   |
| ii.  | Lowest score in this paper:          | 30%   |
| iii. | Overall pass rate in this paper:     | 66.7% |

## **SUBJECT: CA 1.4- COMMERCIAL AND CORPORATE LAW**

### **QUESTION ONE**

The general performance on this question was excellent. 80 out of the 87 (92%) of the candidates that attempted the question achieved more than 50% of the total available marks (score of 10 out of 20 and above). The lowest score was 6 while the highest was 18 marks out of 20.

### **QUESTION TWO**

The general performance on this question was poor. Only 20 out of the 77 candidates that attempted the question achieved more than 50% of the total available marks (score of 10 out of 20 and above). A pass rate of 26% was recorded. The lowest score was 0 while the highest was 20 marks out of 20.

Question two was a compulsory question that required candidates to identify the correct type of the transaction in the question on part (a). Those who did not do well appear to have not understood the question as a result did not give the correct answer.

Part (b) required candidates to identify the liabilities that Bwalya had from what he had done while part (c) required them to indicate the status of the contract seeing that the company in question had not yet been registered. Most of the candidates gave the correct position on both parts. Some nevertheless lost marks because they failed to identify the correct status of the contract, it indicated that they lacked knowledge on the topic.

### **QUESTION THREE**

The general performance on this question was fair. 32 out of the 58 candidates who attempted the question achieved more than 50% of the total marks (scored 10 out of 20 and above). The pass rate recorded was 55.2%. The highest score recorded on the question out of the available 20 marks was 20 while the lowest was 0.

Part (a) required candidates to provide advice on the defense available in the provided scenario. Candidates managed to identify the legal issue which is negligence and were able to highlight the defenses available to an action for negligence. Those who did not do well were making reference to contractual principles which the question was not based on.

Part (b) required candidates to explain the elements needed for the principal to ratify a contract made by the agent as well as explain the integration test. Most candidates lost marks as a result of giving a wrong definition of the integration test. Going forward students are urged to study each topic in detail and know the principles of each branch of law well.

## **QUESTION FOUR**

The general performance for this question was very good. 59 candidates out of the 80 that attempted the question obtained 10 and above marks out of 20. The pass rate recorded was 73.8%. The highest got 18 while the lowest got 4 out of 20.

This question was divided into four parts (a to d). Most candidates who answered this question performed well. In part (a) of the question candidates were required to explain four sources of Zambian law.

Part (b) required candidates to describe circumstances under which terms may be implied in a contract. Unfortunately most students got this question wrong. This can be attributed to selective study by candidates. Candidates are encouraged to read all topics and practice more often from past papers.

In part (c), candidates were required any two (2) elements or essentials of a partnership. Most of them got this question correct.

Part (d) required candidates to define a contract of sale. Most candidates mixed this contract with ordinary contracts which resulted into loss of marks.

In future candidates are encouraged to read further and appreciate the law regulating Sale of goods as provided for in the Act and the Zica manual.

## **QUESTION FIVE**

The general performance on the question was good. 34 out of the 53 candidates that attempted it (64.2%) achieved a score of at least 50% of the available 20 marks. The highest score on the question was 17 while the lowest was 0 out of the available 20 marks.

The question was divided into four parts (a), b), c) and (d). Part (a) required candidates to explain the powers of the court in share capital reduction while (b) required them to state any four contents of the Directors report. Part (c) required candidates to explain the three main categories of money laundering offences while (d) required them to distinguish annual general meeting from extra ordinary general meeting.

The common mistake noted in part (a) was that of majority of the candidates failing to state the powers of the court. They instead listed down what would happen to share capital when there is reduction of it.

In Part (b), majority who failed stated trivial matters like signature and names the question required the main items in line with corporate governance. Candidates that failed on part (c) did so due to their focus on types of crimes for money laundering instead of categories where those crimes fall. It is recommended that students study

more on reduction of share capital and understand the powers of the court and not only what happens to capital for there to be a reduction.

## **QUESTION SIX**

The general performance for this question was poor. Only 29 candidates out of the 69 that attempted the question obtained 10 and above marks out of 20. A pass rate of 42% was recorded. The highest got 14 while the lowest got 4 out of 20.

This question had four parts (a to d). Under part (a) the performance was good. The question was based on dissolution of companies. This question was testing students' understanding on dissolution of companies. Future candidates are encouraged to address their mind to the topic in full and avoid relying too much on past papers as scenarios are not constant.

Part (b) was based on receivership. Most candidates got this part correct and exhibited some firm knowledge on the subject. The question required students to define and explain a receiver.

Part (c) required students to explain the powers of a receiver and most of them got the question correct.

Part (d) was about the effects of incorporation. The issue is well explained in Salomon v. Salomon and the Zica manual has a lot of information on the issue

## **OVERALL PERFORMANCE OF CANDIDATES**

- |      |                                      |       |
|------|--------------------------------------|-------|
| i.   | Highest mark obtained in this paper: | 69%   |
| ii.  | Lowest score in this paper:          | 21%   |
| iii. | Overall pass rate in this paper:     | 60.9% |

## **SUBJECT: CA 1.5 –MANAGEMENT THEORY AND PRACTICE**

### **QUESTION ONE**

The general performance on this question was excellent. 17 out of the 18 candidates that attempted the question got 10 and above marks out of 20. The highest got 18 out of 20 while the lowest got 8. The pass rate was 94.4%.

This was a multiple choice question, with a total of twenty (20) marks. Most candidates did well on this one.

### **QUESTION TWO**

The general performance on this question was also excellent. 17 out of the 18 candidates that attempted the question got 10 and above marks out of 20. The highest got 20 out of 20 while the lowest got 7. The pass rate was 94.4%.

This was also a compulsory question. It was a case study at Naifwe Tuwineko Mining Company concerning Stakeholder Management.

Part (a) required candidates to define stakeholders while part (b) required them to give examples and explain the role of the Internal, Connected and External stakeholders.

In part (c), candidates were required to explain what stakeholder conflict was.

Part (d) required candidates to state two (2) interests defended and also to explain the problem that may occur if the interests defended are ignored by the Government, Interest groups/pressure groups and Professional bodies.

In all the parts indicated above, candidates answered the question correctly. It appears majority of the candidates understood this section very well and got full marks.

### **QUESTION THREE**

The general performance on this question was fair. 8 out of the 16 candidates that attempted the question obtained 10 marks and above out of 20. The pass rate was 50%. The candidates that scored highest got 16 out of 20 while the lowest got 0.

This question was on corporate governance. Part (a) of it required candidates to define Corporate Governance.

Part (b) required the candidates to describe the terms Agency relationship, Accountability and Fiduciary duty while part (c) required them to describe two (2) potential problems that arise from Accountability.

In part (d), the candidates were required to describe five (5) elements of moral duty.

The performance by most candidates was above average. Those that failed to answer this question appear to have not prepared well on the topic.

#### **QUESTION FOUR**

The general performance on this question was also fair. 7 out of the 13 candidates that attempted the question obtained 10 marks and above out of 20. The pass rate was 53.8%. The candidates that scored highest got 16 out of 20 while the lowest got 2.

This question was about Work Planning and Leadership. It was divided into parts (a), (b), (c) and (d). Part (a) required the candidates to define what Work Planning was.

Part (b) asked the candidates to state four (4) planning activities performed in Work Planning. Quite a good number of candidates confused this for the functions of managers and consequently lost marks.

Part (c) required the candidates to distinguish the leadership styles described by Burns and Boyd, Transactional Leader and Transformational leader. Part (d) asked the candidates to describe any three (3) areas of skills expected of transformational leaders according to Burns and Boyd.

On part (d) quite a good number of students simply wrote leadership skills, people skills, and organizational skills. Such answers are not consistent with the required skills of a Transformational leader.

#### **QUESTION FIVE**

The general performance on this question was poor. Only 3 out of the 8 candidates that attempted it obtained 10 marks and above from the possible 20. The pass rate was 37.5%. The highest mark obtained out of 20 was 20 while the lowest was 0.

This question was about Motivation theories. Part (a) required the candidates to distinguish between Content and Process theories of Motivation while part (b) asked them to explain three (3) weaknesses of Maslow's Theory.

Part (c) was about explaining how Quality Circles act as Motivation for staff. Part (d) asked candidates to describe the four (4) consequences that drive behavior in Skinner's Reinforcement theory.

Generally the performance on this question was above average. Most candidates were able to demonstrate knowledge on this subject matter.



## **QUESTION SIX**

The general performance on this question was excellent. All the 17 candidates that attempted the question obtained 10 marks and above out of 20. The pass rate was 100%. The candidates that scored highest got 20 out of 20 while the lowest got 10.

This question was about Company formation. Most students attempted this question. The question required candidates to describe each of the four (4) concepts of Company formation. Candidates demonstrated understanding of the concepts, and they explained them well.

### **OVERALL PERFORMANCE OF CANDIDATES**

- i. Highest mark obtained in this paper: 84%
- ii. Lowest score in this paper: 38%
- iii. Overall pass rate in this paper: 83.3%

## **SUBJECT: CA 1.6- BUSINESS COMMUNICATION**

### **QUESTION ONE**

This was multiple-choice and was attempted by 26 candidates present. The general performance on this question was excellent. 25 out of the 26 candidates that attempted the question obtained 10 marks and above out of 20. The pass rate was 96.2%. The candidates that scored highest got 18 out of 20 while the lowest got 7 out of 20.

### **QUESTION TWO**

This was equally a compulsory question and the general performance on this question was poor. Only 11 out of the 26 candidates that attempted this question managed to score 10 marks and above out of 20. A pass rate of 42.3% was recorded. The lowest and highest scores out 20 were 0 and 11 respectively.

This question required candidates to write resolution minutes from the meeting notes that were provided in the scenario. The second part required them to state established matters to be considered (an agenda) when conducting formal meetings

The following were common mistakes that were noted:

- i. Candidates provided titles or positions on the list of attendants without indicating their names.
- ii. Failure to include appropriate subtitles provided in the scenario as a guide for minutes
- iii. Wrong format was used for minutes. Some candidates presented letters and agenda items instead of the actual resolution minutes.
- iv. Described the procedures of a meeting which was not supposed to be the case.
- v. Matters to be considered for an annual general meeting was misunderstood as meeting requirements. As a result, some candidates produced wrong answers such as venue required, number of people in attendance, age group, status, just to mention a few.
- vi. Some candidates indicated types of minutes such as narratives and action minutes.
- vii. In some cases, narrative minutes were produced instead of resolution minutes
- viii. The answers did not include any resolutions as requested in the question.
- ix. Failure to number items on the minute document.
- x. Repeated answers and generally very poor grammar.

### **QUESTION THREE**

The general performance on this question was excellent. 16 out of the 18 candidates that attempted the question obtained 10 marks and above out of 20. The pass rate was 88.9%. The candidate that scored highest got 20 out of 20 while the lowest got 1 out of 20.

The following were the common mistakes noted in this question:

- i. 3(a) this question was not well answered because candidates could not explain the difference between (i) validation tests and file check and (ii) Batch processing and online processing. Most candidates could not see the difference because the answers that were given were about the same point.
- ii. 3(b) most candidates listed and explained security issues related to personal websites correctly.
- iii. 3(c) most candidates explained the roles of management information in a business organization correctly.
- iv. 3(d) most candidates distinguished between IT platform and IT services and data management correctly.

### **QUESTION FOUR**

The general performance on this question was good. 11 out of the 18 candidates that attempted the question obtained 10 marks and above out of 20 .The pass rate was 61.1%. The candidate that scored highest got 20 out of 20 while the lowest got 5.

The following were the common mistakes noted in this question:

- i. 4(a) this question was well answered by the candidates, that explained the common uses of spreadsheets.
- ii. 4(b) this part of the question was answered correctly by some candidates but other candidates were writing about types of information systems, instead of components of an information system.
- iii. 4(c) Most candidate gave the correct features of windows operating systems.
- iv. 4(d) Most candidates explained the difference between Centre justification and full Justification correctly.

### **QUESTION FIVE**

The performance on this question was excellent. 19 out of 22 candidates that attempted it managed to get 10 and above out of the available 20 marks. The pass rate was 86.4%. The highest score out of 20 was 18 while the lowest was 5.

In the first part of this question, candidates were required to explain how a message moves from the time the sender originates the idea to the time the receiver responds. Part (b) required them to explain five reasons feedback is an essential component of the communication process.

Common errors noted were as follows:

- i. Some candidates produced diagrams which were wrong and were not part of the answer.
- ii. Some stages of the communication process were left out on the sender and receiver activity.
- iii. Feedback was described instead of providing its importance.
- iv. Generally wrong content and irrelevant answers were produced on this question.

## **QUESTION SIX**

Performance on this question was also excellent. A pass rate of 85% was recorded (17 out of 20 candidates that attempted the question obtained 10 and above marks out of 20). The lowest score was 4 out of 20 while the highest was 18.

Candidates were required to write a letter on behalf of the head of finance to Bibusa Holdings informing them to pay the money they owe or risk legal action from the scenario provided in the question. The second part required them to explain three (3) disadvantages of written communication.

The common errors that were observed were as follows:

- i. Mismatching of the letter elements such as salutation and complementary close
- ii. In some cases, one or no addresses were included in the letter.
- iii. Poor subject line
- iv. Inappropriate language or very poor expressions were used in most answers
- v. Very brief content lacking important details such as outstanding balance and initial payment made. Such details could have been obtained from the scenario provided.
- vi. In some cases, no content was provided apart from the addresses and the complementary close.
- vii. Some candidates mixed up the disadvantages of written communication with oral and non-verbal communication. Generally wrong content was provided on this question.

## **OVERALL PERFORMANCE OF CANDIDATES**

- i. Highest mark obtained in this paper: 73%
- ii. Lowest score in this paper: 20%
- iii. Overall pass rate in this paper: 65.7%

## **SUBJECT: CA 2.1 FINANCIAL REPORTING.**

### **QUESTION ONE**

The general performance on this question was good with 22 out of the 35 candidates that attempted the question achieving a pass (that is a score of at least 20 out of 40 marks), representing a pass rate of 62.9% on the question. The highest score on the question was 33 out of the available 40 marks while the lowest 5.

Part (a) of the question required candidates to explain the terms 'control' and 'significant influence'. Part (b) of the question required candidates to prepare a set of consolidated statement profit or loss and other comprehensive income and the consolidated statement of financial position. Part (c) of the question required candidates to justify the use of fair values in preparation of financial statements by explaining their implication on the reported information.

For solutions to part (a) Majority of candidates defined control correctly and mentioned the ranges of percentage shareholding that grant control (51% or more), significant influence (20% - 49%). Few candidates mentioned other factors such as representation on the board and other factors.

The following are the common mistakes that candidates made when answering part (b) of the question:

- i. Calculated amounts for the share-for-share exchange were included in the calculation of goodwill, but were not credited or added to the share capital and share premium in the consolidated statement of financial position.
- ii. The charge for additional depreciation was not multiplied by 3 years in most cases, and so the amount calculated for group retained earnings from the adjusted after-tax post acquisition retained profit of the subsidiary was overstated. Correspondingly, the minority share of the subsidiary's post acquisition profit was incorrect.
- iii. The unrealized profit arising on inventory sold by the associate was correctly calculated, but the amount to recognize was taken as the full amount instead of the 25% proportion that the group parent company held. In some cases the unrealized profit was subtracted from cost of sales instead of being added.
- iv. Finally, as a result of the errors mentioned above, the NCI share of the current year's after-tax profit was incorrect when calculating the group attributable profit to NCI.

Part (c) was poorly answered and candidates were ill informed of fair values. At best they attempted to define fair values. Yet what was required is to explain why fair values are used in preparing group financial statements, and most candidates did not provide the explanation.

## **QUESTION TWO**

The general performance on this question was poor. Only 12 out of the 27 candidates that attempted the question got a score of at least 10 out of 20 marks. The pass rate recorded was 44.4%. The highest obtained 16 while the lowest got 4 marks out of 20.

This was a 20 mark question and tested candidates on two accounting standards (IFRS 15 Revenue from contracts with customers and IFRS 16 leases).

The question was generally well answered by candidates. Some of the difficulties encountered/common mistakes under part b. (ii) were as follows:

- i. Failure to compute the stage of completion based on costs incurred to date as a proportion of total costs (i.e.  $83\% = K4,000,000/4,840,000$ ).
- ii. Failure to recognise the entire loss (K40,000).
- iii. Ignoring the contract liability (K280,000).

## **QUESTION THREE**

The general performance on this question was fair. 17 out of the 33 candidates that attempted the question achieved a pass (that is a score of at least 10 out of 20 marks), representing a pass rate on the question of 51.5%. The highest score on the question was 18 out of the available 20 marks while the lowest 1.

This was a typical financial reporting question which would be expected in every paper at this level. It was testing candidates on the preparation of financial statements including the statement of profit or loss (SPL) and the statement of financial position (SFP).

The question was attempted by most candidates and was generally well answered by the majority of candidates. This showed that most candidates are taking time to master this key area of the syllabus. A small number of candidates however still showed a lack of appreciation of basic principles such as the need to accumulate total depreciation in the statement of financial position, the determination of the carrying amount for non-current assets when there has been a revaluation and the order of presentation for items in the statement of financial position.

## **QUESTION FOUR**

The general performance on this question was poor. Only 1 out of the 6 candidates who attempted the question achieving a pass (that is a score of at least 10 out of 20 marks), representing a pass rate of 16.7% on the question. The highest score was 18 while the lowest was 2 out of 20.

The question was a 20 mark and was on selected accounting standards on fair value measurements and financial instruments. Most candidates displayed complete lack of knowledge and understanding of the applicable standards (IFRS 13, IFRS 9 and IAS 32), although the standards are in the syllabus. Question 4 was either poorly answered or not attempted at all.

Many candidates expressed ignorance on financial instruments. Future students are advised to study all areas of the syllabus as the exam is not going to discriminate syllabus areas.

Candidates are advised to have an understanding of each area of the syllabus to increase their chances of passing.

It appeared that many candidates had little or no knowledge of IFRS 13 and Financial instruments. The Financial Reporting examination requires a deep understanding and knowledge of the Conceptual Framework and IFRSs.

Candidates are, once again, reminded of the importance of reviewing past papers to identify the skills required in applying their knowledge in the examination. Covering the entire syllabus is a must.

## **QUESTION FIVE**

The general performance on the question was very good. 26 out of the 33 candidates who attempted the question achieved a pass (that is a score of at least 10 out of 20 marks), representing a pass rate of 78.8% on the question. The highest score on the question was 19 out of the available 20 marks while the lowest 4.

The question was testing candidates on the generally accepted financial accounting principles as espoused in the Conceptual Framework for Financial Reporting. It also covered fundamental accounting concepts including; the going concern, accruals, assets and liabilities. It further tested candidates on their understanding of the difference between Accounting policies and Accounting estimates.

The question was generally well attempted by most candidates and the overall performance was well above average. A number of candidates however were a little confused on the distinction between an accounting policy and an accounting estimate.

## **OVERALL PERFORMANCE OF CANDIDATES**

- |      |                                      |       |
|------|--------------------------------------|-------|
| i.   | Highest mark obtained in this paper: | 73%   |
| ii.  | Lowest score in this paper:          | 20%   |
| iii. | Overall pass rate in this paper:     | 65.7% |



## **SUBJECT: CA 2.2 – MANAGEMENT ACCOUNTING**

### **QUESTION ONE**

The general performance on this question was very poor. Only 2 out of the 40 candidates that attempted the question achieved more than 50% of the total marks (score of 20 and above out of 40). The pass rate recorded was 5%. The lowest score was 1 while the highest 26 marks out of 40.

This was a 40 marks compulsory question. It comprised four parts. Part (a) was on flexible budgeting, part (b) on advanced variance analysis, part (c) inventory control and part (d) CVP-Analysis.

The following were the common mistakes noted:

- i. Most of the candidates attempted to calculate the number of rooms instead of room nights at the given occupancy levels on part (a).
- ii. Another mistake noted on part (a) was that some were unable to apply high low technique leading to failure to compute the flexed budgeted profit, flexed budgeted break-even sales value for quest rooms profit centre and cafeteria's variance report.
- iii. Another part that was poorly attempted was (c). Candidates could not use the correct cost per order. They left out the carriage costs. The correct cost per order was K55 (K50 carriage cost plus K5 ordering cost) and not K5.

### **QUESTION TWO**

The general performance on this question was good. 25 out of the 38 candidates that attempted the question achieved more than 50% of the total marks (score of 10 and above out of 20). The pass rate recorded was 65.8%. The lowest score was 4 while the highest 19 marks out of 20.

The question was divided into five parts. Part (a) was examining candidates on the analysis of total cost into its behavioral elements is essential for effective budgetary planning and control purposes comment on the classification of cost by behavior and explain how it is useful for budgetary planning and control. Candidates obtained good marks as they were able to explain fixed costs, variable costs and few could also mention stepped costs. However most students failed to explain semi variable and stepped costs as a results lost these marks

Part (b) was poorly answered as students used wrong variables instead of picking 10,000 units for the lowest output used 11,000 units. This made the high low method calculation of the variable cost per unit and the fixed cost component of the operation wrong.

In part (c), candidates were expected to assume a selling price of K12.00 per unit, a budgeted sales level of 12,500 units and the fixed and variable costs calculated in (b) above, define and calculate the break- even point and the margin of safety (in units) for the operation. This part was also poorly answered and candidates lost good marks.

Part (d) of the question proved to be difficulty to the candidates. Almost all candidates failed to obtain good marks due to the use of wrong information in (b) above, to determine how many units should be sold to achieve a target profit of K20,000.

Part (e) required candidates to state three (3) key assumptions that are made in the use of cost volume profit analysis techniques. This was well attempted.

### **QUESTION THREE**

The general performance on this question was very poor. None of the 14 candidates that attempted the question achieved more than 50% of the total marks (score of 10 and above out of 20). The pass rate recorded was 0%. The lowest score was 0 while the highest 8 marks out of 20.

The question was divided into three parts (a to c). Part (a) required candidates to apportion common costs to products using an appropriate basis and profits before further processing. Performance on this part was poor. Very few candidates could apportion costs correctly because they ignored the subtraction of income from losses. A number of candidates prepared " T" accounts for products A,B,C and D.

In part (b), advice on the optimal processing of products to maximize profits as well as an explanation of relevant and irrelevant costs was required. This part was not well attempted especially that candidates worked on a total basis rather than per unit and did not know how to treat additional processing costs.

Part (c) required an explanation of two examples of relevant costs in decision making. This part was generally well answered.

### **QUESTION FOUR**

The general performance on this question was poor. Only 11 of the 34 candidates that attempted the question achieved more than 50% of the total marks (score of 10 and above out of 20). The pass rate recorded was 32.4%. The highest score was 18 while the lowest 2 marks out of 20.

The question had three requirements. Part (a) required candidates to calculate the profit per unit for the given product and the total profit for Zambezi Ltd using the current costing method. Part (b) required them to calculate the profit per unit for each product and the total profit for Zambezi Ltd using the proposed Activity based

costing method. Part (c) was about explaining why Zambezi Ltd should consider changing to an ABC approach.

For both parts (a) and (b) candidates were missing out the overheads hence failing to fully cost each unit. The cost drivers in certain cases were also a problem to determine by most students. For example to get the total number of set ups, one needs to multiple the number of batches against the setups per batch.

In part (c), candidates failed to use the information in the scenario to give reasons for change.

## **QUESTION FIVE**

The general performance on this question was fair. 18 of the 31 candidates that attempted the question achieved more than 50% of the total marks (score of 10 and above out of 20). The pass rate recorded was 58.1%. The highest score was 17 while the lowest 0 marks out of 20.

In this question, candidates were requested to provide discursive solutions to the zero based budget. In part (a) some candidates had challenges in identifying six (6) factors to be considered when implementing a system of Zero-Based budgeting within a given limited company.

Part (b) basically requested candidates to explain the behavioural problems of that the management of a given company might encounter in implementing a system of zero-based budgeting. Candidates failed to explain the behavioural problems that the management of a given company might encounter in implementing a system of zero-based budgeting. Many candidates focused on the challenges associated with zero budgeting instead of the human aspects. However some candidates who were ready managed to score good grades.

Some candidates were bring out operational problems instead of behavioral.

In part (c) here candidates were requested to explain how the implementation of a zero-based budgeting system in a given company may differ from the implementation of such a system in a 'not for profit' health organization. A number of students listed the steps involved in the implementation ZBB ignoring the key verb of 'explain'. The interpretation of a 'not for profit' organization was wrongly done particularly the application of zero-based budgeting system in a health organization.

## **OVERALL PERFORMANCE OF CANDIDATES**

- |      |                                      |       |
|------|--------------------------------------|-------|
| i.   | Highest mark obtained in this paper: | 70%   |
| ii.  | Lowest score in this paper:          | 22%   |
| iii. | Overall pass rate in this paper:     | 17.5% |

## **SUBJECT: CA 2.3- AUDITING PRINCIPLES AND PRACTICE**

### **QUESTION ONE**

The general performance on this question was good. 57 of the 81 candidates that attempted the question achieved more than 50% of the total marks (score of 20 and above out of 40). The pass rate recorded was 70.4%. The highest score was 37 while the lowest 8 marks out of 40.

This is a compulsory scenario based question divided into seven parts and the following were observed in each of the parts:

Part (a) of the question required candidates to explain the factors that the statutory auditor will consider in evaluating the internal audit department of Investec Ltd. A majority of the candidates were able to do this and scored maximum marks.

Some candidates misunderstood the question and evaluated the need to use internal audit instead of discussing matters or factors that will be considered when evaluating the effectiveness of the internal audit department before deciding to use the work of the department.

A few candidates explained internal controls instead of the internal audit department.

Part (b) required candidates to identify and explain five corporate governance weaknesses and to recommend improvements for each. Most of the candidates scored maximum marks and ably identified and explained the required weaknesses.

A few candidates scored low marks largely because of the following:

- i. Some candidates explained less than the required five weaknesses and obtained marks in proportion to the correct weaknesses explained.
- ii. Some candidates simply listed weaknesses without any explanations. At this level of the examinations candidates are expected to explain why they consider them as weaknesses.
- iii. There were candidates who confused corporate governance weaknesses with ethical threats by discussing matters such as accepting gifts etc.

Part (c) was knowledge based question requiring candidate to explain the benefits to Investec Ltd of establishing an audit committee.

A majority of the candidates scored high marks and ably explained the benefits of establishing an audit committee. For 4 marks candidates should have taken this to be indicative of the number of points that should be given.

There were candidates who scored low marks and the following were observed: Some candidates gave less than the expected four benefits of establishing an audit committee.

There were candidates who gave answers that were too brief to attract maximum marks. For example, that 'audit committee will assist in determining remuneration, establish and implement control' without further explanation.

Part (d) was also a knowledge based question requiring candidates to explain five statutory rights of the auditor. Some candidates lost marks largely because they explained rights that are not in the statute. There were candidates who could not distinguish between statutory rights and duties.

Part (e) of the question required an explanation of review engagements and how they differ from audits of financial statements.

Most of the candidates scored low marks in this question. A number of candidates lost marks because they mistook review engagement for the work performed by the auditor in the review stage of an audit of financial statements. Candidates should have observed that these could be an alternative engagement to an audit and should have discussed the level of assurance in this engagement compared to that of an audit.

In part (f), candidates were required to explain six ethical issues in the audit of Mwalusaka & Co. Most candidates ably identified and explained the ethical issues.

A majority of the candidates scored high marks in this part of the question as well as part (g) which was related to this part. There were few who lost marks and the following were observed:

- i. Some candidates confused ethical issues with corporate governance weaknesses. Ethical issues are those that are related to the fundamental principles. There were answers such as there being no audit committee, setting of remuneration by the Director of Finance both of which are not ethical issues. Candidates should know that the scenario question will have information relevant to a number of topics and should ensure that they use the correct information in answering questions.
- ii. There were other candidates who gave less than the required number of ethical issues and so scored marks proportionate to the matters correctly discussed.

Part (g) required candidates to suggest suitable safeguards to the ethical issues identified in (f). Presentation in answering this part is important in order to save time. Candidates could have answered parts (f)/(g) together in a table form rather than deal with them separately.

The performance was generally good but some candidates lost marks because: Some candidates gave safeguards that must be put in place by management such as employing a tax expert. The safeguards required are those by the firm. Generally

ethical matters relate to the audit firm while corporate governance issues relate to the client.

### **QUESTION TWO:**

The general performance on this question was good. 55 of the 78 candidates that attempted the question achieved more than 50% of the total marks (score of 10 and above out of 20). The pass rate recorded was 70.5%. The highest score was 15 while the lowest 1 marks out of 20.

A total of 81 candidates attempted this question and 55 candidates scored half or more of the available marks. The average score was 11 out of the maximum available marks.

Part (a) of the question required candidates to explain the importance of evaluating the internal control systems of an audit client.

The performance in this question was generally good. There were nevertheless candidates who scored low marks because they explained the importance from the point of view of the audit client.

Part (b) required candidates to identify and explain six deficiencies in the control system of Kalabo Ltd. Some common mistakes noted among those that did not do well on the question included the following:

Some candidates explained less than the six deficiencies required in answering the question and so scored marks in proportion the number of deficiencies correctly identified and explained.

There were candidates who confused internal controls with ethical threats. No marks were awarded for discussing ethical issues in answering this part of the question.

There were candidates who gave more than the required six matters and so wasting valuable examination time.

Some candidates explained matters of corporate governance such as defining the meaning of corporate governance.

In part (c) of the question, candidates were required to suggest improvements on the control weaknesses identified in ((b). A few candidates gave tests of controls which were clearly not asked for and lost marks as a result.

Part (d) of the question required candidates to recommend two audit procedures that should be performed to test the effectiveness of the controls in Kalabo Ltd. Some candidates gave tests of control related to the payroll system instead of the control environment.

### **QUESTION THREE:**

The general performance on this question was poor. Only 11 of the 34 candidates that attempted the question achieved more than 50% of the total marks (score of 10 and above out of 20). The pass rate recorded was 24.4%. The highest score was 16 while the lowest 0 marks out of 20.

Part (a) of the question required candidates to explain the given form of circularization and also state two advantages of this method. It also required candidates to explain the alternative to positive circularization which is the negative form of circularization. Most candidates correctly observed that this was a positive form of circularization but a good number did not bother to state any two advantages of this form of circularization and lost the available marks for doing so.

Other mistakes that resulted loss of marks on this part were as follows:

- i. Some candidates stated that the form of circularization was negative suggesting that they did not know the forms of circularization of receivables.
- ii. Some candidates simply explained the meaning of circularization and in some cases wrongly. For example, that a circularization letter provided by the client upon request by the Auditor and with an advantage of a smooth running of substantive procedures and also acts as a fast and efficient way of gathering audit evidence.
- iii. Some candidates identified the alternative form as the positive form when it is the negative form of circularization.
- iv. Others simply seemed not to know the alternative with answers such as physical visitation or phone calls and yet these could be the responses when no responses are received by the auditor.

Part (b) (i) required candidates to explain the meaning of written representations. It was disappointing to note that most of the candidates did not know the meaning of written representations and the following were noted:

- i. Some defined written representations as management consent of their duty and acceptance of assertions.
- ii. Others defined written representations as disclosures that management makes before an audit starts to the responsible external auditors.

Candidates should have stated that written representations are written statements obtained by the auditor from management of a client company to confirm certain matters or to support audit evidence. They form part of the evidence obtained by the auditor when performing an audit.

Part (b) (ii) required candidates to use their knowledge of ISA 580 Written representations to identify and explain four issues for which written representations would be required in the audit of Kudu Plc. Candidates lost marks because:

- i. In some cases, less than the required four issues were explained.
- ii. General answers on written representations without relating them to the audit of Kudu Plc did not attract maximum marks.
- iii. It was evident that many candidates do not understand the meaning and use of written representations.

Candidates were expected to identify from the information in the scenario matters for which written representations will be required by the auditors. Candidates should know the general requirements in accordance with ISA 580 such as

acknowledgement by management of its responsibilities to prepare financial statements and put in place suitable controls and also written representations required by ISAs such as ISA 240 which specifies the written representations required from management regarding fraud.

The third part of (b) required candidates to explain the action the firm will take in the event that management of Kudu Plc does not provide the requested written representations.

#### **QUESTION FOUR**

The general performance on this question was fair. 41 of the 79 candidates that attempted the question achieved more than 50% of the total marks (score of 10 and above out of 20). The pass rate recorded was 51.9%. The highest score was 15 while the lowest 0 marks out of 20.

Part (a) of the question required candidates to explain the five elements of an assurance engagement.

The majority of the candidates scored maximum marks and were able to explain the elements of an assurance engagement.

In part (b), the candidates were required to list five indicators of low risk clients and further explain whether Mwelwa Plc is a high risk client or not. Most of the candidates scored high marks. There were candidates who scored low marks because they gave less than the five indicators required. Some of them did not address the part of the question which required an explanation of whether Mwelwa Plc is a high risk client or not.

Part (c) required candidates to distinguish between modified and unmodified opinions. Most of the candidates scored well in this part of the question and scored maximum marks.

#### **QUESTION FIVE**

The general performance on this question was very poor. None of the 39 candidates that attempted the question achieved more than 50% of the total marks (score of 10 and above out of 20). The pass rate recorded was 0%. The highest score was 8 while the lowest 0 marks out of 20.

Part (a) of the question required candidates to explain why cut-off audit tests are important when auditing bank balances if Jump Ltd.

Most candidates scored very low marks in this question. Candidates gave audit tests of bank balances instead of explaining the importance of cut off tests for bank balances.



Candidates should have discussed the risk of window dressing with a view to show a healthier financial position than actually the case. This could be achieved by recording bank transactions in the cash book around the year end in the wrong accounting period deliberately.

Part (b) required candidates to describe two cut-off tests for bank balances. The performance was poor with many candidates showing lack of understanding of cut off tests. Most candidates explained general audit procedures for bank balances with a view to confirm whether bank balances are correct. Audit procedures for bank balances should relate to transactions in the cash book to ensure that they are recorded in the correct accounting period. This will include tests to ensure that the year-end cash book is not kept open to allow receipts for the subsequent year to be recorded in the year under review.

In part (c), candidates were required to explain why the audit of inventory usually poses problems to the auditors.

Most candidates gave unsatisfactory answers to this question. Candidates should have concentrated on the risk in determining closing inventory because it does not come out of the double entry book keeping. Further, depending on the nature of the industry the auditors may not have the skills to value inventory and may require the services of auditor experts.

Part (d) of the question required candidates to recommend six audit procedures that should be performed on inventory after the inventory count.

Most candidates performed poorly in this part of the question. Candidates need to understand that the auditor has audit work before, during and after the inventory count. In this case the work after the inventory count was required. A large number of candidates gave audit procedures during the inventory count for which no marks were awarded. Others failed to give the required six procedures and so losing the marks for the procedure not given.

The procedures after the inventory count are largely related to test for completeness to ensure that all inventory counted is included in the final inventory sheets and also to check for valuation to ensure that it is done in accordance with ISA 2. The auditor also follows the results of the test counts to the final inventory sheets and ensures any discrepancies are resolved and also how obsolete and damaged inventory is dealt with.

### **OVERALL PERFORMANCE OF CANDIDATES**

- |      |                                      |       |
|------|--------------------------------------|-------|
| i.   | Highest mark obtained in this paper: | 75%   |
| ii.  | Lowest score in this paper:          | 21%   |
| iii. | Overall pass rate in this paper:     | 52.4% |

## **SUBJECT: CA 2.4 -TAXATION**

### **QUESTION ONE**

The general performance on this question was poor. Only 26 of the 93 candidates that attempted the question achieved more than 50% of the total marks (score of 20 and above out of 40). The pass rate recorded was 28%. The highest score was 35 while the lowest 2 marks out of 20.

This question examined Taxation of companies and was generally poorly answered. Part (a) required candidates to compute capital allowances on implements plant & machinery and buildings and was generally poorly answered by virtually all the candidates.

The most common mistakes made by candidates included:

- i. Failure to use the VAT exclusive cost of the assets to compute wear and tear allowances available given that the assets were stated at their VAT inclusive costs. Capital allowances are always computed using the VAT exclusive costs except for assets on which input VAT is irrecoverable such as motor cars in which case the VAT inclusive value is used.
- ii. Failure to restrict the disposal proceeds of the pool car to original cost, given that it was sold for disposal proceeds which were higher than the original cost of the asset.
- iii. Failing to determine what parts the building structure constructed during the year would be classified as industrial buildings and the parts to be classified as commercial buildings. Although most candidates managed to apply the 10% test, they failed to interpret their results correctly.

Part (b) required candidates to compute the final taxable business profit after capital allowances and was poorly answered as most candidates failed to identify disallowed expenditure in computing the taxable profits for the company.

Part (c) asked candidates to compute income tax payable by the company for the charge year 2020 and was also generally poorly answered.

The most common mistakes made by candidates in answering this part of the question included:

- i. Failure to adjust the tax rate by 5% from 35% to 30%. This was required because the company had issued 45% of shares to indigenous Zambians.
- ii. Failure to gross up the investment income for tax purposes. The question indicated that the investment income was the actual amounts received. This meant that there were net amounts and needed grossing up.

- iii. Including dividends from shares of non-mining companies in the income tax computation, which was wrong seeing that WHT on dividends is a final tax, and as such the dividends are not assessed to further tax.

## **QUESTION TWO**

The general performance on this question was fair. Only 35 of the 74 candidates that attempted the question achieved more than 50% of the total marks (score of 10 and above out of 20). The pass rate recorded was 47.3%. The highest score was 17 while the lowest 2 marks out of 20.

The question required the computation of income tax payable by a Zambian resident employee receiving income from foreign sources.

The most common mistakes by candidates who performed poorly on this question included:

- i. Failing to distinguish taxable emoluments from exempt emoluments received by the tax payer by the tax payer during the year.
- ii. Deducting payments made by the tax payer during which are not allowable in computing the taxable employment income.
- iii. Failing to compute the double taxation relief on the dividends and debenture interest received from foreign sources. Candidates specifically faced challenges in computing the Zambian tax charge attributable to both of the above foreign investment income.

## **QUESTION THREE**

The general performance on this question was poor. Only 13 of the 36 candidates that attempted the question achieved more than 50% of the total marks (score of 10 and above out of 20). The pass rate recorded was 36.1%. The highest score was 18 while the lowest 2 marks out of 20.

This question which examined Taxation of mining operations was generally poorly answered by most candidates. Part (a) required candidates to produce a computation of the taxable mining profits for the company.

The most common mistakes made by candidates in answering this part of the question which resulted in poor performance included:

- i. Failure to compute the correct amount of mineral royalty tax to be disallowed when computing the taxable profits.
- ii. Failing to identify the correct disallowed expenses incurred by the company to be added back when computing taxable profits.

- iii. Computing the indexation of the mining loss brought forward wrongly and hence providing for an incorrect loss relief.
- iv. Using the wrong rates in computing the capital allowances claimable by the company.

Part (b) asked candidates to calculate the amount of company income tax payable by the company and was also poorly answered. Common weaknesses included:

- i. Not grossing up the copy rights royalties and tax then at the company income tax rate of 35%.
- ii. Including the dividend income in the company income tax computation, which was wrong given that the WHT on dividends is final tax.
- iii. Failure to use the correct rate of company income tax rate of 30% to compute income tax on the tax adjusted mining profits.
- iv. Failure to deduct the withholding tax already at source by the company, when computing the final company income tax.

#### **QUESTION FOUR**

The general performance on this question was good. 50 of the 80 candidates that attempted the question achieved more than 50% of the total marks (score of 10 and above out of 20). The pass rate recorded was 62.5%. The highest score was 20 while the lowest 3 marks out of 20.

This question which examined Customs and Excise duty and Value Added Tax. Part (a) required candidates to compute the customs value of a panel van including the total import taxes paid on the importation of the vehicle and was fairly well answered with the exception of a few candidates who faced the following challenges in answering the question:

- i. Omitting from the VDP computation the clearing and forwarding costs of \$200 incurred before the point of entry into Zambia.
- ii. Inclusion in the VDP computation the insurance costs incurred within Zambia.

Part (b) asked candidates to compute the value added tax payable by Cactus Ltd for the month of February 2020, and was reasonably well answered. However, a number of candidates faced the following challenges in answering this part of the question:

- i. Claiming input VAT on pool cars, personal to holder motor cars and petrol which is irrecoverable in each case.
- ii. Computing VAT recoverable on diesel, overheads and furniture based on the net amount rather than the gross amount.

- iii. Forgetting to restrict the input VAT claimable on diesel to 90% and further failing to apply the partial exemption percentage.
- iv. Not applying the partial exemption percentage on the input VAT on other overheads given that the business was making both exempt and taxable supplies.
- v. Not indicating with Zero supplies which were exempt, zero rated, and those on which VAT was not chargeable or recoverable as required by the question.

## **QUESTION FIVE**

The general performance on this question was fair. 47 of the 83 candidates that attempted the question achieved more than 50% of the total marks (score of 10 and above out of 20). The pass rate recorded was 56.6%. The highest score was 17 while the lowest 1 marks out of 20.

This question which examined aspects of the Zambian Taxation System and ethical issues was reasonable well answered the candidates who attempted the question with 57% of them passing and 43% failing.

Part (a) which required candidates to explanation four qualities of a good taxation system and the criteria used to determine residence of taxable persons was reasonably well answered, with the exception of a few candidates, who failed to provide the required explanations.

Part (b) (i) required an explanation of the fundamental principle of objectivity and explain how it would apply to the provision of services by the practitioner in the circumstances of the ethical issues presented in the scenario. Most candidates' solutions were limited to just giving general explanations of the meaning of objectivity without applying it to the ethical issues faced by the practitioners in the context of the question

Part (b) (ii) asked candidates to explain the threats to compliance with the fundamental principle of objectivity that the practitioner would face in the provision of services requested by client in the context of the scenario provided and was generally poorly answered as most candidates failed to identify and explain the relevant threats.

## **OVERALL PERFORMANCE OF CANDIDATES**

- i. Highest mark obtained in this paper: 89%
- ii. Lowest score in this paper: 12%
- iii. Overall pass rate in this paper: 48.9%

## **SUBJECT: CA 2.5-FINANCIAL MANAGEMENT**

### **QUESTION ONE**

The general performance on this question was poor. Only 21 of the 96 candidates that attempted the question achieved more than 50% of the total marks (score of 20 and above out of 40). The pass rate recorded was 21.9%. The highest score was 33 while the lowest 3 marks out of 40.

Question one involved the evaluation of financing options in replacing equipment for a company – an outright purchase and or leasing options, using the Net Present Value method of investment appraisal. The first part of the question 1(a) required computation of the weighted Average cost of capital (WACC). A number of students calculated the Beta Equity incorrectly, and consequently erred in computing the cost of equity and WACC.

Although the question required evaluation of a four (4) pieces of equipment, students who answered the question based on a single (1) piece of equipment were still given full credit.

Common mistakes included the following:

- i. When carrying the evaluation of the financing options as required in part 1(b) of the question, some students did not conclude as to which option was the cheapest, among the three including purchasing, finance or operating lease. This resulted in forfeiture of two marks.
- ii. Students had incorrect amounts and timing of cash flows for the purchasing option. Computation of capital allowances under the purchasing option were generally incorrectly made by most students who performed poorly on the first question.
- iii. When calculating the NPVs of the finance and operating lease options, quite a number of students had challenges in computing annuity factors, hence were not able to obtain full marks. A few students could not differentiate the cash flows for the three financing options, for instance the maintenance expenditure was not applicable to the operating lease. Poor candidates made no attempt to apply any annuity or discount factors to cash flows, particularly those related to taxation.
- iv. Part 1 (c) of the question, required a discussion of how, the NPV method of investment appraisal contributes to the objective of maximizing the wealth of shareholders. A number of students could not earn full marks, because they could not explain how the objective is achieved by increasing both dividends and capital gains, and that the NPV technique helps companies identify viable projects in present value terms, and by doing so enhances company profitability, from which dividends are paid, thereby increasing share prices and creating capital gains.

- v. A small number of candidates had extremely poor hand writings, making their work not legible enough. Students with poor hand writings should make a deliberate effort during exams to write clearly

## **QUESTION TWO**

The general performance on this question was good. 57 of the 91 candidates that attempted the question achieved more than 50% of the total marks (score of 10 and above out of 20). The pass rate recorded was 62.6%. The highest score was 19 while the lowest 3 marks out of 20.

Section (a) of this section was generally well responded. The students who attempted this question were able to explain the concept of working capital management and what is meant by liquidity and profitability. However some were did not satisfactorily explain what conflict is there between the two objectives i.e. liquidity and profitability.

Most students failed to calculate the total cost under section (b). This is because of the wrong holding and ordering costs, since the total costs response was dependant on correctly determining the holding and ordering costs. This was also the case for the EOQ-based on ordering policy. Some responses did not correctly determine the saving for Hollo Ltd by using EOQ-based on ordering policy.

Part (c) of this question was generally responded well. Students were able bring out points as per requirement of the question which requested them to discuss ways which Hollo Ltd was to improve the management of accounts receivable.

Most students managed to respond to part (d) correctly and were able to at least obtain 1 mark from the allocated 2 marks.

## **QUESTION THREE**

The general performance on this question was fair. 30 of the 62 candidates that attempted the question achieved more than 50% of the total marks (score of 10 and above out of 20). The pass rate recorded was 48.4%. The highest score was 14 while the lowest 1 marks out of 20.

Part (a) required candidates to evaluate the proposed investment using NPV method and part (b) asked for the explanation of the key stages in the capital investment decision making process. Most of the students wrongly used the 10% as discount rate. In addition, most students demonstrated lack of understanding of annuities. Further, most students did not properly explain the identification of proposals or

investment opportunities that are in line with the organizational objectives. The five stages or steps should have been listed with appropriate explanations.

#### **QUESTION FOUR**

The general performance on this question was poor. Only 12 of the 59 candidates that attempted the question achieved more than 50% of the total marks (score of 10 and above out of 20). The pass rate recorded was 20.3%. The highest score was 18 while the lowest 3 marks out of 20.

For those students that attempted question four, part (a) was relatively well answered. However parts (b) and (c) were not generally answered correctly, as they were unable to calculate the theoretical value of NAPSA'S holding and Weighted Average Cost of Capital (WACC) of MUKE Ltd respectively. They exhibited lack of understanding of these concepts.

#### **QUESTION FIVE**

The general performance on this question was fair. 40 of the 75 candidates that attempted the question achieved more than 50% of the total marks (score of 10 and above out of 20). The pass rate recorded was 53.3%. The highest score was 15 while the lowest 0 marks out of 20.

Part (a) asked candidates to calculate the value of the company based on the present value of expected earnings and part (b) to discuss the relative merits business valuation methods. The present value after year 4 was incorrectly calculated. The total present value (1-4yr) incorrectly done by some participants. This led to wrong calculation of total value of the company.

There was no clear distinction in most cases in the three methods of valuation namely:

- i. Asset based valuation method.
- ii. P/E valuation.
- iii. Dividend based valuation (Cash flow based approach).

Students are expected to read widely und distinguish clearly the differences in these methods and how to calculate.

#### **OVERALL PERFORMANCE OF CANDIDATES**

- i. Highest mark obtained in this paper: 68%
- ii. Lowest score in this paper: 10%
- iii. Overall pass rate in this paper: 37.1%



## **SUBJECT: CA 3.1 ADVANCED FINANCIAL REPORTING.**

### **QUESTION ONE**

The general performance on this question was poor. Only 52 of the 126 candidates that attempted the question achieved more than 50% of the total marks (score of 20 and above out of 40). The pass rate recorded was 41.3%. The highest score was 31 while the lowest 0 marks out of 40.

Question one (1) required candidates to prepare a consolidated statement of cash flow using the indirect method. As usual, this was a 40 mark question. Performance of candidates in this question was generally poor. Whereas the few candidates who were well prepared scored high marks, the ill prepared candidates scored poorly.

The tax paid and depreciation figures were well treated by most of the candidates. Candidates are encouraged to revise the principles and format of group cash flows as this was an area of weakness for those who did not perform well. Brought forward knowledge from financial reporting and financial accounting is cardinal at advisory level. Knowing the format helps in earning easy/bonus marks related to treatment of depreciation charge for the year, working capital changes, profit or loss on disposal of property, plant and equipment, proceeds from issue of shares, cash paid to acquire property, plant and equipment, tax paid and dividends paid just to mention but a few.

The most common mistakes made by the candidates included the following:

- i. Deducted employee benefits paid (K61, 000) as cash outflow, instead of contributions (K268, 000).
- ii. Some candidates started with profit after tax (K138, 000), but failed to adjust for the tax expense (K91, 000), in order to come up with profit before tax of K229, 000.
- iii. Added share of associate profit, the profit should have been subtracted (reversed) since it was added when profit was determined.
- iv. Added back reversal of revaluation deficit and profit on disposal of plant.
- v. Ignoring deferred tax balances in calculating tax paid. Tax paid is computed by taking into account both current and deferred tax balances, and income tax expense in the profit or loss account.
- vi. Swapped the balances brought forward and balances carried forward. Further, few candidates indicated balances on a wrong side of the ledger accounts. You are advised to use narrative if you are not comfortable with ledger accounts. Take note that both narrative and ledger accounts are acceptable.
- vii. Omitted net pension expense of K123, 000 and impairment loss on goodwill of K16, 000.

- viii. Misclassification of cash items. Candidates are advised to be familiar with headings of cash flow.

The question was not generally well answered by most of candidates, it seems this topic was ignored by most candidates despite the similar question was examined in December 2019. Candidates are advised to avoid predicting what will come in the examinations, you are not the examiner. The syllabus is what must guide study.

## **QUESTION TWO**

The general performance on this question was poor. Only 55 of the 122 candidates that attempted the question achieved more than 50% of the total marks (score of 10 and above out of 20). The pass rate recorded was 45.1%. The highest score was 17 while the lowest 0 marks out of 20.

Part (a) of the question required candidates to classify certain investments in shares, drawing on the requirements of IFRS 9.

Part (b) of the question required candidates to prepare a Plan Asset account and Employee Obligation account in line with provisions of IAS 19. The most common mistakes made by the candidates on each part of the question:

A significant number of candidates attempted the question. The answers were inaccurate as candidates stated that the shareholding did not give control or significant influence, without stating the reasons. The 2 positions on the board was not used to justify the grant of significant influence, implying that candidates were not aware of factors that give control apart from the percentage shareholding.

Most of the marks were earned from part (b) of the question. Candidate demonstrated understanding calculation of actuarial gains and losses, and were to report required amounts in the financial statements. The calculation of interest using the yield percentage was correctly done though some candidates did not take into account the time proportion of the year when the scheme started to accrue the interest.

## **QUESTION THREE**

The general performance on this question was poor. Only 4 of the 66 candidates that attempted the question achieved more than 50% of the total marks (score of 10 and above out of 20). The pass rate recorded was 6.1%. The highest score was 11 while the lowest 0 marks out of 20.

This question was testing candidates on the application of IFRS 2 (Share Based Payment Options and Employee remuneration). Candidates were required to advise on how to account for Share appreciation rights (SARs) as part of employment benefits. The question further covered share option schemes where such is introduced as part of employment benefits.

This question was NOT a popular choice among candidates and the ones who attempted it performed very poorly on this syllabus area. This showed that most candidates are still applying topic spotting even at this advisory level. Students at this level should be aware that all application aspects of the syllabus are examinable at all times and should prepare adequately and thoroughly. A few general observations can be highlighted thus; many candidates were not able to calculate the cost of a share based payment (SBP) package. Further, some candidates did not know how to split (spread) the cost over the vesting period for the share option scheme. Consequently, the portion of the SBP chargeable in the statement of profit or loss account was incorrectly calculated and the same was the case for the statement of financial position. Most candidates did not even recognize that the scheme had deferred tax implications, let alone how to account for it.

#### **QUESTION FOUR**

The general performance on this question was poor. Only 29 of the 111 candidates that attempted the question achieved more than 50% of the total marks (score of 10 and above out of 20). The pass rate recorded was 26.1%. The highest score was 16 while the lowest 0 marks out of 20.

This question tested the syllabus area which covered a number of accounting standards including IAS 21, IFRS 2 and IAS 8.

The question was attempted by a good number of candidates and the overall performance was slightly above average. In the first part of the question, most candidates were able to correctly translate the value an asset bought in foreign currency at the temporal exchange rate and the any liability arising from the acquisition of the asset should be translated at the closing rate at the end of the year. The candidates were also able to correctly calculate the foreign exchange translation loss arising from the retranslation of the liability at the closing rate.

#### **QUESTION FIVE**

The general performance on this question was poor. Only 4 of the 56 candidates that attempted the question achieved more than 50% of the total marks (score of 10 and above out of 20). The pass rate recorded was 7.1%. The highest score was 14 while the lowest 1 marks out of 20.

Part (a) of the question required candidates to apply the requirements of IAS 37, on provisions and contingencies, and IAS 10 on events after the reporting date.

Part (b), the question required application of IAS 12 to account for deferred tax provisions.

Part (c) required candidates to demonstrate knowledge of the requirements of IFRS 17 on Insurance Contracts. The most common mistakes made by the candidates on each part of the question:

Part (a) required candidates did not mention that without agreement on compensation, only disclosure of the matter would be done at the year end. This would be applying IAS 37. The subsequent agreement on the amount of compensation came after the years end and so according to IAS 10 Events after the reporting period, an adjusting event was identified and the K45 000 would have to be recognized as a receivable that has become virtually certain.

Part (b); In part (b) candidates failed to calculate the amounts of deferred tax liability because they could not calculate the carrying amount, the tax base and compare them to find the timing difference, before calculating the deferred tax. Further, candidates did not understand the implications of deferred tax balances at start and the estimate of income tax on the profits. The wrongly adjusted these figures when reporting on the SPLOCI and on the SFP. Few even handled the deferred tax implication of the revaluation on the reported amounts. What was created is a deferred tax liability which should have been reduced by the opening balance of a deferred tax asset at start. Candidates were just adding amounts without regards to debit or credit statuses of amounts involved.

Part (c); Most candidates demonstrated absolute ignorance of the provisions of IFRS 17 Insurance contracts. Answers described daily dealings and common knowledge about interactions with insurance companies when there is a car accident. Such general knowledge is not the technical content of IFRS 17 that was required. Few candidates scored passing marks on this part of the question.

## **OVERALL PERFORMANCE OF CANDIDATES**

- |      |                                      |       |
|------|--------------------------------------|-------|
| i.   | Highest mark obtained in this paper: | 64%   |
| ii.  | Lowest score in this paper:          | 05%   |
| iii. | Overall pass rate in this paper:     | 22.6% |

## **SUBJECT: CA 3.2-ADVANCED AUDIT AND ASSURANCE**

### **QUESTION ONE:**

The general performance on this question was very good. 125 of the 160 candidates that attempted the question achieved more than 50% of the total marks (score of 20 and above out of 40). The pass rate recorded was 78.4%. The highest score was 34 while the lowest 9 marks out of 40.

Part (a) of the question required candidates to identify and explain eight (8) business and audit risks in the audit of the financial statements of Nile Road Contractors Ltd. Most candidates scored maximum marks and ably identified and explain the risks. The following observations were, however, made:

- i. Some candidates misunderstood the question to require 8 business risks and 8 audit risks.
- ii. A larger number of candidates wasted valuable time explaining the meanings of business and audit risks which were clearly not asked for. The question assumed that candidates know the meaning of business and audit risks and only required them to identify and explain these.
- iii. It was disappointing at this level to see candidates who explained ethical issues in answering this part of the question. Ethical issues were asked for in part (c) of the question and candidates should distinguish ethical issues from risk.
- iv. Some candidates simply listed the risks they identified without giving any explanation as required by the question.

Part (b) required candidates to suggest three audit procedures in the audit of revenue in Nile Road Contractors Ltd.

A majority of candidates failed to give satisfactory answers to this part of the question. Candidates should have considered how revenue is determined and evaluated what could go wrong in determining revenue and respond by designing suitable audit procedures. General answers without considering the issue of certificates issued by the architects did not attract maximum marks.

Some candidates gave unsatisfactory answers with audit procedures not related to the audit of revenue. For example, to check the bank statement for evidence of payment or obtain management representations with no further explanations, check that revenue is complete without elaborating how this will be done which is the audit procedure.

In part (c) of the question, candidates were required to discuss the ethical issues in the given scenario. A majority of the candidates scored well in this part of the question. Some candidates nevertheless lost some marks because of the following mistakes:

- i. Failing to explain how the identified situations gave rise to ethical problems.
- ii. Explaining business risks such as the CEO subcontracting works to a friend. Candidates are reminded that ethical issues in the context of auditing relate to the auditors. Ethical matters should be discussed from the point of view of the auditor and not the management of the client company.

Part (d) required a distinction between a management and auditor expert as well as evaluate the need for an auditor expert and explain if there is need to engage them and for what purpose. A majority of candidates were able to distinguish between the two which distinction is mainly on who appoints the expert.

A minority who had problems answering this question discussed the reasons why the management of Nile Road Contractors Ltd needed to engage an expert for which should have been dealt with in answering part (d)(ii) of this question.

Some candidates wrote answers which were too long for 2 marks. This is a waste of valuable examination time and candidates are reminded once again to consider the available marks in order to determine the length of the solution.

Some candidates discussed the justification of management engaging an expert contrary to the requirement of the question. Others defined experts and stated that the auditor will need to engage an expert without specifically explaining why the auditor may consider engaging an expert using the information in the question.

Part (e) of the question required candidates to explain the written representations that will be required in the audit of the financial statements of Nile Road Contractors Ltd.

Some candidates explained representations in general without stating the ones that will be required using the information in the scenario. Such general answers did not attract maximum marks. Others suggested that for all the risks identified in (a) written representations should be obtained. This suggests lack of knowledge on the provisions of ISA 580 Written representations.

A sizeable number of candidates gave instances which do not require written representations to be obtained for example written representations on contract terms, payments, certificates and invoices.

## **QUESTION TWO**

The general performance on this question was very poor. Only 7 of the 88 candidates that attempted the question achieved more than 50% of the total marks (score of 10 and above out of 20). The pass rate recorded was 8%. The highest score was 12 while the lowest 0 marks out of 20.

Part (a) required candidates to explain the meaning of projected misstatements in the audit of the financial statements of Quick Brew Industries discuss the audit work

required with regards to uncorrected misstatements and to state the impact on the audit opinion.

Some candidates simply showed lack of understanding of projected misstatements. Candidates should have observed that auditors only test samples of populations and conclude on the results of sample tests. There is need to project the misstatements that exist in the whole population using statistical means. Other candidates failed to explain the work that needs to be done by the auditor with regards uncorrected misstatements. This is largely attributed to lack of understanding of misstatements identified by the auditor. Misstatements should be evaluated by the auditor and the auditor should request management to correct the misstatements. In the event that management declines to correct the misstatements, this may have an impact on the audit opinion. Many candidates did not address the second part of the question which required candidates to state the impact uncorrected misstatements will have on the audit opinion.

Part (b) of the question was on the audit of Agricultural products. The performance was generally poor with a majority of the candidates scoring less than half the available marks.

Many candidates failed to give satisfactory answers to this question. Many discussed risk generally as against discussing the three components of audit risk namely Inherent risk, control risk and detection in the context of the audit of the financial statements of Lima Farms Ltd. In discussing the three components use of the information in the scenario should have been made to illustrate the answers. Candidates also showed lack knowledge of the audit of biological assets.

### **QUESTION THREE**

The general performance on this question was very poor. Only 16 of the 132 candidates that attempted the question achieved more than 50% of the total marks (score of 10 and above out of 20). The pass rate recorded was 12.1%. The highest score was 15 while the lowest 0 marks out of 20.

The question was divided into part (a) and (b). Part (a) was a knowledge based question requiring candidates to explain the meaning of proportional liability and to discuss the arguments for it for 3 marks. It was disappointing that many candidates simply did not know what proportionate liability is. This resulted in loss of marks.

Other candidates did not discuss the arguments against capping liability and lost the available marks.

Part (b) required candidates to recommend four (4) audit procedures in the audit of opening balances in the audit of financial statements of Giraffe Ltd. The majority of the candidates gave unsatisfactory answers in answering this part of the question. This suggests that the majority of candidates do not understand the provisions of ISA 510 Initial Audit Engagements which gives guidance on the audit of opening

balances. Candidates need to have a good understanding of the impact of opening balances on the current year audit. Some candidates did not even know what opening balances are and considered transactions such as revenue to have opening balances which is incorrect.

The second part of (b) required candidates to recommend four (4) audit procedures in the audit of the financial statements of Buffalo Plc. Some candidates gave wrong procedures like those given in the first part of the question.

On the third part of (b) candidates were required to discuss the impact on the current audit opinion of a modification to the prior year financial statements by the previous auditors. Most of the candidates scored maximum marks while others could not justify why they chose a particular form of opinion.

The final part required candidates to distinguish between risk assessment at the planning stage of an audit and risk assessment as in the engagement with Buffalo Ltd. A majority of the candidates seemed not to know the distinction between risk assessment carried out at the planning stage of audits of financial statements and an engagement to carry out risk assessment systems of a client company.

#### **QUESTION FOUR**

The general performance on this question was poor. Only 40 of the 132 candidates that attempted the question achieved more than 50% of the total marks (score of 10 and above out of 20). The pass rate recorded was 30.3%. The highest score was 15 while the lowest 0 marks out of 20.

Part (a) of the question required candidates to explain the relationship between International Standards on Auditing and national regulations.

The majority of the candidates failed to give satisfactory answers. Candidates should have noted that individual countries can have their own standards which should be in line with the international standards.

Part (b) was a knowledge based question requiring candidates to explain the reliability of written representations. It was observed that candidates who did not know what written representations are were unable to satisfactorily answer this part. Candidates lost marks because they showed lack of understanding of written representations. Many candidates tried to explain what they are without addressing the requirements of the question.

Part (c) of the question required candidates to discuss the use of analytical procedures at the three stages of the audit namely the planning, during the audit and the review stages.

Presentation in answering such a question is important to gain maximum marks and candidates were expected to deal with the three areas separately.



The following were noted:

A number of candidates did not know the three stages of audits namely planning, substantive stage and the review stages and so their answers did not deal with the requirement of the question. There many others who could not describe satisfactorily how analytical procedures are used and the objective of using analytical reviews at these stages of an audit.

## **QUESTION FIVE**

The general performance on this question was very poor. Only 11 of the 114 candidates that attempted the question achieved more than 50% of the total marks (score of 10 and above out of 20). The pass rate recorded was 9.6%. The highest score was 13 while the lowest 0 marks out of 20.

Part (a) required candidates to evaluate the appropriateness of the interim quality control measures announced by the Managing Partner.

The following were noted:

- i. Many candidates explained the theoretical provisions of ISQC 1 and ISA 220 without relating them to the information in the scenario.
- ii. Some candidates either agreed or disagreed with the measure by the managing partner without justifying their views.

In part (b), candidates were required to evaluate the suggestion that the Audit Manager in the firm should oversee quality in Linyati & Co Chartered Accountants.

The following mistakes were noted:

- i. Some candidates showed lack of understanding of the provisions of ISQC 1 on quality control in answering this question.
- ii. There were candidates who explained the ethical issue of familiarity which was not relevant in answering the question.

Part (c) of the question was split into two situations for two audit clients and candidates were required to explain the impact on the audit report if the matters of concern remain unresolved.

It was clear from the answers that candidates were not sure what to include in their answers to this question. Others lost marks because they could not correctly support the recommended opinion.

## **OVERALL PERFORMANCE OF CANDIDATES**

- i. Highest mark obtained in this paper: 61%
- ii. Lowest score in this paper: 17%
- iii. Overall pass rate in this paper: 31.9%

## **SUBJECT: CA 3.3 -STRATEGIC BUSINESS ANALYSIS**

### **QUESTION ONE**

The general performance on this question was very poor. Only 22 of the 197 candidates that attempted the question achieved more than 50% of the total marks (score of 20 and above out of 40). The pass rate recorded was 11.2%. The highest score was 26 while the lowest 0 marks out of 40.

This question had five parts (a),(b), (c), (d) and (e). This was a case study-based compulsory question to be attempted by all candidates; and most candidates scored reasonably well although there were some who scored below 10 out of 40. It had four (4) sub-questions with a total of up to 40 marks.

Part (a) required the candidates to describe the elements of the strategy which FedEx could have used to turn from loss making to profitability.

Part (b) asked candidates to describe the role that planning played in the success of FedEx over the years? Contrast a strategic plan and business plan.

Part (c) required candidates to draw a force field analysis diagram and use it to analyse what FedEx had been doing to ensure success in its operations. Very few candidates drew the correct diagram, others didn't while the majority had no idea at all.

Part (d) asked candidates to calculate various performance measures from fictional data about the company. This was the worst as it was very poorly done. Many got less marks since they did not understand how to compute at all. The candidates could not just use the formulas correctly to arrive at the correct answers.

### **QUESTION TWO**

The general performance on this question was poor. Only 77 of the 189 candidates that attempted the question achieved more than 50% of the total marks (score of 10 and above out of 20). The pass rate recorded was 40.7%. The highest score was 20 while the lowest was 0 marks out of 20.

This was a two-part scenario-based question on a high performing company experiencing challenges. It had a total of up to 20 marks. Only 8 candidates out of 197 avoided this question, hence it was very popular. Part (a) required candidates to describe any four (4) causes of business decline of such a company. Many scored above 10 but others confused it with Porter's Five Forces or PESTEL analysis.

Part (b) required candidates to analyse any two (2) reasons for the importance of Corporate Governance in Polopela Cement Company. Many candidates confused this question with CSR and others did not attempt it all. The overall performance on this question was poor.

### **QUESTION THREE**

The general performance on this question was fair. 65 of the 113 candidates that attempted the question achieved more than 50% of the total marks (score of 10 and above out of 20). The pass rate recorded was 57.5%. The highest score was 20 while the lowest was 0 marks out of 20.

This question had two parts (a) and (b). The question was on the Mission statement and objectives of a new company to compete in the sugar market in Zambia. Only 85 candidates did not attempt this question. Part (a) required candidates to discuss any four (4) separate elements that will help in the Ashridge College model expanded definition of a mission of a company like Milenge Sugar Company that link business strategy to culture. No candidate seemed to know what this model was all about.

Part (b) required candidates to classify in writing any four (4) of what would be the functions of objectives. Many wrote about the SMART acronym and defined the letters. Most candidates responded poorly to the question. Only 65 candidates passed with over 10 marks.

### **QUESTION FOUR**

The general performance on this question was poor. Only 15 of the 91 candidates that attempted the question achieved more than 50% of the total marks (score of 10 and above out of 20). The pass rate recorded was 16.5%. The highest score was 20 while the lowest was 0 marks out of 20.

This question was in two parts (a) and (b). It was about business stress. Most students shunned it and only 91 attempted it and only 15 passed. Part (a) It required candidates to describe any four (4) conditions that may necessitate introduction of portfolio restructuring strategies by the corporation. Most candidates appear to have not understood what this was all about and those who attempted it scored very poorly.

Part (b) asked candidates to explain any four (4) reasons that would have led to poor business performance of any of its subsidiary companies. Many candidates lost marks because they wildly guessed here.

### **QUESTION FIVE**

The general performance on this question was fair. Only 114 of the 194 candidates that attempted the question achieved more than 50% of the total marks (score of 10 and above out of 20). The pass rate recorded was 58.8%. The highest score was 20 while the lowest was 0 marks out of 20.

This question had two parts (a) and (b). This was a very popular question as only 3 candidates avoided it. 80 candidates failed this question. This was a question was

about diversifying into the opaque beer industry on the Copperbelt which was not only highly competitive but also profitable.

Part (a) was about demonstrating to this company any four (4) entry barriers it is likely to face as it embarks on this choice of strategy. Most candidates only wrote about Porter's Five Forces and not the entry barriers.

Part (b) asked candidates to briefly explain any other four (4) factors that are at play in an industry that will influence competition. This part was also not answered properly as most got it wrong.

### **OVERALL PERFORMANCE OF CANDIDATES**

- |      |                                      |       |
|------|--------------------------------------|-------|
| i.   | Highest mark obtained in this paper: | 70%   |
| ii.  | Lowest score in this paper:          | 03%   |
| iii. | Overall pass rate in this paper:     | 27.4% |

## **SUBJECT CA 3.4 ADVANCED TAXATION**

### **QUESTION ONE**

The general performance on this question was good. 32 of the 53 candidates that attempted the question achieved more than 50% of the total marks (score of 20 and above out of 40). The pass rate recorded was 60.4%. The highest score was 37 while the lowest was 0 marks out of 40.

This question covered tax planning involving a choice of a business medium and personal financial planning. In part (a) candidates were required to advise on the amount of income tax payable by each individual if the business was to be run as a partnership. This part of the question was generally well answered by most candidates with the exception of a few candidates who faced the following challenges in answering the question:

- i. Failure to differentiate between allowable and disallowable expenses when computing the taxable business profits for the partnership.
- ii. Using the wrong rates to compute the wear and tear allowances claimable on implements, plant and machinery.
- iii. Not restricting capital allowances claimable on the motor vehicles to the business use of the assets given that they were used for both business and private purposes.
- iv. Failing to allocate the taxable business profits of the partnership to the individual partners correctly using the partnership agreement.
- v. Not using the personal income tax rates for individuals in computing the tax payable by each individual.

Part (b) (i) which asked candidates to compute the income tax payable by each individual if they run the business a limited company was also reasonably well answered by most candidates. The most common weakness demonstrated by the few candidates who scored poor marks on this part of the question included:

- i. Failure to identify the taxable income for the individual directors.
- ii. Using the wrong tax rates when computing the income tax payable by each individual.

In part (b) (ii) candidates were required to calculate the amount of company income tax payable if the business was as a company. The most common mistakes made by candidates who performed poorly on this part of the question included:

- i. Not deducting directors' emoluments when computing the final tax business profit as these are allowable deductions for a company.
- ii. Calculate the wrong amounts of the employer's NAPSA contributions to be deducted in computing the final taxable profit.
- iii. Failure to use the correct rates of wear and tear in calculating the capital allowances claimable by the company on implements, plant and machinery.

- iv. Using the personal income tax rates for individuals to company income tax payable.

Part (c) required candidates to advise the individuals on whether it will be beneficial from a taxation point of view to run the business as a partnership or a company and was poorly answered by most candidates. The following were the common mistakes made by the candidates in computing the net income under each option:

- i. Deducting the wrong amounts of NAPSA contributions payable by both the employees and the employer when computing the net income.
- ii. Failure to deduct the income tax liabilities from the business profits in calculating the net income.

Part (d) which required candidates to explain the nature of whole of life insurance policy and permanent health insurance, together with the related taxation implications arising from each policy, was reasonably well answered. However, a number of candidates demonstrated a lack of knowledge of the two protection products and therefore failed to provide the required explanations.

In part (e) (i) candidates were required to explain taxation implications of investing in equity shares of a LuSE listed company by an individual. The following are the challenges faced by the candidates performed poorly on this part of the question:

- i. Failure to explain that dividends from equity shares listed on LuSE are exempt from tax.
- ii. Failure to explain that transfer of shares listed on the LuSE is exempt from property transfer tax.

In part (e) (ii) candidates were required to explain the taxation implications of investing in GRZ bonds. Common weaknesses demonstrated by candidates in answering this part of the question included:

- i. Failure to explain that interest receivable from GRZ bonds by individuals is subjected to WHT at a rate of 15% which is the final tax.
- ii. Failure to explain that bonds do not meet the definition of property, therefore they are outside the scope of property transfer tax.

In part (e) (iii) candidates were required to explain the taxation implications of investing in Certificates of Deposit by an individual. The following are the challenges faced by most candidates:

- i. Failure to explain that the interest receivable from certificates of deposit is subjected to WHT at a rate of 15% which is the final tax for individuals.
- ii. Failure to explain that certificates of deposit are not property, therefore, they fall outside the scope of property transfer tax.

## QUESTION TWO

The general performance on this question was fair. 21 of the 43 candidates that attempted the question achieved more than 50% of the total marks (score of 10 and above out of 20). The pass rate recorded was 48.8%. The highest score was 17 while the lowest was 1 marks out of 20.

This question covered taxation of mining operations. Part (a) of the question required candidates to calculate the taxable business profits for a mining company. The following are the most common weaknesses demonstrated by most candidates in answering this part of the question:

- i. Failure to calculate the amount of mineral royalty paid by the company during the tax year based on the average copper price on the London Metal Exchange.
- ii. Not adding back mineral royalty tax when computing the tax adjusted business profit as it is not an allowable deduction.
- iii. Forgetting to add back the personal-to-holder car benefits arising on the provision of a personal to holder motor cars to two directors when computing the taxable profits.
- iv. Failure to disallow the interest cost in excess of 30% of the Tax earnings before interest, tax, depreciation and amortization (EBITDA).
- v. Omitting to calculate and deduct capital allowances claimable on the expenditure incurred in the mine township.
- vi. Using the wrong rates of wear and tear to calculate capital allowances on implements plant and machinery used directly in mining.
- vii. Failing to calculate the correct amount of the indexed loss brought forward to be relieved against the taxable business profits.

In part (b) candidates were required to calculate the income tax payable by the mining company. The following are the challenges faced by the candidates who scored poor marks on this part of the question:

- i. Forgetting to gross up the copy rights royalties and tax then them at the company income tax rate of 35%.
- ii. Using wrong company income tax rate of 35% to compute tax on the taxable mining profits instead of the correct rate of company income tax rate of 30%
- iii. Not to deducting the withholding tax already at source by the company, from the tax liability when computing the final company income tax.

### QUESTION THREE

The general performance on this question was poor. 9 of the 37 candidates that attempted the question achieved more than 50% of the total marks (score of 10 and above out of 20). The pass rate recorded was 24.3%. The highest score was 19 while the lowest was 2 marks out of 20.

The question covered international aspects of taxation for individuals. In part (a) candidates were required to calculate the amount of income tax payable by a Zambian resident employee who also owned shares in the foreign company from which she received investment income. The most common challenges faced by the candidates on this part of the question included:

- i. Failure to calculate the amount of gross foreign dividends to be included in the Zambian income tax computation.
- ii. Not using the correct rates of income tax bands for individuals to compute the income tax arising.
- iii. Failing to calculate the double taxation relief on foreign dividends using the unilateral credit relief.

In part (b) candidates were required to calculate the amount of income tax payable by a Zambian resident company receiving income from foreign sources investments and also engaged in transactions with foreign based related companies. The most common weakness demonstrated by most candidates in answering this part of the question that resulted in poor performance included:

- i. Failure to calculate transfer pricing adjustment in respect of the intra-group loan where the interest charged on the loan was below market rates of interest.
- ii. Failure to calculate the transfer pricing adjustment in respect of intra-group purchase of goods at a price higher than the market value of the goods.
- iii. Failure to calculate the amount of gross foreign dividends to include in the Zambian income tax computations.
- iv. Failure to use the correct company income tax rate in computing the income tax payable.
- v. Failure to calculate the double taxation relief on the dividends received from foreign sources.



## **QUESTION FOUR**

The general performance on this question was good. 27 of the 42 candidates that attempted the question achieved more than 50% of the total marks (score of 10 and above out of 20). The pass rate recorded was 64.3%. The highest score was 16 while the lowest was 5 marks out of 20.

This question covered tax audits and investigations, and taxation of insurance businesses. Part (a) which required candidates to explain the differences between tax audit and tax investigation was reasonably well answered by most candidates, with the exception of a few candidates who failed to provide the required explanations as they demonstrated a lack of knowledge of this topic.

Candidates also performed fairly well in part (b) which required them to explain the meaning of deliberate behavior, careless behavior without significant consequences and careless behavior with significant consequences giving examples in each case. Only a few candidates demonstrated a lack of knowledge of this topic and therefore failed to provide the required explanations.

In part (c) candidates were required to calculate the amount of income tax payable by an insurance company. Candidates generally scored poor marks on this part of the question. The challenges faced by most candidates in computing the taxable profit included:

- i. Failure to differentiate between allowable and disallowable expenses.
- ii. Failure to calculate the movement in reserves of unexpired risks.
- iii. Using the wrong tax rates in computing company income tax payable by the company.

## **QUESTION FIVE**

The general performance on this question was poor. Only 12 of the 32 candidates that attempted the question achieved more than 50% of the total marks (score of 10 and above out of 20). The pass rate recorded was 37.5%. The highest score was 20 while the lowest was 1 marks out of 20.

The performance of candidates on question which covered ethical and professional issues in the provision of tax services, and tax planning issues involving income tax and value added tax was generally poor. 38% of the candidates who attempted the question passed and 62% failed.

In part (a) candidates were required to evaluate the ethical and professional issues relating a client and the courses of action to be taken to deal with each issue.

A number of candidates faced the following challenges in answering this part of the question:

- i. Failing to identify and explain the relevant threats arising from the assignment and how each of those threats was to be dealt with.
- ii. Failure to explain how the discovery of un-receipted income by the client should would be dealt with in relation to the principle of confidentiality.

In part (b) candidates were required to advise, with appropriate calculations, the tax client on the tax implications arising from the transactions the client entered into. The most common weaknesses demonstrated candidates in answering this part of the question included:

- i. Failing to explain the Income tax and VAT implications arising from purchase of the food processing equipment.
- ii. Failing to explain the tax implications of the electricity bill the company paid on behalf of the new director.
- iii. Failing to explain the tax treatment of costs incurred in issuing bonds which were used to finance the purchase of a manufacturing plant.
- iv. Failing to explain the Income Tax and VAT implications of the installation of the manufacturing equipment was to be treated for capital allowances purposes.

### **OVERALL PERFORMANCE OF CANDIDATES**

- i. Highest mark obtained in this paper: 79%
- ii. Lowest score in this paper: 04%
- iii. Overall pass rate in this paper: 52.8%

## **SUBJECT: CA 3.5 -ADVANCED MANAGEMENT ACCOUNTING**

### **QUESTION ONE**

The general performance on this question was fair. 7 of the 12 candidates that attempted the question achieved more than 50% of the total marks (score of 20 and above out of 40). The pass rate recorded was 58.3%. The highest score was 27 while the lowest was 7 marks out of 40.

The question was divided into five parts. There was a mixed performance on this question. Generally parts (a), (b) and (c) (i) were well attempted but weaker candidates on parts (c)(i) gave only one component each on the strength, weakness, opportunity and threats. Eight marks were at stake. Some candidates could not distinguish between weaknesses and threats.

Part(c) (ii) was badly attempted. Suitable strategies should have been mentioned in the following areas: sales operation, market focus, warehousing and distribution, efficient sourcing, MIS, improved utilization of competences/internal sources and growth through product/ marketing strategies

Part(d) was attempted well.

Part (e) was also relatively well attempted. Poorer candidates included irrelevant costs such as depreciation in the model. Some included sales revenues instead of contribution in the model, they made wrong calculations of working capital and did not inflate incremental costs accordingly.

Part (e) (ii) – Hardly any one calculated the sensitivity factor correctly and could not interpret the meaning of the figure so calculated.

### **QUESTION TWO**

The general performance on this question was fair. 2 of the 4 candidates that attempted the question achieved more than 50% of the total marks (score of 10 and above out of 20). The pass rate recorded was 50%. The highest score was 11 while the lowest was 7 marks out of 20.

The question was divided into three parts. Part (a) of the question was poorly answered and no candidate was able to calculate the correct transfer price. Most candidates left this part blank and lost good marks. Candidate should take time to understand the principles of transfer pricing.

Part B required candidates to explain two (2) advantages and two (2) disadvantages of negotiated transfer pricing. This part was well attempted and candidates scored some good marks.

In part (c), candidates were required explain what they understand by financial objectives and social objectives and their possible conflicts. Candidates were expected to give examples. Candidates only tried to explain Financial Objectives and

Social objectives but failed to explain possible conflict and were unable to give appropriate example. As a result a number of candidates performed below average.

### **QUESTION THREE:**

The general performance on this question was fair. Only 2 of the 10 candidates that attempted the question achieved more than 50% of the total marks (score of 10 and above out of 20). The pass rate recorded was 20%. The highest score was 10 while the lowest was 0 marks out of 20.

This question divided into two parts was based on performance measures. More than 70% of the candidates attempted this question. Part (a) required the assessment of the strengths and weaknesses of the performance measures used in the scenario. Candidates were expected to use more appropriate measures to analyse the performance of the sales manager.

This part was generally poorly attempted by the students. They made comments on the variance report as given in the question instead of identifying other appropriate measures such as sales per representative, gross profit per representative etc and qualitative factors.

Part (b) assessed the possible conflict between individual department performance measures and how these in turn adversely affected the overall performance of the company.

Candidates failed to show how the measures used to assess departmental managers' performance were in conflict. For example, based on ROCE employed, production department performed well with the old machine but this was against quality department's goal of improving quality and consequently the competitive position of the company.

### **QUESTION FOUR**

The general performance on this question was fair. 5 of the 9 candidates that attempted the question achieved more than 50% of the total marks (score of 10 and above out of 20). The pass rate recorded was 55.6%. The highest score was 16 while the lowest was 5 marks out of 20.

This was a multiple requirement question. Part (a) required candidates to calculate the profit per unit for products A, B, C and other products using some methods provided while (b) required them to comment on the assertion that ABC results in a fairer allocation of overheads and show how the ABC information can be used for cost control.

Part (c) required them to explain the EBITDA and discuss four (4) advantages of EBITDA as a measure of financial performance.

It was surprising to note that most students were not accounting for the costs in arriving at the profit. At this level of the qualification it expected that candidates would display basic comprehension of the subject. Most of the candidates could not display knowledge on both ABC and EBITDA. It is important that the key verbs are addressed in order to score maximum marks.

### **QUESTION FIVE**

The general performance on this question was excellent. 9 of the 11 candidates that attempted the question achieved more than 50% of the total marks (score of 10 and above out of 20). The pass rate recorded was 81.8%. The highest score was 19 while the lowest was 5 marks out of 20.

The question had the parts (a), (b) and (c). Part (a) required candidates to explain how the Executive Information System and the Decision Support System can assist the management team.

Part (b) required candidates to explain the Kaizen costing technique and distinguish it from Target costing as well as rolling budgeting and how it could be applied to K Ltd. They were further required to state two (2) advantages and disadvantages of rolling budgeting.

The final part (part c) required candidates to comment on three (3) business ethics and their impact on organisational strategies and performance.

Being a discursive question, candidates gave varying answers. Some analysis were lacking at this level so the scores were low.

### **OVERALL PERFORMANCE OF CANDIDATES**

- i. Highest mark obtained in this paper: 66%
- ii. Lowest score in this paper: 34%
- iii. Overall pass rate in this paper: 41.7%

## **SUBJECT: CA 3.6- ADVANCED FINANCIAL MANAGEMENT**

### **QUESTION ONE**

The general performance on this question was very poor. Only 3 of the 24 candidates that attempted the question achieved more than 50% of the total marks (score of 20 and above out of 40). The pass rate recorded was 12.5%. The highest score was 24 while the lowest was 4 marks out of 40.

Write a report in which they were supposed to discuss whether PLH Plc should diversify into the agriculture sector through acquisition of JAMS Ltd or setting up its own subsidiary.

Candidates were further required to estimate a range of values for JAMS Ltd using the valuation methods provided. Candidates were also required to advise whether PLH Plc should proceed with the acquisition of JAMS Ltd shares. This was to be followed by an evaluation of whether financing the acquisition using debt would be the appropriate source of finance for PLH Plc.

Most of the candidates failed to make a clear distinction between Acquisition and Organic growth. It was also important to indicate the strategic problems of acquisitions. Some students did not explain this clearly. Candidates also failed to provide the range of values for JAMS Ltd based on the findings. Further, the majority of the candidates did not get the correct company value using the discounted cash flow technique. In addition, the majority of the students failed to evaluate the effect of debt financing and most could not even attempt. They failed to compute the gearing level to assess the financial risk.

### **QUESTION TWO**

The general performance on this question was good. 12 of the 18 candidates that attempted the question achieved more than 50% of the total marks (score of 10 and above out of 20). The pass rate recorded was 66.7%. The highest score was 18 while the lowest was 5 marks out of 20.

The question was divided into parts (a) to (c). Part (a) required candidates to advice on the factors that a lending institution would consider in deciding whether to offer a loan or not. Part (b) required candidates to assess the relative advantages of loan syndication versus a bond issue. The response to Part (a) and (b) were generally good and appropriately responded. However, some candidate exhibited lack of knowledge a syndicated loan. Part (c) required candidates to advice on whether to proceed with the acquisition of the specialised equipment or not. The performance was fair.

### **QUESTION THREE**

The general performance on this question was very good. 16 of the 20 candidates that attempted the question achieved more than 50% of the total marks (score of 10 and above out of 20). The pass rate recorded was 80%. The highest score was 19 while the lowest was 3 marks out of 20.

Question three required evaluation of a project using three investment appraisal techniques, namely Net Present Value (NPV), Internal Rate of Return (IRR) and the Modified Internal Rate of Return (MIRR), and their relative merits.

Errors in computing the NPV included omission of the corporate tax on net operating cash flows, and incorrect computation of tax depreciation allowances (capital allowances) and the resulting tax relief.

Students generally applied the correct methodology when computing the IRR, but computed it wrongly as a follow through from the incorrect base case NPV. However, partial credit was given for application of the correct IRR methodology. Poorer candidates omitted the IRR computation all together.

A few students displayed a lack of knowledge of the variables that under pins the MIRR formula. Students generally performed better on the part that required discussion of the merits and demerits of MIRR in comparison to NPV and IRR.

### **QUESTION FOUR**

The general performance on this question was good. 6 of the 9 candidates that attempted the question achieved more than 50% of the total marks (score of 10 and above out of 20). The pass rate recorded was 66.7%. The highest score was 18 while the lowest was 4 marks out of 20.

Part (a) of the question required candidates to discuss the risks that Mambwe plc and the participating bank might be face when undertaking an interest rate swap while part (b) required them to advise Mambwe plc on the possible advantages and disadvantages of arranging a swap through a bank rather than directly negotiating with counterparty.

Part (c) required candidates to comment on the proposed swap and its benefits to the parties involved while part (d) required them to discuss the problem of blocked funds and how the company can deal with it in relation to its operations in Zambia.

Candidates that answered this question avoided answering part(c).They failed to calculate the potential arbitrage saving and the net savings for counterparty and Mambwe plc so as to decide whether the Swap was going to be beneficial or not. Parts (a), (b) and (d) were appropriately responded.

### **QUESTION FIVE**

The general performance on this question was excellent. 19 of the 23 candidates that attempted the question achieved more than 50% of the total marks (score of 10

and above out of 20). The pass rate recorded was 82.6%. The highest score was 17 while the lowest was 5 marks out of 20.

Question five covered valuation of equity using the value of net assets and the dividend growth model. The question was one of the most attempted in section B of the paper. However, the valuation premium of 40% was incorrectly factored in the valuation using net assets, and some candidates failed to utilize the dividend valuation model as required.

### **OVERALL PERFORMANCE OF CANDIDATES**

- i. Highest mark obtained in this paper: 64%
- ii. Lowest score in this paper: 20%
- iii. Overall pass rate in this paper: 70.8%



## **SUBJECT: CA 3.7-PUBLIC SECTOR AUDITS AND ASSURANCE**

### **QUESTION ONE**

The general performance on this question was fair. 70 of the 120 candidates that attempted the question achieved more than 50% of the total marks (score of 20 and above out of 40). The pass rate recorded was 58.3%. The highest score was 35 while the lowest was 6 marks out of 40.

Part (a) of the question required candidates to explain the purpose of assessing risk of material misstatement in public sector auditing.

A majority of the candidates scored high marks in this part. Others lost marks because instead of explaining the purpose of assessing the risk of material misstatements they explained the meaning of material misstatement while others described the process of assessing the risk of material misstatements. Candidates are reminded to read the question carefully and address the requirements of the question.

Part (b) required candidates to explain the concept of materiality in compliance auditing. Most candidates had challenges answering this question. The majority considered materiality from a financial audit point of view notwithstanding the fact that the question specifically related materiality to compliance audits. As a result, the majority only considered quantitative aspects and ignored qualitative aspects. In additions to explaining what materiality is candidates needed to go into greater depth to relate it to compliance audits. The six (6) marks should have been considered when deciding the length of answers and points to be given.

Part (c) (i) required candidates to describe the need for carrying out performance audits in the procurement of motor vehicles in the Ministry of Transport as well as identify and explain matters that will be considered in the compliance audit of the procurement and disposal of motor vehicles. Candidates were required to use the information in the scenario in answering this part of the question. The following were observed:

- i. Some candidates gave general answers in relation to compliance audit without relating their answers to the information in the scenario and so losing easy marks.
- ii. Some candidates explained what compliance audit is. The question required candidates to describe the need for a compliance audit and use the information in the scenario. In the case in question it is compliance with the procedures for the procurement and disposal of motor vehicles in accordance with the procedures.
- iii. Candidates lost marks because they in some cases discussed matters relating to only one of procurement and disposal of motor vehicles. Candidates

needed to deal with both without which they lose marks for the part not addressed.

Part (d) required candidates to describe the audit work that will be carried out on the acquisition and disposal of motor vehicles. For 10 marks candidates were expected to give audit procedures for acquisitions and other audit procedures for disposals. Most candidates scored high marks. The following were observed on those who performed poorly:

- i. Some simply repeated what was in the scenario without giving audit procedures.
- ii. Others repeated matters to consider rather than giving the audit work that should be carried out. Candidates should go through past examination questions and answers and learn what audit procedures are.
- iii. Others discussed what should have been done such as the expenditure should be within budget instead of giving the audit procedure which could be for the auditor to verify that the expenditure is within the budget by comparing the actual expenditure to the budgeted amount.
- iv. Other explained financial statements assertions such as completeness, existence etc. without giving the audit work that should be performed to test the said assertions and no marks were given for the explanations of financial statement assertions.

Part (e) required candidates to identify and explain four weaknesses in the procurement system of motor vehicles in the Ministry of Transport.

The majority of the candidates scored well in this question. Other lost marks because:

- i. Some gave less than the required four weaknesses and so lost easy marks.
- ii. Others simply identified with no explanations. Candidates were expected to explain the weaknesses identified to get full marks.
- iii. Other candidates explained what should be done to address the weaknesses instead of explaining the weaknesses e.g. The Minister should declare interest or there is need to form an audit committee.

Part (f) required candidates to identify and explain the matter that would call for a forensic audit in the given scenario. The performance in this part was poor because:

- i. Some candidates defined and explained forensic investigations instead of identifying matters that would call for a forensic investigation from the facts in the scenario.
- ii. Others simply repeated the weaknesses in (e) some of which do not require a forensic investigation. The question was meant to get the candidates show that they know when a forensic investigation will be appropriate.

Part (g) required candidates to explain the objective of a forensic investigator as an expert witness in a legal case.

Most candidates appeared to have no understanding of the forensic auditor being an expert witness and so did not address the requirement of the question. The objective of the forensic investigator is to help the court to give a fair judgement with the information that the court may give a fair judgement.

## **QUESTION TWO**

The general performance on this question was poor. 20 of the 71 candidates that attempted the question achieved more than 50% of the total marks (score of 10 and above out of 20). The pass rate recorded was 28.2%. The highest score was 14 while the lowest was 0 marks out of 20.

Part (a) required candidates to explain the use of management letters in public sector auditing as well as to state the contents of a management letter using information in the scenario. This question comes from the financial audits of public sector auditing. Candidates are reminded that financial audit form 20% of the public sector auditing syllabus and matters relevant to the audit of financial statements will be examined from time to time. Candidates should ensure that they gain an understanding of the provisions of the ISSAIs relevant to financial audits. Most candidates did not score high marks in this part of the question because some discussed the engagement letter which was not asked for others went on to give contents of the engagement letter.

Some candidates lost marks because they just gave general answers on the contents of the management letter without making reference to the information in the scenario.

Part (b) (i) required candidates to state three performance question in the performance audit of the public toilet project. Candidates who gave general answers by stating audit questions relating to economy, efficiency and effectiveness without relating these to the scenario did not get maximum marks.

Candidates explained the meaning of economy, efficient and effectiveness without stating the performance audit questions that will be answered in the performance audit of the project. The three questions should be related to the economy, efficiency and effectiveness of the project. Other candidates wrote too much for three marks thereby wasting valuable time in the examination.

Part (b) (ii) of the question required candidates to describe the audit procedures to be conducted in the performance audit of the toilets project in line with the principles of economy, efficiency and effectiveness. There were very few correct answers in this part with most candidates getting very low marks.

The following were observed:

- i. Some candidates only gave audit procedures on one of the three 's' instead of procedures on all the three. Candidates were expected to give at least three audit procedures for each of economy, efficiency and effectiveness.
- ii. Some candidates gave general audit procedures without using the information in the scenario to design suitable audit procedures for economy, efficiency and effectiveness.
- iii. There were candidates who gave what was expected instead of giving audit procedures. For example, to ensure that tender procedures were followed instead of the audit procedure which could be to take a sample of payments for purchases made and confirm that three quotations were obtained and the best price paid.
- iv. There were candidates who simply explained the meaning of the three 'e's which was not the requirement of the question and no marks were awarded.
- v. There were candidates who gave as an audit procedure the obtaining of written representations from management even for areas where audit evidence could be obtained using other means. This is indicative of the fact that such candidates do not fully understand fully the provisions of ISSAI 1580 Written representations.

### **QUESTION THREE**

The general performance on this question was good. 71 of the 104 candidates that attempted the question achieved more than 50% of the total marks (score of 10 and above out of 20). The pass rate recorded was 68.3%. The highest score was 20 while the lowest was 1 marks out of 20.

Part (a) was a knowledge based question requiring candidates to discuss the main causes of the increase in cyber-crime in modern business as well as describe any three main threats of cyber-crime faced by users of electronic payment systems.

The majority of candidates scored well and obtained maximum marks. There were, however, candidates who explained reasons why cyber-crime takes place.

Other scored low marks because they seemed not to know what to write and gave answers such as loss of assets, loss of organizational independence and ghost recipients instead of describing the main threats of direct theft, malicious damage, data theft etc.

Part (b) (i) of the question required candidates to discuss four benefits of the independent review of the operations of the Supreme Audit Institution of Zambezi. The performance in this question was generally satisfactory.

A minority of candidates scored low marks and the following were observed:

- i. Some of the candidates discussed the benefits of having a Supreme Audit Institution instead of discussing the benefits of the work of the Sai being independently reviewed.
- ii. Other candidates discussed the ethical issues in the scenario which should have been discussed in part(ii) of the question.
- iii. There were candidates who seemed not to have understood the requirements of the question. The answers included discussing the principles of transparency and accountability which were not asked for.

Part (b) (ii) required candidates to evaluate and explain four ethical issues in the SAI of Zambezi. Most of the candidates scored high marks in this part. There was a minority of candidates who lost easy marks by:

- i. Some candidates gave less than the required four ethical issues and got marks in proportion to the number of issues correctly discussed.
- ii. Others gave answers without using the information in the scenario resulting in the loss of easy marks.

#### **QUESTION FOUR**

The general performance on this question was very good. 77 of the 101 candidates that attempted the question achieved more than 50% of the total marks (score of 10 and above out of 20). The pass rate recorded was 76.2%. The highest score was 19 while the lowest was 5 marks out of 20.

Part (a) required candidates to differentiate between regularity and propriety in public sector auditing. The majority of the candidates were able to do this and scored maximum marks.

Part (b) required candidates to differentiate the objectives of performing a financial and compliance audit at the same time. The majority of the candidates explained this satisfactorily and scored maximum marks.

Part (c) of the question required candidates to identify and explain the three parties in a compliance audit of the Ministry of Finance. A few candidates lost marks because they did not use the information in the scenario to specifically name the parties and so lost some marks.

Part (d) required candidates to identify and explain four methods that the public sector auditor would use to obtain evidence in a compliance audit in the Ministry of Finance. The majority of the candidates scored maximum marks but there were a few candidates who gave less than the required four methods thereby getting marks in proportion to the number of methods explained.

## **QUESTION FIVE:**

The general performance on this question was very poor. Only 9 of the 80 candidates that attempted the question achieved more than 50% of the total marks (score of 10 and above out of 20). The pass rate recorded was 11.3%. The highest score was 12 while the lowest was 1 marks out of 20.

Part (a) was a knowledge based question requiring candidates to explain the requirements of ISSAI 30 Code of Ethics in relation to the independence of the SAI and the SAI staff. The performance was below expectation and the following were observed:

- i. Most candidates explained the provisions of the Lima and Mexico declarations which were not the requirement of the question and no marks were awarded for doing so. Candidates should address the requirements of the question in answering examination question. Some candidates discussed only in relation to the SAI staff and not the SAI itself as described in the ISSAI.
- ii. A number of candidates discussed all the ethical principles instead of restricting themselves to that objectivity and independence and relating them to the SAI and the SAI staff. This was a waste of time and no marks were awarded.

Part (b) required an evaluation of the suggestions by the Paramount Chief in the scenario and to comment on the ethical and professional issues contained there. Most of the answers were unsatisfactory and the following were observed:

- i. Some candidates simply repeated what was in the scenario without explaining the ethical issues therein.
- ii. Other candidates did not address all the five matters raised and so obtained marks in proportion to the matters discussed.

## **OVERALL PERFORMANCE OF CANDIDATES**

- i. Highest mark obtained in this paper: 72%
- ii. Lowest score in this paper: 16%
- iii. Overall pass rate in this paper: 62.5%

## **SUBJECT: CA 3.8- PUBLIC SECTOR FINANCIAL MANAGEMENT**

### **QUESTION ONE**

The general performance on this question was poor. Only 4 of the 9 candidates that attempted the question achieved more than 50% of the total marks (score of 20 and above out of 40). The pass rate recorded was 44.4%. The highest score was 25 while the lowest was 2 marks out of 40.

Part (a) of this question was responded to generally well, though some of those who lost the marks were unable to correctly calculate the Weighted Average Cost of Capital (WACC). They failed to divide the book values of each source of capital with the sum total of all the sources and then weigh the product which was to be expressed as a percentage i.e to obtain the Social Opportunity Cost (SOC).

Due to the failure of obtaining the correct SOC, some students responses in responding to Part (b) obtained (-ve) NPV which was incorrect and resulted into incorrect advise in responding to Part (b). Parts (c) and (d) were generally answered well by all the students that attempted it.

### **QUESTION TWO**

The general performance on this question was fair. 3 of the 6 candidates that attempted the question achieved more than 50% of the total marks (score of 10 and above out of 20). The pass rate recorded was 50%. The highest score was 20 while the lowest was 6 marks out of 20.

The question examined fiscal risks faced by governments and how they can be managed. Performance on this question was mixed, with some students doing well, and others performing poorly – particularly on part (a).

### **QUESTION THREE**

The general performance on this question was good. 2 of the 3 candidates that attempted the question achieved more than 50% of the total marks (score of 10 and above out of 20). The pass rate recorded was 66.7%. The highest score was 15 while the lowest was 8 marks out of 20.

Students needed to explain well other PFM measurement framework or guidance documents. However, not all the measurement framework or guidance documents were explained.

Students failed to identify and explain the methods councils could employ to ensure its budget classification conforms to international standards. This shows that they are not knowledgeable that is, they do not know these methods and are advised to read more.

Lastly, a few students did not exhaust reasons as to why the project should go ahead despite the risk of net cost or low benefit.

#### **QUESTION FOUR**

The general performance on this question was excellent. 6 of the 7 candidates that attempted the question achieved more than 50% of the total marks (score of 10 and above out of 20). The pass rate recorded was 85.7%. The highest score was 20 while the lowest was 8 marks out of 20.

The question covered performance measures, both financial and non – financial, of the education sector, and a discussion of the motivational factors that are likely to influence the level of performance. Performance on the question was exceptionally good.

#### **QUESTION FIVE**

The general performance on this question was also excellent. All 8 candidates that attempted the question achieved more than 50% of the total marks (score of 10 and above out of 20). The pass rate recorded was 100%. The highest score was 15 while the lowest was 10 marks out of 20.

The performance was very good. There were 8 candidates who attempted this question and all passed representing 100% pass rate. Although this question was well attempted, generally the three methods were not fully explained and distinguished.

#### **OVERALL PERFORMANCE OF CANDIDATES**

- i. Highest mark obtained in this paper: 71%
- ii. Lowest score in this paper: 02%
- iii. Overall pass rate in this paper: 88.9%