



## **DECEMBER 2020 EXAMINATIONS**

## **CHIEF EXAMINERS REPORTS**

## **SUBJECT: PFM1 PUBLIC SECTOR ACCOUNTING**

### **QUESTION ONE**

The general performance on this question was excellent. All the 3 candidates that attempted it managed to get above 20 marks out of the available 40. The pass rate recorded was 66.6%. The highest score was 25 while the lowest was 14 out of 40 marks.

This was a 40 Marks question on the Statement of Financial Performance of the Consolidated Fund and Statement of Financial Position of the Consolidated Fund. It also included the objectives of the public sector accounting and the difference between private sector and public sector accounting.

Part (a)

- i. This part asked candidates to prepare the Statement of Financial Performance of the Consolidated Fund. Most of the candidates answered well. However, one candidate had challenges with the format and treatment of adjustments.
- ii. This part asked candidates to prepare the Statement of Financial Position of the Consolidated Fund. Most of the candidates answered well. However, one candidate had challenges with the format and treatment of adjustments.

Part (b)

- i. This part asked candidates to explain the objectives of public sector accounting. Candidates scored well on this part.
- ii. This part asked candidates to explain the four differences between private sector and public sector accounting. Candidates scored well on this part.

### **QUESTION TWO**

This was a 20 Marks question on IFMIS and controls on audit and legislative. No candidate attempted this question as it was avoided by all.

### **QUESTION THREE**

The general performance on this question was excellent. All the 3 candidates that attempted it managed to get above 12 marks out of the available 20. The pass rate recorded was 100%. The highest score was 17 while the lowest was 12 out of 20 marks.

Part (a)

- i. This part asked candidates to explain the purpose of the chart of accounts. Candidates scored well here.

- ii. This part asked candidates to explain the characteristics of chart of accounts. Candidates performed poorly in this part as they did not understand the question requirements. There were so many general answers to the question.

Part (b)

- i. This part asked candidates to explain the code of ethics for professional accountants which were provided. This was adequately answered.
- ii. This part asked candidates to explain the 5 threats to compliance with fundamental ethical principles. This was adequately answered.

**QUESTION FOUR**

The general performance on this question was poor. One out of the 3 candidates that attempted it managed to get above 12 marks out of the available 20. The pass rate recorded was 33.3%. The highest score was 13 while the lowest was 7 out of 20 marks.

This was a 20 Marks question on International Public Sector Accounting Standard Board (IPSASB), public spending, accrual and cash basis accounting.

This part asked candidates to explain the role of IPSAB. Candidates scored very well on this one. One candidate exhibited lack of knowledge in this area.

- i. This part asked candidates to explain the two types of public spending. All candidates performed poorly on this part. Few marks were awarded for the examples they managed to give.
- ii. This part asked candidates to explain the difference between the accruals and cash basis of accounting. This was adequately answered.
- iii. This part asked candidates to prepare the statement of financial performance extract. This was adequately answered.

**QUESTION FIVE**

The general performance on this question was excellent. All the 3 candidates that attempted it managed to get above 12 marks out of the available 20. The pass rate recorded was 100%. The highest score was 19 while the lowest was 17 out of 20 marks.

This was a 20 Marks question on government revenue and expenditures as well as users of public sector financial information.

Part (a)

- i. This part asked candidates to explain the two sources of government revenue. Candidates scored very well here.

- ii. This part asked candidates to explain the two types of government expenditure. Candidates scored fairly well here though all the candidates could not identify recoverable advances.

Part (b)

- i. This part asked candidates to explain the three internal and three external users of public sector financial information. Candidates scored extremely well here.
- ii. This part asked candidates to explain four reasons why the users in (i) would want to access the public sector financial information. This was adequately answered.

**Overall performance of candidates**

Highest mark obtained in this paper: 68%

Lowest mark obtained in this paper: 50%

Overall pass rate in this paper: 100%

## **SUBJECT: PFM2 LEGAL ASPECTS OF PUBLIC SECTOR FINANCE AND ADMINISTRATION**

### **QUESTION ONE**

The general performance on this question was good. 2 out of the 3 candidates that attempted it managed to get above 20 marks out of the available 40. The pass rate recorded was 66.6%. The highest score was 32 while the lowest was 27 out of 40 marks.

This one was a compulsory question and was well handled by the students. The question had four parts that is, (a), (b), (c) and (d).

(a) this part was well answered and supremacy of the constitution was well explained though some students were not able to identify the required cases. In future students must read further the cited cases that are in the module and make sense out of it.

(b) the scope of judicial review was explained well but a few students were not able to explain the scope in depth of what amounts to judicial review. Going forward, students must read on the concept of judicial review, the scope, grounds and remedies to be able to answer questions based on this topic.

(c) this part was answered well as most of the students gave a distinction between constitutional and administrative law. Those who failed appeared to be guessing as they did not have an idea of the two. In future, students must read further to understand the meaning of the two laws and how they are distinguished.

(d) this question on sources of law was ably answered as the students discussed the said sources like the constitution, Acts of Parliament, Customs, delegated legislation and or common law and equity. In future students must be able to identify all the sources of law in Zambia as any question can come from any source available in Zambia.

### **QUESTION TWO**

The general performance on this question was excellent. All the 3 candidates that attempted it managed to get above 12 marks out of the available 20. The pass rate recorded was 100%. The highest score was 18 while the lowest was 12 out of 20 marks.

### **QUESTION THREE**

The general performance on this question was excellent. All the 3 candidates that attempted it managed to get above 12 marks out of the available 20. The pass rate recorded was 100%. The highest score was 14 while the lowest was 12 out of 20 marks.

- a) The question required students to identify the organs of the state, this was done with ease by all students. A sign that students were well read on the subject in question. Future students are encouraged to focus on the entire Zica manual as their examinations are derived from the same. All students passed this question
- b) All students got this question right, they were able to identify the organ in question without any difficulty. Future candidate are encouraged to study the topics in full and emulate their colleagues. Students must avoid selective study
- c) The question required students to explain the functions of the legislature, this they did without much challenge. All students got this part correctly. Future candidates are encouraged to study the Zica manual and revise all past papers.
- d) The question was testing students on their understanding of separation of powers. All students go this question correct, a sign that they were fully prepared for the same. Future candidates are encouraged to emulate their colleagues by studying hard the topics and revising past papers. The overall performance was good.

## **QUESTION FOUR**

The general performance on this question was excellent. All the 3 candidates that attempted it managed to get above 12 marks out of the available 20. The pass rate recorded was 100%. The highest score was 19 while the lowest was 16 out of 20 marks.

The number of students in this course was 03. The performance was good as all the students passed this question.

There were two parts to this question that is (a) and (b).

- a) Part (a) required students to explain how parliament controls financial management in Administrative bodies.
- b) Part (b) required students to explain how the courts controls Administrative bodies

On both parts of the questions, the candidates did quite well. They were able to explain how Parliament controls financial management in public institutions. There were not much mistakes noted in this question perhaps because of the number of students that took the exam and all seem to have understood what they were doing. Recommendation: students should explain according to the marks allocated even beyond if able to as sometimes, the more written may actually attract more marks based on relevance.

## **Overall performance of candidates**

Highest mark obtained in this paper: 83%

Lowest mark obtained in this paper: 73%

Overall pass rate in this paper : 100%

## **SUBJECT: PFM3 GOVERNANCE AND MANAGEMENT IN PUBLIC SECTOR**

### **QUESTION ONE**

The general performance on this question was excellent. All the 3 candidates that attempted it managed to get above 20 marks out of the available 40. The pass rate recorded was 100%. The highest score was 34 while the lowest was 31 out of 40 marks.

This was a case study compulsory question with 40 marks and it had three parts. Part (a) required candidates to explain functions of management by Henri Fayol, Part (b) candidates were required to explain some given governance terms, and Part (c) was about ethics. In all the cases all the three candidates showed good understanding of the questions and gave the right answers.

### **QUESTION TWO**

The general performance on this question was excellent. All the 3 candidates that attempted it managed to get above 12 marks out of the available 20. The pass rate recorded was 100%. The highest score was 18 while the lowest was 15 out of 20 marks.

The question had two parts (a) and (b). Both Part (a) and Part (b) was on policy making process. All the candidates showed good understanding of the question and got good marks.

### **QUESTION THREE**

The general performance on this question was excellent. All the 2 candidates that attempted it managed to get above 12 marks out of the available 20. The pass rate recorded was 100%. The highest score was 17 while the lowest was 14 out of 20 marks.

The question had two parts (a) and (b). Part (a) required candidates to differentiate between Private and Public Governance and, Part (b) required candidates to give five similarities between Public and Private Administration. Both questions were well answered by both candidates

### **QUESTION FOUR**

The general performance on this question was excellent. The only 1 candidate that attempted it managed to get above 12 marks out of the available 20. The pass rate recorded was 100%.

The question was on contract management. The avoidance by other candidates not to attempt this question shows that they did not understand the question.

### **QUESTION FIVE**

The general performance on this question was excellent. All the 3 candidates that attempted it managed to get above 12 marks out of the available 20. The pass rate recorded was 100%. The highest score was 20 while the lowest was 16 out of 20 marks.

The question had two parts (a) and (b). Part (a) and Part (b) were on Parastatals and decentralization respectively. All the candidates showed good understanding of the question and got good marks.

### **Overall performance of candidates**

Highest mark obtained in this paper: 89%  
Average score in this paper: 81%  
Overall pass rate in this paper: 100%



## **SUBJECT: PFM4 PUBLIC SECTOR FINANCIAL MANAGEMENT**

### **QUESTION ONE**

The general performance on this question was excellent. Of the 4 candidates that attempted it, none managed to get above 20 marks out of the available 40. The pass rate recorded was 0%. The highest score was 23 while the lowest was 11 out of 40 marks.

Part (a) asked candidates to explain the key stages in the capital investment decision making process and Part (b) required candidates to discuss the meaning of the term 'relevant cash flows' in the context of investment appraisal, giving examples to aid your discussion. Lastly, part (c) asked candidates to evaluate the financial viability of the proposed machine upgrade using the Net Present Value method. Most candidates could not adequately explain the stages in capital investment decision making process. Taxable profits were incorrect and tax savings were equally wrongly done. Further, candidates failed to calculate correctly the working capital and they did not calculate market values, cost of equity and WACC.

### **QUESTION TWO**

No candidate attempted this question.

Part (a) asked candidates to discuss present budget system and its likely effect on National Development Planning achieving its goals and part (b) asked candidates to explain to the Directors the balance score card approach to performance management. Finally, part (c) asked candidates to explain two (2) non-financial indicators that could be used by National Development planning.

### **QUESTION THREE**

The general performance on this question was good. 2 out of the 3 candidates that attempted it managed to get above 12 marks out of the available 20. The pass rate recorded was 66.6%. The highest score was 17 while the lowest was 7 out of 20 marks.

Candidates were required to assume the role of Director of Finance in the ministry of defense and make clarifications on whether the national defense is a public good; describe the main types of non-tax revenue in the public sector and explain the functions of government relating to public finance in a developing economy. Some candidates showed lack of knowledge of main types of non-tax revenue in the public sector.

### **QUESTION FOUR**

The general performance on this question was good. 2 out of the 3 candidates that attempted it managed to get above 12 marks out of the available 20. The pass rate recorded was 66.6%. The highest score was 12 while the lowest was 9 out of 20 marks.

Part (a) asked candidates to explain the purpose of the performance measurement system in the public sector and part (b) required candidates to explain what an internal control system is stating its objectives and its benefits as summarized as defined in the Practices Board (APB) and the COSO guidelines. Lastly, part (c) asked candidates to explain the oversight functions of Audit Committees in the internal control systems. Some candidate's responses lacked adequate and satisfactory explanations. For instance, for question 4(c), functions of the Audit Committee were not fully identified from the responses.

## **QUESTION FIVE**

The general performance on this question was good. 2 out of the 3 candidates that attempted it managed to get above 12 marks out of the available 20. The pass rate recorded was 66.6%. The highest score was 12 while the lowest was 6 out of 20 marks.

Part (a) required candidates to explain why it is important for the treasury to management the cash flows and part (b) asked candidates to describe the capital budgeting process of determining whether the expenditure is in conformity with organizations' goals. Lastly part (c) asked candidates to describe the main types of budgeting methods that are common in the public sector. Part(c) was generally not well responded as some responses lacked detailed insight into explaining the main types of budgeting methods that are common in the public sector as required, even for those that have identified the type of budget methods, there was inadequate explanations.

## **Overall performance of candidates**

Highest mark obtained in this paper: 57%

Lowest mark obtained in this paper: 33%

Overall pass rate in this paper: 75%

## **SUBJECT: PFM 5 PUBLIC SECTOR AUDITS**

### **QUESTION ONE**

The general performance on this question was good. 1 out of the 2 candidates that attempted it managed to get above 20 marks out of the available 40. The pass rate recorded was 50%. The highest score was 31 while the lowest was 8 out of 40 marks.

This compulsory question was attempted by both candidates and the average score was 20 out of the maximum available marks.

#### **Part (a)**

This part of the question required candidates to explain the principles of accountability and transparency with regards funds appropriated to the Road Development Agency.

The following were observed with regards the candidate who scored poorly in this part.

The candidate appears not to understand the principles of transparency and accountability. For example described accountability in the context of the audit of the funds is that someone qualified in the field of accountancy.

#### **Part (b)**

- (i) Required an explanation of the ethical value of professional competence and due care by the public sector auditor. And how this could be achieved. The candidate who scored low marks did not address the part requiring an explanation of how professional competence and due care could be achieved.
- (ii) This part required an identification and explanation of four ethical issues in the given scenario.

#### **Part (c)**

This was a multi requirement question with the first part requiring an explanation of audit risk and the second part requiring identification and explanation of fraud risk factors in the given scenario.

Both candidates score more than half the available marks on identifying and explaining fraud risk factors.

#### **Part (d)**

This part of the question required the candidates to distinguish between reasonable and limited assurance given in the audit and review of financial statements of the RDA.

The candidate who failed this paper lost all marks in this part and could not differentiate between reasonable assurance and limited assurance. From the answer given it is clear that the candidate does not understand the topic.

Part (e)

This required candidates to explain the meaning of compliance auditing using the information in the scenario and to suggest audit procedures for the compliance audit of the township road project.

The candidate who failed this paper showed lack of understanding of compliance audits and did not score any marks in this part of the question. The answer given suggests that the candidate did not prepare adequately for this examination.

## **QUESTION TWO**

The general performance on this question was good. None of the 2 candidates that attempted it managed to get above 12 marks out of the available 20. The pass rate recorded was 0%. The highest score was 10 while the lowest was 3 out of 20 marks.

Part (a)

This part of the question required candidates to explain the meaning of value for money audits in the context of the information in the case study in the question. Although there was an explanation of value for money, there was no reference to the procurement of earthmoving equipment as required by the question thereby losing available marks for this.

Part (b)

This part of the question required candidates to explain the matters that should be considered in the performance audit of the procurement of earth moving equipment by the Ministry of Works and Supply.

This part of the question was not attempted by the candidate who failed this paper.

Part (c)

This was a question on quality control with regards appointment of audit staff to carry out a performance audit.

The part was inadequately answered by the only candidate who failed this paper showing lack of knowledge of the topic of quality in public sector auditing.

Part (d)

This part of the question required candidates to explain the work that should be carried out in a forensic audit under the four stages given in the question. The requirements of the question were not addressed by the only candidate who failed this paper.

### **QUESTION THREE**

The general performance on this question was excellent. 1 out of the 2 candidates that attempted it managed to get above 12 marks out of the available 20. The pass rate recorded was 50%. The highest score was 17 while the lowest was 10 out of 20 marks.

Part (a)

This part of the question required candidates to explain the need for the members of the public accounts committee to be independent of the audited entities. The part was not attempted by the candidate who failed the paper.

Part (b)

This part of the question required an explanation of the functions of the public accounts committee. The answers to this part of the question were satisfactory with both papers scoring high marks.

Part (c)

This part of the question required a distinction between the functions of the public accounts committee and the audit committees in the spending agencies. The candidate who failed this paper gave less than the expected number of points to attract maximum marks.

Part (d)

This part required candidates to explain the meaning of induction of new PAC members and also to state benefits of induction.

This part of the question was satisfactorily answered with both candidates scoring more than half the available marks.

### **QUESTION FOUR**

The general performance on this question was excellent. The only candidate that attempted it managed to get above 12 marks out of the available 20. The pass rate recorded was 100%. The highest score was 13 marks.

Part (a)

This part of the question required candidates to explain the forms of modifications of the auditor's opinion using the information for the three situations in the question.

The candidate who failed this paper only gave correct form of modification to case three and earned marks proportionate to this.

#### Part (b)

- (i) Required candidates to distinguish the roles of the SAI and the internal audit departments clearly explaining why the SAI is required to audit institutions with internal audit departments.

The explanation by the candidate who failed this paper was below requirement to attract maximum marks.

- (ii) This part required candidates to explain the constitutional requirements with regards the appointment of the Auditor General.

Both candidates satisfactorily answered this part and scored maximum marks.

- (iii) This part of the question required an explanation of the autonomy of the OAG and why it does not report to any government ministry.

This part of the question was satisfactorily answered by both candidates.

- (iv) This part of the question required candidates to list six institutions subject to audits by the SAI.

This part of the question was well answered with both candidates scoring maximum marks.

### **QUESTION FIVE**

The general performance on this question was poor. The only candidate that attempted it did not manage to get above 12 marks out of the available 20. The pass rate recorded was 0%. The highest score was 11 marks.

This question was attempted by one of the two candidates who sat for the examination. The candidate who attempted this question answered it satisfactorily and scored more than half the available marks.

### **Overall performance of candidates**

Highest mark obtained in this paper:	69%
Lowest mark obtained in this paper:	34%
Overall pass rate in this paper:	50%

## **SUBJECT: PFM 6 FINANCIAL REPORTING FRAMEWORK FOR PUBLIC SECTOR ENTITIES**

### **QUESTION ONE**

The general performance on this question was good. All the 2 candidates that attempted it none managed to get above 20 marks out of the available 40. The pass rate recorded was 0%. The highest score was 17 while the lowest was 16 out of 40 marks.

This question required candidates to:

- (a) Explain any three (3) key factors that normally affect the extent of adoption work required when moving to accrual-based IPSASs.
- (b) Using the information given above, explain the accounting treatments for the interest on the debenture and stationery sold to employees.
- (c) Prepare the following for Kudu Revenue Authority (KRA):

### **QUESTION TWO**

The general performance on this question was excellent. All the 2 candidates that attempted it managed to get above 12 marks out of the available 20. The pass rate recorded was 100%. The highest score was 15 while the lowest was 11 out of 20 marks.

This question required candidates to:

- (a) Define provision, contingent liability and contingent asset according to IPSAS 19 *Provisions, Contingent liabilities and Contingent Assets*.
- (b) Discuss the accounting treatments of the four (4) matters given in the Scenario.
- (c) Explain any four (4) reasons for the rapid adoption of the International Public Sector Accounting Standards (IPSASs) in a number of countries.

### **QUESTION THREE**

The general performance on this question was excellent. The only 1 candidate that attempted it managed to get above 12 marks out of the available 20. The pass rate recorded was 100%. The highest score was 13 marks.

Candidates were required to:

- (a) Explain the importance of performance and financial management in the public sector.
- (b) Discuss the use of the balanced scorecard and ratio analysis in performance evaluation in the public sector.
- (c) Calculate and comment on any four (4) suitable ratios which can be used to measure the performance of the public interest enterprise.

## QUESTION FOUR

The general performance on this question was poor. The only candidate that attempted it did not manage to get above 12 marks out of the available 20. The pass rate recorded was 0%. The highest score was 11 marks.

The question required candidates to:

- (a) Explain what is meant by "complete", "neutrality" and "free from material error" in respect of the information included in the General Purpose Financial Reports (GPFRs).
- (b) State the circumstances when departure from equivalent IFRS is permitted under the accrual basis IPSASs.
- (c) Distinguish defined contribution and defined benefit plans.
- (d) Explain the following:
  - (i) The principle underlying all of the detailed requirements of IPSAS 25 *Employee Benefits*.
  - (ii) The accounting treatment of the post-employment benefits for defined benefit plans.

## QUESTION FIVE

The general performance on this question was excellent. The only candidate that attempted it managed to get above 12 marks out of the available 20. The pass rate recorded was 100%. The highest score was 15 marks.

Candidates were required to:

- (a) Explain the importance of budgets in the public sector.
- (b) Describe the requirements, under IPSAS 24 *Presentation of Budget Information in Financial Statements*, for entities that make their budgets publicly available.
- (c) Calculate variances and variance percentages between the approved budget and actual performance for the year ended 31 December 2019.
- (d) Comment on the performance of the Government during the year ended 31 December 20X9, using the variances calculated in (c) above.



### **Overall performance of candidates**

Highest mark obtained in this paper:	100%
Lowest mark obtained in this paper:	0%
Overall pass rate in this paper:	100%