



DECEMBER 2020 EXAMINATIONS

CHIEF EXAMINERS REPORTS

SUBJECT: C1 BUSINESS MANAGEMENT

QUESTION ONE

The general performance on this question was excellent. 9 out of the 10 candidates who 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 90%. The lowest score was 8, whilst the highest was 18 out of 20 marks.

The question had two parts (a) and (b). Part (a) required candidates to differentiate between management and Leadership, and Part (b) was the application on the PESTEL model in environmental analysis. In both parts most candidates gave good answers

QUESTION TWO

The general performance on this question was excellent. 9 out of the 9 candidates who 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 100%. The lowest score was 12, whilst the highest was 18 out of 20 marks.

The question had two parts (a) and (b). Part (a) required candidates to explain the 4 characteristics of an organization, and Part (b) was the on controls in the business. Most candidates gave the right answers.

QUESTION THREE

The general performance on this question was excellent. 9 out of the 9 candidates who 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 100%. The lowest score was 10, whilst the highest was 18 out of 20 marks.

The question had two parts (a) and (b). Part (a) required candidates to explain impact of political and legal factors on a business and, Part (b) was the factors that influence the development of organizational culture on controls. Part (a) was well answered with good marks but Part (b) most candidates could not give clear answers.

QUESTION FOUR

The general performance on this question was excellent. 8 out of the 9 candidates who 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 88.8%. The lowest score was 7, whilst the highest was 18 out of 20 marks.

The highest got 18 out of 20 while the lowest got 7. The pass rate was 88.9%. The question had three parts (a), (b) and (c).

Most candidates lost marks on Part (a) were they were required discuss the motivation theory of Douglas McGregor. They mistook this model with Maslow's.
Part (b) and (c) were well answered

QUESTION FIVE

The general performance on this question was poor. 3 out of the 9 candidates who 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 33.3%. The lowest score was 4, whilst the highest was 16 out of 20 marks.

The question had two parts.

Part (a) required the candidates to use a Six Model of strategic leadership components by American CEO's. Most candidates failed to recall the model to use and lost marks.
Part (b) most candidates failed this part also which needed them to categories of grand strategies

Overall performance of candidates

Highest mark obtained in this paper: 82%
Average score in this paper: 68%
Overall pass rate in this paper: 100%

SUBJECT: C2 ECONOMICS AND FINANCIAL MATHEMATICS

QUESTION ONE

The general performance on this question was good. 4 out of the 8 candidates who 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 50%. The lowest score was 4, whilst the highest was 10 out of 20 marks.

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

This question required candidates to distinguish between a pair of given economic terms as follows:

- i) Required candidates to distinguish between Microeconomics and Macroeconomics. Performance was fair though weak candidates only gave examples
 - ii) Required candidates to distinguish between Revocable and Irrevocable Credit. The basic difference is that a revocable credit can be revoked or cancelled at any time while an irrevocable credit cannot. Some candidates were totally lost on this one indicating the problem of not covering the entire syllabus when studying.
 - iii) Required candidates to distinguish between two theories of International trade namely Comparative and Absolute Advantage. This was fairly done.
 - iv) Required candidates to distinguish between Treasury Bills and Government Bonds. Both are types of government borrowing instruments. However, a Treasury bill is used for short term while the bond is used for long term borrowing by the government. There was mixed performance.
- a) This question tested candidates' understanding of market equilibrium as follows:
- i) Required candidates to calculate the equilibrium price and quantity from the demand and supply equations given. All that candidates were required to do was to equate the two equations and then solve for Q, then substitute this value of Q into any of the equations to find the value of P. Equilibrium Quantity = 10 while equilibrium price = 30. Candidates lost this 5 easy marks by failing to do this. Remember equilibrium always occur at a point where demand is equal to supply.
 - ii) Required candidates to calculate the new equilibrium quantity and price when government imposes a tax of K5 on each good. With a tax of K5, the seller will receive K5 less, that is, $P - 5$ hence the new supply equation becomes $P - 5 = 0.5Q_s + 25$ which can be reduced to $P = 0.5Q_s + 30$. Equating this with the original demand equation gives equilibrium quantity of 8 and equilibrium price of 34.

QUESTION TWO

The general performance on this question was excellent. 7 out of the 7 candidates who 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 100%. The lowest score was 12, whilst the highest was 20 out of 20 marks.

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

- a) This question required candidates to distinguish between a direct tax and an indirect tax giving two examples of each type and two advantages of each type. Candidates performed well though some candidates interchanged direct with indirect taxes.
- b) Required candidates to outline any three (3) principles of a good tax system. A very popular question where candidates were merely required to outline Equity, Convenience, Economy and Certainty. Some candidates merely listed instead of outlining. Candidates are urged to particular attention to the question verbs used.
- c) Required candidates to explain any three (3) functions of taxation in any economy. Fairly answered.

QUESTION THREE

The general performance on this question was poor. 1 out of the 7 candidates who 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 14.3%. The lowest score was 0, whilst the highest was 17 out of 20 marks.

This first question on the Financial Mathematics part was divided into three (3) parts namely (a) to (c) each with subdivisions based on Probability Distributions.

Based on the Normal Distribution, required candidates to find the proportion of candidates who scored higher than 55 marks given a mean of 75 with a standard deviation of 20. Candidates were merely required to use the Z score to find the area and then **ADD** this area to 0.5. Some of the students who tried well failed to secure the full marks because they ended at 0.3413 without adding 0.5 to it as required. Other candidates never even attempted to use the Z score let alone do substitutions.

- a) Based on the Poisson Distribution, candidates were asked to find the probability of obtaining (i) at least one defective item, (ii) zero defective items and (iii) exactly one defective item. Many candidates failed to identify that this is a Poisson Distribution because the sample size n is large with a very small P at 3%. Therefore, what was needed was to find the average of lambda using nP , that is, $\lambda = np = 150 \times 0.03 =$

4.5. Once this is found we simply substitute in the Poisson formula to find the required answers. Finally, note in probability language the word '**at least one**' means one and above.

- b) Based on the Binomial distribution, candidates were asked to calculate the probability of obtaining (i) exactly two heads, (ii) at least one head, and (iii) three heads and one tail when a fair coin is tossed 4 times. Again some candidates failed because they failed to recognise that the characteristics of the binomial distribution namely small sample size, $n = 4$ and only two possible outcomes are given. Once this is done, substitution follows in the binomial formula. Note and again the word **AND** in probability language always means Multiplication Law.

QUESTION FOUR

The general performance on this question was poor. 2 out of the 7 candidates who 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 28.6%. The lowest score was 2, whilst the highest was 14 out of 20 marks.

This question was divided into two (2) parts (a) and (b).

This part of the question was based on Regression and Correlation. Candidates were not required to come up with the table work as the totals were already given in the question paper. Once common error was failure by many candidates to identify which one was the independent variable (x) and which one was the dependent variable Y. This should always be sorted out first.

- i) Required candidates to calculate the product-moment correlation coefficient (r). All that was needed was to substitute the correct values into the correct formula to get full credit. The coefficient is -0.87
- ii) Required candidates to calculate the coefficient of determination $(r^2) \times 100$. Performance was fair. Some candidates got the full marks allocated. However, others couldn't use the formula correctly hence ended up with wrong answers. When the answer to (i) was wrong, automatically no marks could be obtained for part (ii). Some candidates calculated the correlation coefficient correctly but forgot that coefficient of determination is the square of the correlation coefficient multiplied by 100%; they simply multiplied the correlation coefficient by 100% which is wrong by definition!
- iii) Required candidates to find the least squares regression or prediction equation. To do this candidates needed to find the slope, b, first followed by the Y-intercept, a. Some candidates correctly calculated the value of b but failed to find correctly the value of a using $a = \frac{\sum Y}{n} - b \frac{\sum X}{n}$; i.e. they forgot to divide by $n = 8$!

- iv) Required candidates to use the least squares regression equation to predict the number of errors from an employee with 7 years of experience. All that was required was to substitute 7 where there was X in the equation to find Y.
- a) Based on Bonds, the question required candidates to calculate the Yield to maturity of a given bond. This was poorly done. Candidates had the option of either using the interpolation formula or the direct method (See the suggested solution).

QUESTION FIVE

The general performance on this question was good. 5 out of the 7 candidates who 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 71.4%. The lowest score was 2, whilst the highest was 13 out of 20 marks.

The question was divided into four (4) parts (a) to (d).

Required candidates to define (i) Normal yield and (ii) Running Yield. Fairly done.

- a) Required candidates to explain the difference between Yield and return. Fairly done.
- b) Required candidates to calculate the price of the Treasury Bill from the given information. Weak candidates didn't know the correct formula to use. Candidates are urged to study the entire syllabus to avoid surprises in the examination.
- c) Required candidates to (i) calculate the NPV from the given information and (ii) use the findings to advise whether or not the equipment should be purchased. Fairly done. Some students opted for the equation method while others opted for the table way; both approaches are fully accepted. The cash inflow is K2200 for six years forming an annuity. Those candidates who failed to calculate the correct NPV also got no credit for part (ii) as it was based on the correct answer to part (i).

Overall performance of candidates

Highest mark obtained in this paper: 71%

Lowest mark obtained in this paper: 20%

Overall pass rate in this paper: 43%

SUBJECT: C3 FINANCIAL ACCOUNTING

QUESTION ONE

The general performance on this question was good. 6 out of the 8 candidates who 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 75%. The lowest score was 8, whilst the highest was 20 out of 20 marks.

Part (a) required candidates to prepare statement of profit or loss. On this part of the question candidates performed very well.

Part (b) required candidates to prepare statement of financial position. Candidates performed very well.

Part (c) required candidates to describe dishonored cheque and cheque clearing system. Most candidates fairly managed to describe both.

QUESTION TWO

The general performance on this question was poor. 2 out of the 6 candidates who 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 33.3%. The lowest score was 0, whilst the highest was 16 out of 20 marks.

The journal entries were poorly done and just like the suspense account. A few managed to do something on the corrected trial balance. Candidates are advised to know correction of errors that do not affect trial balance and those that do with being able to clear suspense account.

QUESTION THREE

The general performance on this question was good. 3 out of the 6 candidates who 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 50%. The lowest score was 0, whilst the highest was 14 out of 20 marks.

The question was within the syllabus and candidates were expected to know basic principles behind the preparation of the updated cash book and bank reconciliation. Most candidates had challenges in identifying what should be added and subtracted depending on what balance the bank reconciliation starts with.

QUESTION FOUR

The general performance on this question was poor. 1 out of the 5 candidates who 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 20%. The lowest score was 0, whilst the highest was 15 out of 20 marks.

Part (a) of the question required candidates to calculate ratios on liquidity and working capital. The question was standard though poorly done. Candidates are encouraged to revise questions on ratios as it is a common question in exams.

Part (b) required candidates to comment on the calculated ratios and most candidates as well failed to give valid interpretation.

Part (c) required candidates to prepare good will accounts for the partnership and none managed to get the maximum marks available.

QUESTION FIVE

The general performance on this question was good. 4 out of the 6 candidates who 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 66.6%. The lowest score was 4, whilst the highest was 18 out of 20 marks.

The question was on incomplete records.

Part (a) required candidates to calculate the opening capital and candidates performed well on this section.

Part (b) required the candidates to prepare the statement of profit or loss. Candidates performed well on this question except for a few who failed to calculate the insurance figure to carry to the profit or loss statement.

Part (c) required candidates to prepare the statement of financial position and most candidates performed well except for a few failing to work out the receivables and payables figures.

Overall performance of candidates

Highest mark obtained in this paper: 73%
Lowest mark obtained in this paper: 9%
Overall pass rate in this paper: 43%

SUBJECT: C4 DIRECT TAXES

QUESTION ONE

The general performance on this question was good. 20 out of the 27 candidates who 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 74%. The lowest score was 3, whilst the highest was 17 out of 20 marks.

The question had four (4) parts: (a), (b), (c) and (d):

In part (a) candidates were asked to calculate the income tax payable by the tax payer for the tax year 2020.

The performance in this part of the question was below average as the majority of candidates failed to recognise that the tax payer did not work for the full 12 months and therefore the salary and allowances should have been apportioned to 9 months. The few who took advantage of the question scored good marks. The other common mistake was that some candidates still had problems in dealing with the tax treatment of investment income where withholding tax is not a final tax. e.g royalties are grossed up ($15,300 \times 100/85$) and the withholding tax should be treated as a tax credit against income tax.

In part (b) candidates were asked to explain the tax treatment of the following investment income received by the individual; rental income, dividends and royalties.

The performance on this part of the question was extremely poor because as mentioned in (a) above most candidates had difficulties in explaining the tax treatment of some investment income. Candidates should have been aware for instance that rental income is taxed at the withholding tax rate of 10% and is a final tax for both individuals and companies.

Dividends are taxed at a withholding tax rate of 15% and the tax is final for both companies and individuals.

The royalties are tax at 15% and the withholding tax is not a final tax. Therefore, royalties are grossed up and subjected to income tax at the end of the charge year.

In part (c) candidates were required to state any six (6) documents required to operate Pay as You Earn (PAYE) system.

The performance on this part of the question was poor as most candidates seemed to have had no knowledge of the six documents required to operate the PAYE system such as the employer's guide to PAYE, tax tables, ITF/P8, P13, P18, P20, P22 among others.

In part (d) candidates were required to explain the tax implications of not paying PAYE on the due date.

The majority of the candidates performed better on this part of the question and scored the required marks.

QUESTION TWO

The general performance on this question was good. 14 out of the 25 candidates who 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 56%. The lowest score was 0, whilst the highest was 16 out of 20 marks.

This question had two parts (a) and (b):

In part (a) candidates were asked to calculate partnership tax adjusted business profit for the tax year ended 31 December 2020.

The performance on this part of the question was quite below average. One of the common mistakes was failure to identify the disallowable expenditure which should have been added to the net profit per accounts to arrive at the adjusted business profit. Notable problems were not being aware that goods withdrawn for private use are disallowed at their selling price and excess salary where the tax payer employed a relative who earned more than other staff doing the same job as being disallowed.

In part (b) candidates were asked to calculate the amount of business profits on which each partner was to be assessed for the tax year 2020.

The performance on this part of the question was below average as the majority of candidates lost goods marks. One common mistake was failure to apportion the profits between two periods, i.e before and after one partner retired and new partner admitted into the partnership. The wrong calculation of the tax adjusted business profits also affected the allocation of profits among partners.

QUESTION THREE

The general performance on this question was good. 19 out of the 26 candidates who 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 73%. The lowest score was 3, whilst the highest was 20 out of 20 marks.

This question had three (3) parts (a), (b) and (c):

In part (a) candidates were asked to explain any five (5) badges of trade. This question was fairly easy as most candidates scored all the required marks which increased their chances of passing the paper.

In part (b) candidates were asked to calculate the taxable business profit for the year ended 31 December 2020.

The performance on this part of the question was above average except a few candidates who had the usual problem of failing to identify allowable and disallowable expenditure. Otherwise most of them scored good marks.

In part (c) candidates were asked to calculate the income tax payable/refundable for the tax year ended 31 December 2020.

In this part of the question most candidates performed well and managed to score good marks. A few of them lost some marks because of the wrongly calculated taxable profit and failure to recognise that withholding tax on royalties based of the gross amount should be treated as a tax credit against income tax.

QUESTION FOUR

The general performance on this question was excellent. 23 out of the 26 candidates who 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 88.4%. The lowest score was 0, whilst the highest was 20 out of 20 marks.

This question had four parts (a), (b), (c) and (d):

In part (a) candidates were asked to calculate the capital allowances claimable by a company for the tax year 2020.

This part of the question was fairly easy as most candidates had no difficulties in calculating capital allowances and scored good marks.

In part (b) candidates were required to calculate the adjusted business profit for the year ended 31 December 2020.

The performance on this part of the question average as the majority of candidates easily identified disallowable expenditure which seemed obvious and straight forward.

In part (c) candidates were required to calculate the company income tax payable for the tax year 2020.

The performance was not very good as most candidates lost good marks because of the wrongly calculated tax adjusted business profit in (b) above. Others did not realize that a manufacturing company should be taxed at a flat rate of 35% instead of using tax bands for individuals.

In part (d) candidates were required to state any five (5) properties on which property transfer tax is charged.

This part was done well by most of the candidates and scored all the required marks.

QUESTION FIVE

The general performance on this question was excellent. 24 out of the 26 candidates who 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 92.3%. The lowest score was 4, whilst the highest was 20 out of 20 marks.

This question has three (3) parts (a), (b) and (c):

In part (a) candidates were asked to explain the types of taxes, such as indirect taxes, direct taxes, regressive taxes, progressive taxes, capital taxes, and revenue taxes.

The performance on this part of the question was very good because most candidates were able to explain the above taxes easily and scored all the marks.

In part (b) candidates were asked to explain three benefits of presumptive tax for transporters.

Similarly candidates had no difficulties on this part of the question and scored good marks.

Overall performance of candidates

Highest mark obtained in this paper: 82%

Lowest mark obtained in this paper: 11%

Overall pass rate in this paper: 81%

SUBJECT C5: INDIRECT TAXES

QUESTION ONE

The general performance on this question was good. 10 out of the 15 candidates who 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 66.6%. The lowest score was 7, whilst the highest was 16 out of 20 marks.

Question one had four parts (4,) part (a) (i) and (ii), part (b), part (c) (i) and (ii) and part (d)

In part (a) (i) candidates were required to explain the VAT implications on 'Sale or return agreements'

In Part (ii) candidates were required to explain the tax point of 'Sale or return agreements'

In Part (b), Candidates were required to explain the principle of 'Estoppel' in VAT cases

In Part (c) (i) candidates were required to explain any four functions the customs division

In part (c) (ii) candidates were required to explain any four (4) methods used to value imported goods.

In Part (d) candidates were required to explain any four (4) methods used by ZRA to determine the value for duty purpose for excise on goods manufactured in Zambia

In part (C) (i) most candidates were e unable to answer this part of the question correctly and in part (ii) most of the candidates failed to collect maximum marks

Some of the candidates were explain the general functions of ZRA instead of Customs division indicating lack of understanding of the question.

In part (d) a high of candidates were unable to correctly answer this, they were writing general methods used to value imported goods.

QUESTION TWO

The general performance on this question was good. 8 out of the 14 candidates who 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 57.1%. The lowest score was 4, whilst the highest was 20 out of 20 marks.

This question had three (3) parts: part (a) (i) (ii) and (iii), part (b) (i) and (ii) part (c)
The general performance of most candidates was slightly above average.

In part (a) (i) the candidates were required to explain the main purpose of DDB system

In part (ii) the candidates were required to state the documents required for exports to be zero rated.

In Part (iii) the candidates were required to explain the challenges of DDB system from both exporters and ZRA points of view

In Part (b) (i) candidates were required to explain the conditions necessary for returning residents to be granted the rebates

In Part (b) (ii) candidates were required to explain the types of goods that would apply on rebates

In Part (c) candidates were required to explain seven (7) preferential trade agreements (PTA) strategy

Some candidates could not fully explain the seven preferential trade agreements.

QUESTION THREE

The general performance on this question was good. 10 out of the 14 candidates who 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 71.4%. The lowest score was 7, whilst the highest was 20 out of 20 marks.

This question had three (3) parts, part (a) (i), (ii) and (iii), part (b) and part (c)

In part (a) (i) the candidates were required to explain partial exempt supplier and how Input tax is dealt with for such a supplier

In part (ii) the candidates were required to calculate the recoverable non- attributable Input VAT deductible from Output Tax

In Part (iii) the candidates were required to explain any four (4) expenses on which INPUT VAT is not deductible

In Part (b) candidates were required to explain any changes in business which may not render the cancellation of VAT registration

In Part (c) candidates were required to explain the circumstances under which VAT registration can be cancelled.

The most common mistakes made by the candidates on each part of the question

In part (a) (i) some candidates could not explain what Partial Exempt supplier is and how Input tax is dealt with

In part (a) (ii) some candidates were unable to compute recoverable non -attributable INPUT VAT

QUESTION FOUR

The general performance on this question was excellent. 14 out of the 14 candidates who 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 100%. The lowest score was 11, whilst the highest was 20 out of 20 marks.

The performance was excellent as all candidates passed this question
This had three (3) parts: part (a) (b) and part (c)

In part (a) the candidates were required to explain the documents to be submitted to a customs officer when importing a Vehicle.

In part (b) the candidates were required to calculate the import taxes

In part (c) the candidates were required to explain any five (5) powers of ZRA customs officials

The most common mistakes made by the candidates on each part of the question

In part (C) some candidates were explaining the General Powers of ZRA as an institution and not the Customs powers

QUESTION FIVE

The general performance on this question was excellent. 13 out of the 14 candidates who 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 92.8%. The lowest score was 6, whilst the highest was 18 out of 20 marks.

This had three (3) parts: part (a) (b) and part (c)

In part (a) the candidates were required to calculate the amount of VAT PAYABLE or Repayable

In part (b) the candidates were required to the due date for VAT

In part (c) the candidates were required to explain any five (5) obligations of VAT registered trader

The most common mistakes made by the candidates on each part of the question

In part (a) most candidates were unable to compute fully the VAT payable

Overall performance of candidates

Highest mark obtained in this paper: 88%

Lowest mark obtained in this paper: 50%

Overall pass rate in this paper: 100%

SUBJECT: C6 LAW FOR TAX PRACTITIONERS

QUESTION ONE

The general performance on this question was excellent. 20 out of the 22 candidates that attempted it managed to get 10 and above marks out of 20. The pass rate recorded was 92.8%. The highest mark scored was 17 out of 20 while the lowest was 8.

QUESTION TWO

The general performance on this question was excellent. 19 out of the 21 candidates that attempted it managed to get 10 and above marks out of 20. The pass rate recorded was 90.5%. The highest mark scored was 17 out of 20 while the lowest was 8.

- (a) The candidates were able to answer this part very well as the difference was highlighted. Those who failed just did not have several differences with them to match the number of marks allocated. In future prospective students must read on different entities like sole trader, partnerships, cooperatives and or companies and then read on the differences among the entities above.
- (b) This part was answered well and there were no hardships. However, going forward, students would do well to look critically look at the rights and obligations of both the employee and the employer.
- (c) Students here failed to give the 5 listed functions of the Pension and Insurance Authority Board. Most students were able to identify at least 3 but no more.
For the future, students must learn to know all the functions of entities so as to able to answer questions like this one.

QUESTION THREE

The general performance on this question was excellent. 20 out of the 21 candidates that attempted it managed to get 10 and above marks out of 20. The pass rate recorded was 95.2%. The highest mark scored was 18 out of 20 while the lowest was 9.

- (a) This part did not have problems as the students were able to explain hire purchase, AGM and duty of obedience well. However, a few failed to explain terms like hire purchase and the answers appeared to have been guess work.
- (b) This part was not answered ably. Students were able to identify the affected persons but not in the required order. In future students must learn to identify how the preferential payments are to be done knowing that there are secured and unsecured debtors.

- (c) There was no problem here as the students were able to state the sources of law with ease. Going forward, students must learn to study on all the sources of law and how they apply to the Zambia jurisdiction.

QUESTION FOUR

The general performance on this question was excellent. 19 out of the 21 candidates that attempted it managed to get 10 and above marks out of 20. The pass rate recorded was 90.5%. The highest mark scored was 18 out of 20 while the lowest was 7.

- (i) Most candidates answered this question correctly. Most of them were familiar with the requirements for negotiability. They were able to bring out the correct answers as expected of them. Future Students are encouraged to study this topic in full. About 90 % of students got this question correctly. The 10% which failed were not ready for the question. Students are encouraged to read and understand the topics in the module and do a lot of revision before the examinations.
- (ii) This question required students to appreciate the purpose of the object clause in company law. 95% of Students were able to appreciate this topic. However, for the future candidates are implored to study company law in full as provided for in the Zica manual as examinations are strictly derived from there. At least 95% were able to get this question right. The 5% which failed mixed up concepts maybe due to lack of understanding of the topic itself.
- (iii) Agency by estoppel was at play in this question. Students who answered this question exhibited full understanding of it thereof. All students got this part of the question correctly, a sign that they were fully prepared for the examination. Future candidates are encouraged to study this topic in full and revise past papers.
- (iv) The question bordered on requirements needed for a contract of sale to subsist as provided for under the Sale of Goods Act 1893. Majority of candidates gave correct explanations. Students were able to appreciate the topic in full, future candidates are encouraged to study the topics as provided for in the manual.

QUESTION FIVE

The general performance on this question was excellent. 19 out of the 21 candidates that attempted it managed to get 10 and above marks out of 20. The pass rate recorded was 90.5%. The highest mark scored was 18 out of 20 while the lowest was 3.

The question had three parts (a), (b) and (c). Each part of the question had its own requirements.

- a) Required students to digest the facts and from the facts be able to give practicable examples and explain who was eligible to claim from the insurance company.
- b) Required students to explain from the facts whether or not Tailashi would claim any compensation from the insurance company.
- b) required students to explain the maxims, (i) Equity follows the law (ii) he who comes to equity must come with clean hands (iii) Equity looks on that as done which ought to be done

1.4 Most common mistakes made by candidate on each question

- (a) About 2% of the students did not understand the principle of insurable interest from the facts
- (b) About 1% of the students that attempted this question, did not explain whether Tailashi would be eligible to claim.
- © About 2% of the students on this question did not understand the maxims

Recommendation: In all scenario questions regard must be had to the facts given and aim to find the principle of law that is applicable. Students should read more on the maxims with understanding.

Overall performance of candidates

Highest mark obtained in this paper: 88%

Lowest mark obtained in this paper: 38%

Overall pass rate in this paper : 95.2%

SUBJECT: D1 BUSINESS INFORMATION MANAGEMENT

QUESTION ONE

The general performance on this question was excellent. 6 out of the 6 candidates that attempted it managed to get above 13 marks out of 25. The pass rate recorded was 100%. The highest mark scored was 19 out of 25 while the lowest was 15.

The question was about developing an information system called '*electronic tax online*' to be used by ZRA

The common mistakes were as follows:

- a) Techniques for requirements elicitation was poorly explained by most students
- b) ISP was well explained except for VPN and client/Server network, which was poorly explained

QUESTION TWO

The general performance on this question was excellent. 5 out of the 5 candidates that attempted it managed to get above 13 marks out of 25. The pass rate recorded was 100%. The highest mark scored was 19 out of 25 while the lowest was 15.

The question was about the different types of Computer Based Information Systems that are used in an organisation

The common mistakes were as follows:

- a) Some students has problems in explaining Business intelligence systems and Dashboards
- b) Some students couldn't state the advantages of using e-commerce in business as benefits
- c) Some students could not state the major steps/activities that make up a knowledge system cycle correctly
- d) Some students were mistaking post implementation activities with pre implementation activities that are followed by a successful implementation of an information system in an organisation

QUESTION THREE

The general performance on this question was excellent. 4 out of the 5 candidates that attempted it managed to get above 13 marks out of 25. The pass rate recorded was 80%. The highest mark scored was 19 out of 25 while the lowest was 9.

The question was about clearly elaborating the cost reduction effects expected from the implementation of EDI in business organisations

The following were the common mistakes noted in this question:

- a) Most students were not explaining the implementation of EDI clearly in line with cost reduction
- b) Most students could not differentiate IS and IT strategies in business strategy
- c) The principles of good software development practice was not well explained

QUESTION FOUR

The general performance on this question was poor. 2 out of the 9 candidates that attempted it managed to get above 13 marks out of 25. The pass rate recorded was 40%. The highest mark scored was 14 out of 25 while the lowest was 2.

The question was about types of Information System testing and the main components of AIS and application of artificial Intelligence Technology in IS

The following were the common mistakes noted in this question:

- a) Most students could not explain the main components of an AIS
- b) Application of Artificial Intelligence was not answered properly
- c) Most students did not describe the uses of OAS and KWS in an business organisation well.

Overall performance of candidates

Highest mark obtained in this paper: 65%

Lowest mark obtained in this paper: 51%

Overall pass rate in this paper: 100%

SUBJECT: D2 FINANCIAL MANAGEMENT

QUESTION ONE

The general performance on this question was good. 5 out of the 8 candidates that attempted it managed to get above 13 marks out of 25. The pass rate recorded was 62.5%. The highest mark scored was 17 out of 25 while the lowest was 11.

Part (a) asked candidates to prepare a cash flow forecast for the six-month period January to June, 2020 and part (b) required candidates to comment on the results in the light of the Management's comments and offer advice. Part (c) asked candidates to discuss the advantages and disadvantages to KG Inc. of using overdraft finance to fund any cash shortages forecast by its cash flow forecasts. a).

Candidates were unable to correctly calculate both the Receipts – Cash and those from credit sales even after the %s were provided in the question. Others failed to calculate the monthly wages figures in and this resulted into wrong monthly allocation of these outflows of wages amount. This Resulted into incorrect inflows and some wrong outflows figures like wages, the surpluses/deficit figures. The responses to the requirement to provide advice were inadequate in most cases. They were not able to suggest appropriate solutions to effectively address the overdraft situation for the company. Some candidates did not clearly state the advantages/disadvantages of using overdraft financing to fund cash shortages. As for the disadvantages associated risks were not identified in most of the answers for this part of the question.

QUESTION TWO

The general performance on this question was good. 2 out of the 7 candidates that attempted it managed to get above 13 marks out of 25. The pass rate recorded was 28.6%. The highest mark scored was 16 out of 25 while the lowest was 3.

Part (a) asked candidates to identify any five (5) stakeholder groups related to Supastore Ltd, and discuss their financial objectives and any conflicts of interests that may arise. Part (b) required candidates to calculate the annual cost of the current ordering policy and part (c) asked candidates to compute the annual saving if the economic order quantity model is used to determine an optimal ordering policy. Lastly, part (d) required candidates to discuss the benefits and limitations of using a just-in-time inventory management system.

Some candidates failed to identify and state the financial objectives and any conflict of interest of Superstore ltd of all the stakeholder groups. The calculations of the Annual Holding cost were incorrect in most cases. The Annual Holding Cost was dependent on

correctly determining the Average number of orders, demand/Order size, Annual Ordering costs, Buffer Inventory held and Average Inventory held. However, due to the incorrect Annual Holding Cost in (b) above, the EOQ in part (c) was incorrect and students lost some marks.

QUESTION THREE

The general performance on this question was poor. 2 out of the 7 candidates that attempted it managed to get above 13 marks out of 25. The pass rate recorded was 28.6%. The highest mark scored was 16 out of 25 while the lowest was 3.

Part (a) required candidates to evaluate the proposed investment in the Masuku Juice Product using the Net Present Value (NPV) and the Internal Rate of Return (IRR). Part (b) asked candidates to advise on the acceptability of the proposed investment in the product and discuss two limitations of the evaluations you have carried out and part (c) required candidates to explain the term "market efficiency" in the context of stock markets, describing the forms of efficiency a stock market may exhibit.

Candidates failed to calculate correctly the variable costs giving a wrong Pre-tax cash flow and hence, NPV. The IRR was wrongly calculated and the movement in working capital investment was also wrong. Post tax nominal cost of capital was not correctly done.

QUESTION FOUR

The general performance on this question was poor. None of the 7 candidates that attempted it managed to get above 13 marks out of 25. The pass rate recorded was 0%. The highest mark scored was 8 out of 25 while the lowest was 0.

Part (a) required candidates to calculate the market value of the loan stock for NAT Inc. and part (b) asked candidates to estimate the market value per share of NAT Inc. using the dividend valuation method. Part (c) asked candidates to calculate the current weighted average cost of capital for NAT Inc. and part (d) required candidates to discuss whether changing the capital structure of a company can lead to a reduction in its cost of capital and hence to an increase in the value of the company.

Candidates failed to calculate correctly the market value per nominal of loan stock which resulted in the wrong value of loan stock. Others also failed to calculate the market value per ordinary share. Surprisingly, some candidates failed to get the Cost of Equity correctly which affected the WACC. Lastly, candidates showed lack of knowledge of capital structure theories by failing to explain adequately the implication of changing the capital structure.

Overall performance of candidates

Highest mark obtained in this paper: 44%

Lowest mark obtained in this paper: 36%

Overall pass rate in this paper: 85.7%

SUBJECT: D3 BUSINESS TAXATION

QUESTION ONE

The general performance on this question was good. 9 out of the 12 candidates that attempted it managed to get above 13 marks out of 25. The pass rate recorded was 75%. The highest mark scored was 23 out of 25 while the lowest was 10.

The question had two (2) parts:

In part (a) candidates were asked to calculate the taxable mining profits for the tax year 2020, and to show the amount of the loss remaining unrelieved at 31 December 2020.

The performance on this part of the question was good but some candidates had problems in calculating the loss to be relieved using the indexation formula and also unrelieved loss carried forward and also a few problems on the computation of capital allowances.

In part (b) candidates were asked to calculate the total income tax payable by the company for the tax year 2020.

The performance on this part of the question was average because most candidates failed to compute the correct taxable mining profit which affected the company income tax payable. Some candidates still were not aware that mining profit is taxed at 30% instead of 35%. The other problem was failure to add the grossed amount of treasury bills to profit as withholding tax on treasury bills for companies is not final.

QUESTION TWO

The general performance on this question was poor. 11 out of the 11 candidates that attempted it managed to get above 13 marks out of 25. The pass rate recorded was 100%. The highest mark scored was 24 out of 25 while the lowest was 16.

This question had three (3) parts, (a), (b) and (c);

In part (a) candidates were asked to explain the income tax and value added tax implications of financing the purchase of non-current assets using the following options: (i) hire purchase, (ii) loan finance (iii) finance lease and (iv) operating lease.

The performance on this part of the question was exceptionally good as most of the candidates correctly explained the tax implications of the above items. Few had minor difficulties on hire purchase and loan finance where hire purchase interest is an

allowable deduction when computing the taxable business profits and capital allowances are claimable on the cash price of the qualifying asset.

In part (b), candidates were asked to calculate the adjusted taxable profit a Limited farming business for the tax year 2020.

Most candidates performed well on this part of the question as most of them scored good marks on computing taxable business profits after computing capital allowances which provided easy marks.

In part (c), candidates were asked to calculate the company income tax payable for the tax year 2020.

The performance was also above average as most candidates scored good marks. One common mistake to some candidates was failure to realize that farming income is taxed at a flat rate of 10% after deducting a tax free income of K39,600 for an individual farmer.

QUESTION THREE

The general performance on this question was good. 8 out of the 11 candidates that attempted it managed to get above 13 marks out of 25. The pass rate recorded was 72.7%. The highest mark scored was 20 out of 25 while the lowest was 4.

This question had three (3) parts, (a) and (b):

In part (a) (i) candidates were asked to calculate the total import taxes paid by the tax payer on the importation of the car.

The performance was very good. Many candidates gained full marks here. Some candidates lost marks through incorrect use of tax tables for customs and excise duties. They ended up using the tax table for the importation of new vehicles instead of old vehicles as stated in the question. The other common mistake was also not being aware that for motor vehicles aged more than 5 years from the year of manufacture, attract a surtax of K2,000.

In part (ii), candidates were asked to explain any four (4) conditions that must be met for customs officers to use the transaction value method in valuing imported goods.

The performance on this part of the question was below average. The common mistake most candidates made was failure to distinguish between methods used to calculate the value for duty purposes and the conditions that must be met to use the transaction value method. Most of them ended up explaining the methods used to determine the VDP and lost easy marks.

In part (iii), candidates were asked to explain the procedure to complete the customs clearance of a motor vehicle.

The performance on this part was also not very good as the majority of candidates stated the documents required on the importation of motor vehicles such as bill of lading, insurance certificate, letter of sale and the invoice showing the price as opposed to the procedure on the clearance of the motor vehicles, i.e the presentation of genuine import documents, revaluation by customs if necessary, payment of import taxes and processing of the declaration of form CE20 by customs.

In part (b) (i), candidates were required to calculate the amount of VAT payable for the month of June 2020, clearly showing whether input VAT will be recoverable or not on each item provided in the question.

The performance was good although a few candidates failed to deal with the aspects of VAT inclusive where a fraction of 4/29 is used and VAT exclusive where a flat rate of 16% is used.

In part (ii), candidates were required to state the date when the VAT calculated in (i) should have been paid, explaining the consequences of paying the VAT late.

Most candidates scored all the marks on this part as they were able to state the due date and the consequences for not paying VAT on time.

In part (iii), candidates were required to calculate the amount of any penalties payable on the late payment of the VAT assuming the VAT for the month of June 2020, was paid on 10 August 2020.

The performance was not very good as the majority of them failed to calculate the penalty on the late payment of VAT which should have been K35,743 ($310,807 \times 0.5\% \times 23$ days). Most of them got the amount wrong because they simply failed to count the number of days tax was outstanding from 18 June 2020 to 10 August 2020 when payment was actually made which was about 23 days.

QUESTION FOUR

The general performance on this question was excellent. 9 out of the 11 candidates that attempted it managed to get above 13 marks out of 25. The pass rate recorded was 81.8%. The highest mark scored was 22 out of 25 while the lowest was 5.

This question had two (2) parts, (a) and (b):

In part (a), candidates were required to calculate the amount of profits on which each partner was to be assessed for the tax year 2020.

The performance on this part was good. Most candidates scored good marks on the computation of capital allowances required to compute the tax adjusted business profit

before allocation of profits amongst partners to arrive at the amounts on which each partner was to be assessed.

In part (b), candidates were required to calculate the final amount of company income tax payable by the bank.

The performance on this part was average as most of the candidates calculated the taxable profit wrongly because of failure to determine allowable and disallowable expenditure which affected the calculation of income tax payable. However, others gained marks on the calculation of capital allowances which seemed straight forward.

Overall performance of candidates

Highest mark obtained in this paper: 83%

Lowest mark obtained in this paper: 36%

Overall pass rate in this paper: 82%

SUBJECT: D4 PERSONAL TAXATION

QUESTION ONE

The general performance on this question was excellent. 7 out of the 7 candidates that attempted it managed to get above 13 marks out of 25. The pass rate recorded was 100%. The highest mark scored was 19 out of 25 while the lowest was 16.

The performance was excellent as all the students who wrote this question passed.

This question One had Two (2) parts, part (a) and (b)(i) and (ii).

In part (a) candidates were required to explain why it is important to distinguish between employed and self employed for income tax and NAPSA contribution purposes.

In part (b) (i) candidates were required explain, giving reasons why Armed would required as being resident in Zambia in the Tax year 2020.

In part (b)(ii) candidates were required compute the amount of income tax payable by Armed for the tax year 2020.

QUESTION TWO

The general performance on this question was good. 4 out of the 6 candidates that attempted it managed to get above 13 marks out of 25. The pass rate recorded was 66.6%. The highest mark scored was 21 out of 25 while the lowest was 5.

The performance was extremely good.

This question one had Five (5) parts ,part (a) (i)(ii) and (iii),(b),(c), (d) and (e).

In part (a)(i) candidates were required to explain the meaning of exercise or strike price in the context of employee share option scheme.

In part (a)(ii) candidates were required to explain the meaning of exercising the options in the context of employee share option scheme .

In part (a)(iii) candidates were required to explain the meaning of lapse of options in the context of employee share option scheme.

In part (b) candidates were required to explain the tax consequences to an employee arising on the grant of share options scheme established by an employer which is not approved for tax purposes.

In part (c) candidates were required to describe the procedure a company must follow to have a share option scheme approved for tax purposes.

In part (d) candidates were required to explain any six (6) conditions that must be met for a share option scheme to be approved for tax purposes.

In part (e) candidates were required to explain the any four (4) benefits for both the employee and employer of an approved share option scheme.

QUESTION THREE

The general performance on this question was good. 4 out of the 6 candidates that attempted it managed to get above 13 marks out of 25. The pass rate recorded was 66.6%. The highest mark scored was 21 out of 25 while the lowest was 5.

This question had Two parts; part (a) (i),(ii),(iii) and (iv) and (b) (i) and (ii).

In part (a)(i) candidates were required to explain the types of persons that are required to pay presumptive taxes and the type of persons exempt from presumptive taxes.

In part (a)(ii) candidates were required to explain any five(5) merits of presumptive taxes for public passenger transporters compared with regular income tax system.

In part (a)(iii) candidates were required to explain any three(3) weaknesses of presumptive taxation for public passenger transporters

In part (a)(iv) candidates were required to advise Kunda of his tax assessment in tax year 2020 in respect of his transport business and also to calculate appropriate amount of tax payable by Kunda in the tax year 2020.To explain the taxation implication arising from the acquisition of buses and tax treatment of the expenses to be incurred in running the business.

In part (b)(i) candidates were required to provide explanations that ZRA may query Kabwe's self-employed status.

In part (b)(ii) candidates were required to provide explanations that Chakudwa Ltd can advance to justify Kabwe's self-employed status.

QUESTION FOUR

The general performance on this question was excellent. 6 out of the 6 candidates that attempted it managed to get above 13 marks out of 25. The pass rate recorded was 100%. The highest mark scored was 20 out of 25 while the lowest was 14.

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

In part (a) candidates were required to calculate the amount of income tax payable by Simwinga and Namwinga for the tax year 2020 if they continue to run their business as a partnership.

In part (b) candidates were required to calculate the amount of income tax payable by Simwinga, Namwinga and SL Ltd for the tax year 2020 if they incorporate their business and run it as a limited company supported a computation of income after tax.

The most common mistakes made by the candidates on each part of the question:

In question one (b) (ii) most of the candidates were unable to correctly compute the double taxation relief.

In question two (a) and (b) most candidates failed to explain the meaning of various options requested for.

In question four part (a) Some candidates were using wrong capital allowance rates .

In part (c) most of the candidates applied wrong income tax figures under partnership.

Overall performance of candidates

Highest mark obtained in this paper: 76%

Lowest mark obtained in this paper: 53%

Overall pass rate in this paper: 100%

SUBJECT: D5 INTERNATIONAL TAXATION

QUESTION ONE

The general performance on this question was good. 4 out of the 6 candidates that attempted it managed to get above 13 marks out of 25. The pass rate recorded was 66.6%. The highest mark scored was 16 out of 25 while the lowest was 6.

This question one had Four (4) parts, (a), (b), (c) and (d) (i) and (ii).

In part (a) candidates were required to explain whether Mundia would qualify to be resident and ordinarily resident in Zambia in the scenario.

In part (b) candidates were required to calculate the final amount of income tax payable by Mundia for the tax year 2020

In part (c) candidates were required to advise Mundia how his tax position would have been for the tax year 2020 if he had received his foreign salary through his Zambian bank.

In part (d) (i) candidates were required to explain tax treatment of domestic investment income of non-residents.

In part (d) (ii) candidates were required to explain tax treatment of domestic employment income of non-residents.

QUESTION TWO

The general performance on this question was excellent. 6 out of the 6 candidates that attempted it managed to get above 13 marks out of 25. The pass rate recorded was 100%. The highest mark scored was 18 out of 25 while the lowest was 15.

This question had Two (2) parts, part (a)(i) and (ii) and (b)(i) (ii) and(ii).

In part (a)(i) candidates were required to explain four benefits of international trade.

In part (a)(ii) candidates were required to explain Mercantilism, absolute advantage and comparative advantage as theories of international trade.

In part (b) (i) candidates were required to explain the benefits of Globalization on the Zambian economy.

In part (b)(ii) candidates were required to explain the problems of over reliance on global trade

In part (b)(iii) candidates were required to explain four advantages and four disadvantages of regional economic groupings

QUESTION THREE

The general performance on this question was good. 3 out of the 5 candidates that attempted it managed to get above 13 marks out of 25. The pass rate recorded was 60%. The highest mark scored was 17 out of 25 while the lowest was 5.

This question had Five (5) parts, part (a), (b), (c), (d) and (e).

In part (a) candidates were required to advise the directors of Loshida Plc with reasons whether the company would be regarded as a Zambian resident company for taxation purposes.

In part (b) candidates were required to describe what constitutes a permanent establishment in accordance with the OECD guide lines and advise the Directors of Loshida Plc whether the Zambian operation would be regarded as a permanent establishment.

In part (c) candidates were required to explain with reasons whether Andrew Philips will be regarded as a Zambian resident in the 2020 tax year.

In part (d) candidates were required to explain how the foreign income received by a non-resident is treated for income tax purposes.

In part (e) candidates were required to calculate the income tax payable by Andrew for the tax year 2020

QUESTION FOUR

The general performance on this question was excellent. 4 out of the 5 candidates that attempted it managed to get above 13 marks out of 25. The pass rate recorded was 80%. The highest mark scored was 18 out of 25 while the lowest was 12.

This question had Four (4) parts, part (a), (b), (c) and (d).

In part (a) candidates were required to calculate the income tax payable by Hantobolo for the tax year 2020 assuming a unilateral credit relief is available against the Zambian income tax on foreign income earned by Zambian residents.

In part (b) candidates were required to explain how a unilateral credit relief of double taxation applies between Zambia and the foreign country.

In part (c) candidates were required to explain what is meant by foreign direct investment (FDI) and explain five reasons for engaging in FDI.

In part (d) candidates were required to state two types of foreign direct investment (FDI).

Overall performance of candidates

Highest mark obtained in this paper: 69%

Lowest mark obtained in this paper: 42%

Overall pass rate in this paper: 80%

SUBJECT: D6 TAX AUDIT AND INVESTIGATIONS

QUESTION ONE

The general performance on this question was excellent. 7 out of the 7 candidates that attempted it managed to get above 13 marks out of 25. The pass rate recorded was 100%. The highest mark scored was 22 out of 25 while the lowest was 16.

The question had four (4) parts:

In part (a) candidates were asked to differentiate between a tax audit and tax investigation.

The performance on this part of the question was very good as most of the candidates were able to differentiate between a tax audit and tax investigation and scored good marks.

In part (b) candidates were required to explain four (4) factors that can trigger a tax investigation.

The performance was below average. Most candidates seemed not to be aware of the factors which could trigger off a tax investigation, which include mathematical errors, omission of income, reported many losses and too many deductions. Therefore good marks were lost on this part.

In part (c), candidates were required to explain the income tax and VAT implications of acquiring assets under each of the following: (i) Operating lease (ii) Finance lease.

The performance on this part of the question was quite good as candidates were able to explain the tax implications of acquiring assets under finance and operating leases except a few of them who had minor difficulties in determining whether capital allowances were applicable. In the finance lease, the lessee will claim capital allowances while in the operating lease the lessor will claim capital allowances.

In part (d) (i) candidates were required to explain the capital allowances implications on the leased assets and to include a computation of the total amount of capital allowances claimable by the company for the tax year 2020.

The performance was good as most candidates were able to recognise that capital allowances were not claimable on the two motor vehicles acquired under an operating lease from the point of view of a lessee.

In part (ii), candidates were required to calculate the amount of company income tax payable by the company for the tax year 2020.

The performance on this part of the question was quite good as the majority of candidates scored good marks on the computation of capital allowances as well the taxable business profit.

QUESTION TWO

The general performance on this question was good. 3 out of the 6 candidates that attempted it managed to get above 13 marks out of 25. The pass rate recorded was 50%. The highest mark scored was 19 out of 25 while the lowest was 7.

This question had three (3) parts, (a), (b) and (c):

In part (a) (i) candidates were required to explain the tax treatment of roaming charges and income.

The performance on this part of the question was unsatisfactory. In the first place, most candidates were ignorant of the meaning of roaming charges which entails charging both the person making the call as well as the one receiving the call. When the roaming charges are receivable by a company resident in Zambia, then that income will be subjected to the Zambian laws regarding VAT and income tax.

In part (ii), candidates were required to explain the tax treatment of discounts given to airtime dealers.

The performance as was also below average on this part of the question as most candidates were ignorant of the tax treatment of discounts given to airtime dealers. Others could not even explain a discount correctly which earned a mark. As usual a discount does not form part of the gross sales revenue the airtime manufacturer gives to airtime dealers.

In part (b) (i) candidates were required to explain the circumstances under which an estimated assessment can be made on the tax payer by the auditor.

The performance was equally poor. The majority of candidates failed to take advantage of the easy marks required by the examiner. For example, an assessment could be determined by the auditor where the taxpayer fails to provide records of accounts claiming that records have been stolen or destroyed.

In part (ii) candidates were required to explain the basis which can be used by the auditor to determine an estimated assessment.

The performance was also poor on this part of the question as the majority of candidates failed to take advantage of easy marks. Only two points were required each deserving 2 marks. i.e The life style of the tax payer and the net worth of the taxpayer.

In part (c), candidates were required to explain how the auditor may use each of the following indirect methods to verify income: (i) source and application of funds (ii) mark-up method (iii) net worth method (iv) unit-volume method.

The performance was poor on this part of the question as most candidates expressed ignorance of indirect methods used to verify income and their explanations on each were not satisfactory.

QUESTION THREE

The general performance on this question was good. 3 out of the 6 candidates that attempted it managed to get above 13 marks out of 25. The pass rate recorded was 50%. The highest mark scored was 17 out of 25 while the lowest was 9.

This question had three (3) parts, (a), (b) and (c):

In part (a), candidates were required to explain the importance of working papers.

The performance was not satisfactory on this part because most candidates failed to provide the necessary points on the importance of audit working papers and lost good marks.

In part (b), candidates were required to explain the meaning of (i) relevant evidence (ii) reliable evidence and (iii) sufficient evidence in the context of tax audits.

The performance was equally poor on this part of the question. The majority of candidates could not provide better explanations of each of the above forms of evidence and reasonable marks were lost by most of them.

In part (c), candidates were required to calculate the income tax payable by the bank for the tax year 2020.

The majority of candidates performed poorly of this part of the question. Most of them could not calculate the correct amount of taxable income which consequently affected the final amount of company income tax payable.

QUESTION FOUR

The general performance on this question was excellent. 3 of the 3 candidates that attempted it managed to get above 13 marks out of 25. The pass rate recorded was 100%. The highest mark scored was 18 out of 25 while the lowest was 14.

This question had five (5) parts, (a), (b), (c) and (d):

In part (a), candidates were required to explain the main reasons of carrying out a tax audit.

The performance was at least average although a few of them could not give convincing reasons for carrying out a tax audit and ended up providing general points not specific to tax audit as opposed to other audits.

In part (b) candidates were required to discuss four (4) main theories that have contributed to the evolution of the audit theory.

The performance was quite good as most candidates were able to explain the main reasons for carrying out a tax audit such as; policeman theory, lending credibility theory and agency theory. Good marks were scored by most of them.

In part (c) candidates were required to outline the objectives of compliance risk management and the process a tax auditor has to undertake to accomplish it.

The performance was not very good on this part as most candidates expressed ignorance of risk management in the context of tax administration. Most of them talked about risk management in general terms contrary to the requirement of the question and as a result lost good marks.

In part (d) candidates were required to state any six (6) matters which should be included in the letter of introductory meeting and its importance.

The performance on this part was very good. A good number of candidates were quite aware of the importance of the introductory letter to both the auditor and the client and were also able to state the matters which must be communicated to the client before an introductory meeting takes place.

In part (e) candidates were required to explain the assurances provided by a qualitative tax audit.

The performance was slightly below average as a good number of candidates could not provide satisfactory answers to address the question and lost reasonable marks.

Overall performance of candidates

Highest mark obtained in this paper: 67%

Lowest mark obtained in this paper: 43%

Overall pass rate in this paper: 83%

