



MARCH 2021 EXAMINATIONS

CHIEF EXAMINERS REPORTS

CA ZAMBIA

SUBJECT: CA 1.1- FINANCIAL ACCOUNTING

QUESTION ONE

The general performance on this question was very good with 16 out of the 21 candidates who attempted the question achieving a pass (that is a score of at least 10 out of 20 marks), representing a pass rate on the question of 76.2%. The lowest score was 6 out of the total available 20 marks, whilst the highest scores was 18.

The question was composed of 10 multiple choice questions drawn from the entire syllabus. Poor performance exhibited by some students is noted to have resulted from failure to cover the entire syllabus adequately and lack of time management.

QUESTION TWO

The general performance on this question was excellent with 20 out of the 21 candidates who attempted the question achieving a pass (that is a score of at least 10 out of 20 marks), representing a pass rate on the question of 95.2%. The lowest score was 8 out of 20 marks, whilst the highest 18 marks.

The question was answered very well, though few candidates were not able to deal with some technical issues. The common mistakes noted included the following:

- i. Expensed ordinary dividends paid in the statement of profit or loss. Ordinary dividends paid is an appropriation item, therefore should be charged directly to equity (retained earnings). Further, proposed dividends should only be disclosed in the notes to the financial statements.
- ii. Failure to adjust closing inventory downwards by K345, 000 (K845, 000 less K500,000). Inventory is measure at a lower of cost (in this case K845, 000) and net realisable value (in this case K500, 000), as per IAS 2.
- iii. Omission of over-provision of tax in respect of the 2018 profit, when determined the tax expense for the year. The correct tax expense should have been K5, 000 (K8, 000 – K3, 000).
- iv. Failure to split the proceeds from rights issue between the ordinary share capital and share premium. The correct treatment should have been: Debited the Bank with K40, 000 and credited Equity (Share capital K16,000 (8, 000 x K2 nominal value) and Share premium K24, 000 (excess amount above the par value).
- v. Interest on loan note was not time apportioned. The correct amount should have been K450 (6% x K10, 000 x 9/12)

QUESTION THREE

The general performance on this question was very poor with none of the 10 candidates who attempted the question scoring 10 marks and above out of 20 marks, representing a pass rate on the question of 0%. The lowest score was 1, whilst the highest was 9 marks out of 20.

Performance was poor candidates often put brackets where they were not supposed to be, indicating that they did not fully understand the rationale of preparing cash flow statements. Workings in the form of accounts were also missing in most solutions to this question.

QUESTION FOUR

The general performance on this question was good with 11 out of the 17 candidates who attempted the question achieving a pass (that is a score of at least 10 out of 20 marks), representing a pass rate on the question of 64.7%. The lowest score was 0, whilst the highest and average scores were 80% and 27% respectively out of the available 20 marks.

Some Candidates lost marks by swapping the entries (debits and credits) and wasted precious time by narrating each transaction, despite the question clearly stated (narratives are not required). Further marks were lost for listing errors instead of explaining them.

Candidates are reminded to be starting with a debit entry, followed by the credit entry when preparing the journal. Correction of errors is technical and involving, but highly examined under CA 1.1. Therefore, Both Lecturers and candidates are advised to spend enough time on this topic for future examinations.

QUESTION FIVE

The general performance on this question was poor with only 5 out of the 14 candidates who attempted the question achieving a pass (that is a score of at least 10 out of 20 marks), representing a pass rate on the question of 35.7%. The lowest score was 1, whilst the highest was 16 out of 20.

The question parts (a) and (b). Most candidates displayed ignorance of the accounting principles relevant to correctly answering part (a). In part (b), it was evident that the section of the syllabus on Not For Profit organisations was not covered by most candidates. There was failure to apply the incomplete records technique in computing amounts to report in the Income and Expenditure Account.

QUESTION SIX

The general performance on this question was poor with only 4 of the 15 candidates who attempted the question achieving a pass (that is a score of at least 10 out of 20

marks), representing a pass rate on the question of 26.7%. The lowest score was 2, whilst the highest 12 out of 20.

This question was also divided in two parts (a and b). In part (a), some candidates did not cancel out matching entries. Instead they tended to list all entries in the cash book of the question as though they were required to 're-write' the cash book. Invariably, all candidate failed to identify amounts that would be adjusted in the bank reconciliation statements.

In part (b), most candidates did very well, although some wrongly described the entries in the clearing of the suspense account.

Overall performance of candidates

- i. Highest mark obtained in this paper: 77%
- ii. Lowest mark obtained in this paper: 29%
- iii. Overall pass rate in this paper: 57.1%

SUBJECT: CA 1.2 BUSINESS STATISTICS

QUESTION ONE

This was a multiple choice question which was attempted by all candidates. The general performance on this question was poor. Only 14 candidates out of the 34 that attempted the question managed to obtain at least 10 marks out of a total of 20 marks. The pass rate recorded was 41.2%. The highest mark scored was 14 while the lowest was 2 out of 20.

The questions covered the entire syllabus and the general performance was faire. A lot of candidates lost marks on this question due to use of wrong formulas as well as lack of knowledge content on the topic.

QUESTION TWO

This was a compulsory question and was attempted by all the 34 candidates present. The general performance on this question was good. 21 candidates managed to obtain at least 10 marks out of a total of 20 available marks, resulting in a 61.8% pass rate. The highest score was 20 out of 20 marks while the lowest was 4.

The question was divided into two parts. Part (a) of the question required candidates to construct a pie chart of the given data. Most candidates did well on this part of the question except for a few who did not know how to find the portions of the pie chart. Others lost a mark or two for not drawing the pie chart up-to scale.

Part (b) required candidates to construct a bar chart of the given data. Most candidates did well on this part of the question except for a few who could not differentiate a bar chart from a histogram.

QUESTION THREE

The general performance on this question was good. 18 of the 27 candidates that attempted it managed to obtain at least 10 marks out of a total of 20 available marks, resulting in a 66.7% pass rate. The highest score was 20 out of 20 marks while the lowest was 3.

In part a; candidates were required to use the method of least square regression to form a regression line and calculate correlation coefficient. Most candidates solved this part correctly. The few who failed lost marks due to computation errors involving addition and multiplication of data set

In part b; candidates were required to use the method of normal distribution to solve probability questions. There was an observed poor performance in this question due to candidates' inability to use z tables appropriately.

QUESTION FOUR

The general performance on this question was poor. Only 2 of the 23 candidates that attempted it managed to obtain at least 10 marks out of a total of 20 available marks, thereby resulting in a 8.7% pass rate. The highest score was 19 out 20 marks while the lowest was 0.

The question had three parts (a, b and c). In part a and b, candidates were required to define skewness and demonstrate it graphically. It was observed that most candidates failed to properly define skewness but were able to represent the concept graphically

In part c, candidates were required to use the method of probability rules to solve questions with information given to help in solving the questions. There was an observed poor performance on this part due to inappropriate use of probability formula and rules.

QUESTION FIVE

The general performance on this question was poor. Only 4 of the 19 candidates that attempted it managed to obtain at least 10 marks out of a total of 20 available marks, resulting in a 21.1% pass rate. The highest score was 17 out 20 marks while the lowest was 0.

The question had two parts. Part a, required candidates to state limitations of data analysis. It was observed that most candidates performed well on this part as they were able to state the required limitations.

Part b required candidates to find probabilities of independent events. They needed to use the basic probability rules to find the solutions to given problems. The general performance on this part was not good. Candidates lost marks due to inappropriate use of probability formula and rules.

QUESTION SIX

The general performance on this question was very good. 28 of the 33 candidates that attempted the question managed to obtain at least 10 marks out of a total of 20 available marks. A pass rate of 84.8% was recorded. The highest score was 20 out of 20 marks while the lowest was 2.

The question was divided into parts a and b. Part a required candidates to state whether the given data is qualitative or quantitative. There was an observed good performance on this question.

In part b of the question, candidates were required to use the method of probability to solve problems involving independent events. There was an observed poor performance on this part as candidates struggled to use correct formulae.

Overall performance of candidates

- i. Highest mark obtained in this paper: 90%
- ii. Lowest mark obtained in this paper: 26%
- iii. Overall pass rate in this paper: 32.4%

SUBJECT: CA 1.3-BUSINESS ECONOMICS

QUESTION ONE

This was a compulsory question made up of 10 multiple choice questions covering the entire syllabus. As a compulsory question all the 16 candidates present attempted it. The general performance was poor. Only 7 candidates passed, representing a pass rate of 43.8% on the question. The highest score was 16 out of 20 and the lowest of 2.

The scores were evenly distributed among all 10 questions without a particular question that could be said to have been problematic to candidates.

QUESTION TWO

The general performance for this question was equally poor. All the 16 candidates attempted the question. 7 of these passed, representing a 43.8% pass rate. The highest score was 18 while the lowest was 0.

This was a compulsory question divided into three sections namely (a), (b), (c) and (d). Part (a) required candidates to explain any four (4) determinants of price elasticity of demand for a good. The performance was ok though some candidates gave the factors affecting demand rather than price elasticity of demand. Candidates are urged to read the question well and address its specific requirements.

Part (b) required candidates to calculate the price elasticity of demand for air ticket from the given information. Performance was fair with some candidates scoring the full marks allocated while others completely failed. Candidates needed to use the mid-point formula considering the information given.

In part (c), the candidates were required to explain whether demand was elastic or inelastic? The answer depended on the correct value calculated in part (b). If the answer to part (b) was wrong, no credit could be given here.

Part (d) required candidates explain what the airline company should do to increase its revenue. Demand was elastic so the only way to go is to reduce the price of air tickets to attract more customers.

QUESTION THREE

The general performance for this question was poor. Only 3 of the 13 candidates that attempted the question obtained at least 10 out of the available 20 marks. A pass rate of 23.1% was recorded. The highest score was 13 out of the 20 available marks while the lowest was 0.

This was an optional question in Microeconomics. It was the most attempted question among optional questions. The question was divided into seven (7) parts (a) to (f).

Part (a) required candidates to fill in the column for Marginal Product (MP). It was poorly attempted. Note: $MP = \Delta \text{Quantity or output} / \Delta \text{ Number of workers employed}$.

Part (b) required candidates to fill in the column for Total Costs. This was poorly done. $TC = \text{Fixed Costs} + \text{Variable Cost}$. Fixed cost was given as K200 while variable cost was given as K100 per worker. For example at 0 output when no worker is employed $TC = \text{Fixed cost at K200}$.

In part (c), candidates were required to fill in the column for Average Total Cost and explain the pattern. This question could only be answered correctly if part (b) was answered correctly because $ATC = TC/Q$. Performance was poor.

Part (d) required candidates to fill the column for marginal cost while (e) required candidates to compare the column for MP and MC and explain their relationship. Correct figures clearly show that they are negatively related.

Part (f) required candidates compare the relationship between ATC and MC. They both trace out a U-shape. Answers were unsatisfactory.

QUESTION FOUR

The general performance on this question was poor. Only 3 of the 9 candidates that attempted the question managed to obtain at least 10 marks out of a total of 20 available marks. A pass rate of 33.3% was recorded. The highest score was 16 out of 20 marks while the lowest was 2.

The question was divided into five (5) parts namely (a) to (e). Part (a) required candidates to outline any four (4) factors that would cause lending rates to increase. While part (b) required them to list any four (4) possible negative effects of an increase in lending rates on Zambian businesses. Both parts were fairly attempted.

Part (c) required candidates to explain any three (3) monetary policy measures that the Bank of Zambia can use to reduce lending rates. Some candidates included taxation and government expenditure demonstrating lack of understanding as to what monetary policy is all about. Monetary policy tools available are Open Market Operations, Discount rate policy, Required reserve ratio policy, and Monetary Policy Rate (MPR).

Part (d) required candidates to explain the relationship between inflation and lending rates while part (e) required candidates to explain the relationship between inflation and a depreciating kwacha. Positively related.

QUESTION FIVE

The general performance on this question was also poor. Only 4 of the 12 candidates that attempted the question managed to obtain at least 10 marks out of a total of 20 available marks. A pass rate of 33.3% was recorded. The highest score was 17 out of 20 marks while the lowest was 0.

The question required candidates to illustrate graphically and explain what happens to equilibrium price and equilibrium quantity following a change in variables such as price increase, rise in production costs as well as discovery of new usage of the commodity under study (tomatoes). The other variable under consideration that of labour.

The following common mistakes resulted in loss of marks:

- i. Failure to recognize that increase in tomato price leads to movement along a demand curve but without shift.
- ii. Failure to explain that increase in the cost of chemical used in tomatoes production and that this shift the costs of production. Supply curve shifts to the left.

To correctly answer the question, candidates were first supposed to draw the initial equilibrium point the look at the factor that is given.

QUESTION SIX

The general performance on this question was fair. 8 candidates out of the 9 that attempted the question managed to obtain at least 10 marks out of a total of 20 available marks. A pass rate of 57.1% was recorded. The highest score was 20 out of 20 marks while the lowest was 4.

The question was divided into three (3) parts namely (a) to (c). Part (a) required candidates to explain inflation. Fairly done.

Part (b) required candidates to explain, in detail how inflation affects the functions of money. This was not fully answered. Candidates needed to have stated the four functions of money and then explain how each function is affected by inflation.

Part (c) required candidates to explain any three (3) measures the government can use to control inflation. This was poorly done. Measures include tight monetary and fiscal policies, incomes and prices policy, commercial policies and indexation.

Overall performance of candidates

- i. Highest mark obtained in this paper: 75%
- ii. Lowest mark obtained in this paper: 4%
- iii. Overall pass rate in this paper: 43.8%

SUBJECT: CA 1.4- COMMERCIAL AND CORPORATE LAW

QUESTION ONE

The general performance on this question was excellent. 46 of the 49 candidates that attempted the question managed to obtain at least 10 marks out of a total of 20 available marks. A pass rate of 93.9% was recorded. The highest score was 20 out of 20 marks while the lowest was 6.

QUESTION TWO

The general performance on this question was very good. 35 of the 49 candidates that attempted the question managed to obtain at least 10 marks out of a total of 20 available marks. A pass rate of 71.4% was recorded. The highest score was 16 out 20 marks while the lowest was 4.

Candidates understood what the question required of them, they also explained exclusion clause so well, they advised Fredjoe in full and were able to explain ways in which a contract may be terminated. The way forward for all prospective candidates is to take enough time to study the topic and be able to support their answer with legal authorities.

QUESTION THREE

The general performance on this question was good. 31 of the 45 candidates that attempted the question managed to obtain at least 10 marks out of a total of 20 available marks. A pass rate of 68.9% was recorded. The highest score was 19 out 20 marks while the lowest was 3.

The question was premised on Debentures and had three parts. In part (a), candidates were expected to discuss the two types of charges that can be created over the assets of a company. The performance under this part was exceptionally good. Future students are encouraged to read topics with the view of gaining mastery not just for passing.

Part (b) was a buildup on (a). It required candidates to show understanding of elements of a contract. Most candidates who answered this question performed quite well though others struggled much. This is an indication that some candidates are somehow not quite familiar with all the elements of a contract. Future candidates are encouraged to address their mind to this topic as it is highly examinable.

Part (c) of the question was based on conditions and warranties. All a candidate needed to do was to explain the difference between the two. Most candidates did extremely well in this question. Future candidates are encouraged to apply their mind to this question and avoid selective studying as this topic is highly examinable.

QUESTION FOUR

The general performance on this question was excellent. 42 of the 47 candidates that attempted the question managed to obtain at least 10 marks out of a total of 20 available marks. A pass rate of 89.4% was recorded. The highest score was 18 out 20 marks while the lowest was 5.

The question was divided into parts (a) to (d). In part (a), candidates were required to list 3 duties of an employer and 3 duties of an employee. Most candidates attempted the question very well. Future candidates are encouraged to emulate these students by reading widely and understanding what they are dealing with.

Part (b) of question was based on employment law. Candidates attempted the part very well, a except a few that appeared to lack understanding of the question. Future candidates must read employment law in full as there is always a question this topic.

Part (c) was testing students on their understanding of duties of agency by estoppel. Most students got this correct. This is a sign that they were fully prepared to answer any question on the law of agency. Future candidates are encouraged to emulate their colleagues and study hard the ZICA manual in this area as it is always part of the examination.

Part (d) was based on vicarious liability. Candidates were required to just explain what they understood by this term. 90% Candidates were able to get the question right. Future students are advised to revise the topic and appreciate all its incidents.

QUESTION FIVE

The general performance on this question was good. 22 of the 36 candidates that attempted the question managed to obtain at least 10 marks out of a total of 20 available marks. A pass rate of 61.1% was recorded. The highest score was 17 out 20 marks while the lowest was 4.

QUESTION SIX

The general performance on this question was fair. 9 out of the 16 candidates that attempted the question managed to obtain at least 10 marks out of a total of 20 available marks. A pass rate of 56.9% was recorded. The highest score was 13 out 20 marks while the lowest was 5.

Part (a) of the question tested the candidates' understanding of money laundering. Some candidates failed to define money laundering and as a result lost some marks.

Part (b) was based three steps in money laundering process. Candidates did not do well on the question lost marks due to their lack of understanding of the topic.

Part (c) of the question centered on three steps of money laundering offences. It required students to exhibit understanding of the offences. The performance on this part was good.

Overall performance of candidates

- i. Highest mark obtained in this paper: 78%
- ii. Lowest mark obtained in this paper: 28%
- iii. Overall pass rate in this paper: 87.8%

SUBJECT: CA 1.5 –MANAGEMENT THEORY AND PRACTICE

QUESTION ONE

This was a multiple choice question which was attempted by all the 15 candidates. The general performance on this question was very good. 11 of the 15 candidates that attempted the question managed to obtain at least 10 marks out of a total of 20 marks. The pass rate recorded was 73.3%. The highest mark scored was 16 while the lowest was 6 out of 20.

QUESTION TWO

The general performance on this question was excellent. 13 out of the 15 candidates that attempted the question managed to obtain at least 10 marks out of a total of 20 available marks. A pass rate of 86.7% was recorded. The highest score was 20 out of 20 marks while the lowest was 0.

This was a scenario based compulsory question which had three parts: (a), (b) and (c). Part (a) required the candidates to explain the three main stages of job recruitment and selection process. Most candidates did very well on this part.

Part (b) was about describing the five (5) advantages of internal recruitment. Majority of candidates answered this part correctly.

Part (c) required candidates to list six (6) external types of environmental analysis that one can use to identify threats and opportunities in the business environment. Most of the candidates got this right.

QUESTION THREE

The general performance on this question was excellent. 11 out of the 13 candidates that attempted the question managed to obtain at least 10 marks out of a total of 20 available marks. A pass rate of 84.6% was recorded. The highest score was 16 out 20 marks while the lowest was 0.

This question had three parts: (a), (b) and (c). Part (a) required candidates to explain the purpose of a partnership.

Part (b) required candidates to outline the six (6) features of a partnership while part (c) required candidates to define the legal document in a partnership and how useful it will be for a business.

QUESTION FOUR

The general performance on this question was good. 9 out of the 15 candidates that attempted the question managed to obtain at least 10 marks out of a total of 20 available marks. A pass rate of 60% was recorded. The highest score was 15 out of 20 marks while the lowest was 0.

Part (a) was on defining a statutory body while part (b) was on giving three (3) examples of statutory bodies that are regulatory in nature.

Part (c) required the explaining of the differences between ZESCO as a parastatal and OASIS Forum while part (d) required the explaining of the prime objective of parastatals in Zambia.

QUESTION FIVE

The general performance on this question was excellent. 12 out of the 15 candidates that attempted the question managed to obtain at least 10 marks out of a total of 20 available marks. A pass rate of 80% was recorded. The highest score was 20 out of 20 marks while the lowest was 0.

This question had two parts (a) and (b). Part (a) required candidates to define and give an example of an external stakeholder.

Part (b) required candidates to describe the interests of stakeholder and the problems that may arise when their interests are ignored.

Most of the candidates did well on this question.

QUESTION SIX

The general performance on this question was poor. The lone candidate that attempted the question did not managed to obtain at least 10 marks out of a total of 20 available marks (the candidate got 8 out of 20 marks). A pass rate of 0% was recorded.

This question had three parts: (a), (b) and (c). Part (a) required candidates to define a resource audit. Part (b) required candidates to mention the elements one would consider important as part of position audit or strategic review of a company while part (c) required the candidates to describe any three (3) areas of corporate level objectives.

Overall performance of candidates

- i. Highest mark obtained in this paper: 81%
- ii. Lowest mark obtained in this paper: 6%
- iii. Overall pass rate in this paper: 86.7%

SUBJECT: CA 1.6- BUSINESS COMMUNICATION

QUESTION ONE

This was a multiple choice question which was attempted by all the 29 candidates present. The general performance on this question was fair. 17 of the 29 candidates that attempted the question managed to obtain at least 10 marks out of a total of 20 marks. The pass rate recorded was 58.6%. The highest mark scored was 16 while the lowest was 4 out of 20.

QUESTION TWO

The general performance on this question was fair with 15 out of the 29 candidates who attempted the question achieving a pass (that is a score of at least 10 out of 20 marks), representing a pass rate on the question of 51.7%. The lowest score was 2 out of 20 marks, whilst the highest 17 marks.

The question required candidates to draw a bar chart which can be presented to the company's shareholders as part of an appendix in the first part of the question. In

Part (b) candidates were required to state the three (3) types of bar charts that can be used in organizations, while in part (c) required candidates to explain any three (3) advantages of using graphic representation of data.

The last part (d) required candidates to state two (2) disadvantages of visual communication. The questions were based on a scenario that was presented in the question paper.

The following were the common mistakes noted:

- i. The key for the bar chart was omitted and in some case was not clear.
- ii. Diagrams were not well labelled.
- iii. Titles on diagrams were left out.
- iv. Repeated answers on advantages and disadvantages of visual communication (part b c and d).
- v. Different types of charts such as pie charts were presented which was not the case.
- vi. Visual communication was mistaken with virtual communication resulting in wrong content

QUESTION THREE

The general performance on this question was poor. Only 6 out of the 15 candidates that attempted the question managed to obtain at least 10 marks out of a total of 20 available marks. A pass rate of 40% was recorded. The highest score was 16 out 20 marks while the lowest was 2.

This question required candidates to (a) explain what a functional organizational structure is and the common challenges the structure has with the aid of the diagram. (b) Explain any two fundamental components of DSS. (c) Justifying the statement and describing the five factors listed in the statement.

The most common mistakes made by candidates on this question were failure to:

- i. Draw the diagram for the functional organizational structure correctly.
- ii. Explain what a functional organizational structure is correctly.
- iii. Explain the common challenges this structure has.
- iv. Explain the fundamental components of DSS correctly.

QUESTION FOUR

The general performance on this question was very good. 16 out of the 22 candidates that attempted the question managed to obtain at least 10 marks out of a total of 20 available marks. A pass rate of 72.7% was recorded. The highest score was 17 out 20 marks while the lowest was 5.

This question required candidates to (a) explain the five benefits that may be realized from a successfully-implemented ERP system. (b) Give any three disadvantages of using Batch processing methods (c) Give any five reasons why Internet has become dominant in business (d) Differentiate between Byte and Character. Most candidates performed very well on this question.

The most common mistakes made by candidates on this question were:

- i. Some candidates could not state the benefits that may be realized from a successfully-implemented ERP system.
- ii. Some candidates could not state reasons why the internet has become dominant in business but gave a general view apart from business.
- iii. Most candidate could not differentiate between a byte and a character.

QUESTION FIVE

The general performance on this question was poor. Of the 24 candidates that attempted the question, only 11 managed to obtain at least 10 marks out of a total of 20 available marks. A pass rate of 45.8% was recorded. The highest score was 19 out 20 marks while the lowest was 4.

Information was provided in a given scenario in the question. Candidates were required to write a short formal report outlining a particular gassing incident at a work place premises. Candidates were also required to highlight the effects of gassing attack on both the individual and the organization, guided by subheadings and other relevant information.

The most common mistakes made by candidates on this question were:

- i. Wrong format of the report(letters and memos were presented in the answers).
- ii. Failure to present correct main and subheadings of a report.
- iii. Report presented as a speech to be read at a particular event.
- iv. Mismatching the main headings (i.e first indicting recommendations and then conclusions at the end of report.)
- v. Candidates presented the report as in a narrative manner with unnecessary details.

QUESTION SIX

The general performance on this question was fair. 13 out of the 26 candidates that attempted the question managed to obtain at least 10 marks out of a total of 20 available marks. A pass rate of 50% was recorded. The highest score was 19 out 20 marks while the lowest was 3.

Based on the scenario provided in the question, candidates were required to write an agenda covering all the topics to be addressed in the meeting and explain the importance of holding meetings in organizations for part (a) and (b). Part (c) required them to explain the terms teleconferencing and workshop.

Some common mistakes on this question were:

- i.Mismatching the agenda items.
- ii.Wrong agenda items.
- iii.Explained each agenda item which was not supposed to be the case.
- iv.In some cases, no agenda heading was indicated.
- v.Agenda was presented in form of a memorandum which was not the case.
- vi.Repeated items on the agenda
- vii. On question (b) there was a failure to provide correct reasons on the importance of meetings.
- viii.On question (c) some candidates failed to provide correct explanation on workshops and teleconferences.

Overall performance of candidates

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| i. Highest mark obtained in this paper: | 80% |
| ii. Lowest mark obtained in this paper: | 30% |
| iii. Overall pass rate in this paper: | 58.6% |

SUBJECT: CA 2.1 FINANCIAL REPORTING.

QUESTION ONE

The general performance on this question was poor with 21 out of the 45 candidates who attempted the question achieving a pass (that is a score of at least 20 out of 40 marks), representing a pass rate on the question of 46.7%. The lowest score was 2, whilst the highest was 28 out of the available 40 marks.

Most candidates were able to pick up the obvious marks relating to items that either needed direct picking from the question or were subject to single minor adjustments. The more advanced aspects however, were poorly attempted and consequently, performance on this question was just about average. Part (a) of the question carried 36 marks, most of which could have been secured by simply following the consolidation process when preparing group financial statements. It was evident that most students are not spending enough practicing this section of the syllabus. This, despite the knowledge that preparation of consolidated financial statements is a fixed feature of the examination at this level. A number of candidates showed weakness in handling the basic consolidation adjustments such profit on inter-company sales, reversal of goodwill impairment and impairment of an investment in an associate.

It is advised that students and tutors give sufficient attention to this section of the syllabus as it is a key aspect of the examination.

Part (b) of this question required candidates to explain the importance of preparing consolidated financial statements. Most students scored full marks on this part.

QUESTION TWO

The general performance on this question was good. 16 out of the 26 candidates that attempted the question managed to obtain at least 10 marks out of a total of 20 available marks. A pass rate of 61.5% was recorded. The highest score was 16 out 20 marks while the lowest was 1.

Majority of candidates were able to calculate changes correctly. However, they were unable to adjust the account balance for retained earnings even though the actual change to the asset or liability was correctly done. This is evidence of weak double entry, leading to guessing whether profit would increase or reduce. Some students did not even know that profit and loss was represented by the retained earnings figure, and took no adjustment to this account! Further, candidates failed to prepare the revised statement of financial position with adjusted figures. Some candidates prepared a full statement of profit or loss even though the figures for sales, purchases and expenses were not available. Some candidates prepared the statement of financial position and reproduced the figures that were in the trial balance without adjusting them.

QUESTION THREE

The general performance on this question was poor. None of the 20 candidates that attempted the question managed to obtain at least 10 marks out of a total of 20

available marks (representing a 0% pass rate). The highest score was 9 out of 20 marks while the lowest was 1.

In part (a), most candidates were able to state the conditions albeit in plain words instead of borrowing the words used in the standard, IAS 37. Application of the conditions to costs arising from a reorganisation was haphazard. Candidates could not state which cost would create a provision to be reported on the statement of financial position and which one would not. They stated generally that amounts would be expensed to the statement of profit and loss.

In part (b), few candidates managed to calculate basic EPS correctly and none calculated DEPS accurately. Majority of the candidates did not attempt his part of the question.

In part (c), anything but consistency in applying IFRSs and avoiding justifiable changes to adopted accounting policies was mentioned by candidates.

QUESTION FOUR

The general performance on this question was poor. Only 5 out of the 24 candidates that attempted the question managed to obtain at least 10 marks out of a total of 20 available marks. A pass rate of 20.8% was recorded. The highest score was 15 out of 20 marks while the lowest was 1.

The performance on this question was fairly good and no major issues were observed. A few students however had difficulties in correctly treating revenue derived from commission on sales.

Some candidates had difficulties identifying the relevant performance obligations in revenue from contracts.

QUESTION FIVE

The general performance on this question was poor. Only 19 out of the 41 candidates that attempted the question managed to obtain at least 10 marks out of a total of 20 available marks. A pass rate of 46.3% was recorded. The highest score was 17 out of 20 marks while the lowest was 2.

The following were the common mistakes noted on the question:

- i. Poor presentation of the analysis.
- ii. Candidates using wrong formulae to compute the ratios.
- iii. Failure to relate observations on some ratios with other ratios and information in the question scenario.

Overall performance of candidates

- i. Highest mark obtained in this paper: 57%
- ii. Lowest mark obtained in this paper: 6%

iii. Overall pass rate in this paper: 22.2%

SUBJECT: CA 2.2 – MANAGEMENT ACCOUNTING

QUESTION ONE

This was a 40 marks compulsory question covering mainly budgeting and functions of management accounting. All the 42 candidates present attempted this question. The general performance on the question was poor. Only 4 candidates managed to obtain at least 20 out of the total available 40 marks, representing a 9.5% pass rate. The highest score out of 40 was 33 marks while the lowest was 0.

This was a compulsory question covering cash budgeting and Cost Volume Profit Analysis. The question was divided into part (a) to (g). In part (a), most candidates failed to understand that given the planned total fixed cost and target profit for the year, the budgeted sales quantity was the required sales volume to achieve the target profit.

Part (c) was poorly attempted too as candidates could not calculate the budgeted sales quantity for each of the months of May and November.

Parts (e) to (g) were generally a challenge possibly due to ill-preparedness. Cash budget seems to always pose a challenge to examination candidates.

QUESTION TWO

The general performance on this question was very good. 31 out of the 40 candidates that attempted the question managed to obtain at least 10 marks out of a total of 20 available marks. A pass rate of 77.5% was recorded. The highest score was 18 out 20 marks while the lowest was 4.

This question examined standard costing and variance analysis and it was very popular. Common errors were experienced on materials yield variance calculations. Future candidates should refer to the ZICA suggested solution on this question on how yield variances are calculated.

QUESTION THREE

The general performance on this question was poor. Only 5 of the 18 candidates that attempted the question managed to obtain at least 10 marks out of a total of 20 available marks. A pass rate of 27.8% was recorded. The highest score was 20 out of 20 marks while the lowest was 0.

The question required the candidates to prepare an overhead analysis statement showing the budgeted production overhead for each of the four cost centres, to calculate appropriate overhead absorption rates for each of the production cost centres and the manufacturing cost per unit for each of the company's three products.

Part (a), was well attempted though a number had challenges with coming up with the most appropriate basis of apportionment.

In part (b), only few candidates were able to compute the required overhead absorption rate well otherwise generally it was poorly answered as candidates failed to identify the appropriate basis on which absorb the overheads.

A number of candidates lost marks on part (c) because they could not compute the cost per unit. Others simply left out the direct costs.

QUESTION FOUR

The general performance on this question was poor as only 8 out of the 31 candidates that attempted the question managed to obtain at least 10 marks out of a total of 20 available marks. A pass rate of 44.4% was recorded. The highest score was 18 out 20 marks while the lowest was 0.

This question had two parts (a) and (b). In (a) (i), majority of the candidates scored most marks. However, some failed to identify and explain cost changes that would happen under JIT method. The performance on (a) (ii) on the other hand was not good as candidates showed lack of knowledge of backflush accounting as some of them instead wrote about life cycle costing.

Part (b) of the question was examining candidates on limiting factor analysis. The well prepared candidates scored all the marks. Some the candidates had challenges in identifying the limiting factor hence got lost in the calculations and ended up with wrong rankings.

QUESTION FIVE

The general performance on this question was very good. 25 out of the 35 candidates that attempted the question managed to obtain at least 10 marks out of a total of 20 available marks. A pass rate of 71.4% was recorded. The highest score was 16 out 20 marks while the lowest was 0.

This question had three parts (a) to (c). Part (a), required an explanation of life cycle and description of the typical pattern of cost commitment and cost incurrence during the three stages of a products life cycle. A good number of the candidates were able to explain the life cycle with a few who simply listed the stages found in the life cycle. However, the majority could not describe the costs in the three stages.

Part (b), required an explanation and justification on why absorption costing is usually considered to be unsuitable for decision making. Most candidates failed to mention the fixed costs are generally absorbed hence not necessary for decision making.

Part (c), Explanation on the circumstances in which the use of ABC is likely to result in more meaningful information about product costs and profitability.

Overall performance of candidates

- i. Highest mark obtained in this paper: 75%
- ii. Lowest mark obtained in this paper: 20%

iii. Overall pass rate in this paper: 28.6%

SUBJECT: CA 2.3- AUDITING PRINCIPLES AND PRACTICE

QUESTION ONE

The general performance on this question was poor with only 6 out of the 61 candidates who attempted the question achieving a pass (that is a score of at least 20 out of 40 marks), representing a pass rate on the question of 9.8%. The lowest score was 0, whilst the highest was 25 out of the available 40 marks.

The question was divided into parts (a) to (e). Part (a) required candidates to explain the concept of assurance in the context of the audit of the financial statements of Supa Milling Ltd. The scenario has sufficient information regarding shareholders and management responsible managing the company. Using this information candidates should have discussed the need and concept of the audit for the benefit of the shareholders who do not take part in the running of the company.

The following observations were made:

- i. A majority of the candidates failed to explain the separate corporate organization roles of the management and the shareholders and to explain the need for assurance by the shareholders who do not take part in the day to day running of the company.
- ii. Some candidates explained the elements of an assurance engagement which did not answer the question requirement.

Part (b) of the question required candidates to explain the meaning of reasonable and limited assurances in an audit and review of financial statements. This is a knowledge based question in which candidates should have easily distinguished these levels of assurance to earn maximum marks. The following observations were made:

- i. It was disappointing that a majority of the candidates seemed to have no knowledge of these levels of assurance.
- ii. Some candidates stated that reasonable assurance was reasonable assurance and limited assurance was limited assurance.

Candidates should be able to distinguish the two levels of assurance. Reasonable assurance is a high level of assurance such as that given in an audit of financial statements. It is a result of a large amount of work and is stated in a positive form by the auditor stating whether or not the financial statements show a true and fair view. Limited assurance on the other hand is a lower level of assurance such as is given in a review of financial statements and is largely based on inquiry and analytical procedures. The assurance is given in a negative form with the auditors stating that nothing has come to his attention that suggests that the financial statements do not show a true and fair view.

In part (c), candidates were required to explain any 4 matters that should be included in the bid document that will be presented to the audit committee of a prospective audit client. The following observations were made:

- i. It was shocking to note that a sizeable number of candidates mentioned ethical issues which clearly were not relevant in answering this question.
- ii. Some candidates explained matters related to corporate governance which again was not addressing the requirements of the question. The matters required are those that should be included in the presentation to the audit committee when bidding for audit services. This is the firm selling itself and so matters such as the size of the firm, the qualifications of key staff, how the firm hopes to meet the requirements of Supa Milling plc should have been discussed.

Part (d) required candidates to identify and explain 6 audit risks in the given scenario and to give a suitable audit response. The scenario contained up to 10 audit risks from which candidates should have extracted the risks to explain. It was disappointing to note that most candidates scored poorly in this part of the question and the following observations were made:

- i. A number of candidates discussed less than the required 6 audit risks and obtained marks proportionate to the risks explained correctly.
- ii. A number of candidates discussed risks without explaining the suitable response as per question requirement. Candidates are reminded to address all parts of questions particularly in multi requirement questions.
- iii. Some of the audit responses were given from the point of view of management instead of the audit team. For example stating that management should comply with laws and regulations signifying lack of understanding of audit responses.
- iv. It was surprising that some candidates discussed ethical issues in this part of the question which clearly required discussion of audit risks.

Part (e) required candidates to identify and explain 5 ethical issues in the given scenario and also to suggest suitable safeguards to apply. The scenario contained information on the ethical issues which candidates should have discussed. This is a topical issue and it was disappointing to note that a sizeable number of candidates scored poorly in this question and the following observations were made:

- i. There were candidates who gave less than the required 5 ethical issues and obtained marks commensurate to the correct ethical matters discussed.
- ii. Surprisingly enough, there were candidates who did not suggest any suitable responses thereby losing the marks allocated to doing so.
- iii. It was noted that a number of candidates give decline as a safeguard. Candidates should take note that this is an option of last resort if there is no other safeguard to apply. Remember firms are in business and if they decline in all cases they will run out of business!

QUESTION TWO

The general performance on this question was poor. Only 2 out of the 37 candidates that attempted the question managed to obtain at least 10 marks out of a total of 20 available marks. A pass rate of 5.4% was recorded. The highest score was 13 out of 20 marks while the lowest was 0.

Part (a) of the question was on the purpose of auditor regulation and how it is achieved in Zambia. Candidates should have discussed the reliance on the work the auditors perform and the need to ensure that it is of the highest standard and hence the need for regulation. Candidates should have explained the role of the ZiCA in regulation.

The following were observed:

- i. Most candidates simply seemed not to have an idea of this important topic on auditor regulation and the role of ZiCA in this regard.
- ii. Many simply did not attempt and left it blank, a bad examination technique. Candidates should make intelligent guesses and not leave a part of a question unanswered.

Part (b) was a multiple requirement question requiring candidates to explain the meaning of written representations and also to evaluate the need for obtaining written representations in the audit of the financial statements of Hara Ltd.

The following observations were made:

- i. Most candidates simply explained the meaning of written representations without answering the part that required an application to the given scenario.
- ii. A number of candidates showed lack of knowledge on what written representations are and their use. For example some candidates stated that written representations come from the auditors!
- iii. For 2 marks candidates were required to explain the audit risk with regards subsequent events in an audit of financial statements. Candidates who understand the meaning of subsequent events and the impact they could have on the financial statements were able to explain the risk which is basically that the subsequent events may not be accounted for correctly in accordance with the provisions of IAS 10.
- iv. A large number of candidates explained in detail the meaning of subsequent events giving examples which was not required and no marks were awarded. Audit risk is the risk that the auditor may give an inappropriate opinion and is related to what could go wrong in the financial statements. If subsequent events are not correctly accounted for there is a risk that the financial statements may be misstated. Candidates needed to explain that there is a risk that management may not account for subsequent events correctly. There is a detection risk also that the auditors may not detect subsequent events that may impact on the financial statements as the audit is being finalized.

- v. Candidates scored poorly in this part signifying the lack of understanding of the different types of subsequent events and the related audit procedures. Weak candidates mentioned procedures that should be performed by management instead of the auditors for example stating that management should seek legal advice.
- vi. Most of the candidates lacked knowledge of the work performed in the subsequent period which could have an impact on the figures in the financial statements.

QUESTION THREE

The general performance on this question was also poor. Only 9 out of the 39 candidates that attempted the question managed to obtain at least 10 marks out of a total of 20 available marks. A pass rate of 23.1% was recorded. The highest score was 16 out 20 marks while the lowest was 2.

Part (a) (i) required candidates to explain general and application controls in a computer system.

The following observations were made:

- i. Some candidates did not realize that these are two different types of controls and thought they were one and the same. General controls apply across the whole IT system while application controls are for specific applications such as the payroll application.
- ii. Some candidates wrote far too much for 2 marks wasting valuable time. Candidates should be guided by the marks in deciding how much to write.

Part (a) (ii) required candidates to give two examples each of general and application controls using the information in the scenario. The following observations were made:

- i. Some candidates failed to give the required two examples thereby losing easy marks.
- ii. Many candidates imply seemed not to know the two types of IT controls and gave incorrect controls.

Part (b) (i) was a knowledge based question requiring candidates to explain 4 limitations of internal controls in a company. The following observations were made:

- i. Candidates giving less than the required 4 limitations resulting in obtaining marks in proportion to the limitations correctly explained.
- ii. Some candidates explained the deficiencies of the procurement system which was not the requirement of the question.

Candidates should read questions clearly and the question required an explanation of the limitations of internal controls which are clearly explained in the study manual. The inclusion of Acacia Ltd should not have confused candidates.

Part (b) (ii) of the question required candidates to explain the purpose of carrying out tests of control by the auditor which is basically to determine the effectiveness of the controls and the auditor deciding whether or not to rely on the controls in designing further audit procedures to be performed. Candidates were further required to suggest two tests of controls in the inventory system of Acacia Ltd and they needed to identify any 2 controls which are contained in the question and suggest the tests of controls.

The following observations were made:

- i. Some candidates attempted to explain the purpose of carrying out tests of control without giving 2 examples of tests of control as per question requirement.
- ii. Other candidates simply did not know the purpose of tests of controls by the auditor.
- iii. A minority of candidates explained controls they expect to find in the system which was not the requirement of the question.

It is important that candidates understand the meaning of controls and the fact that the auditor may decide to rely on the effectiveness of the internal controls in planning and performing the audit.

In deciding whether or not to rely on the controls, the auditor needs to perform tests of control and this involves testing the controls put in place by management.

In answering this part of the question, candidates needed to identify two controls in the scenario and suggest suitable controls. For example, one of the controls in the scenario is that of changes to standing data requiring written authorization. The relevant test of control could be to confirm from a sample of changes made that they were authorized in writing by inspecting the authorization documentation.

This part of the question related to audit procedures on inventory. To answer this question satisfactorily, candidates require understanding the link between financial statement assertions and audit procedures. It was disappointing that many candidates performed poorly and were unable to give suitable audit procedures. Where they did, they could not clearly explain the assertion being tested as per question requirement.

QUESTION FOUR

The general performance on this question was poor. 15 out of the 50 candidates that attempted the question managed to obtain at least 10 marks out of a total of 20 available marks. A pass rate of 30% was recorded. The highest score was 13 out of 20 marks while the lowest was 0.

Part (a) (i) was a question on corporate governance requiring candidates to explain the roles of management and the board in running a company.

Most candidates were able to explain the roles of management and the board of directors in running a company.

Part (a) (ii) For 2 marks required candidates to evaluate the composition of the proposed board of directors. Most of the candidates answered this part correctly and scored maximum marks.

Part (a) (iii) required candidates to explain the importance of non-executive directors in a board of directors which is basically to bring to bear independence and objectivity and also to explain three roles that they can play in a board of directors.

A majority of the candidates ably explain the importance of having non-executive directors on the board and gave the role that they play.

Part (b) required candidates to evaluate information in three cases in a scenario and to explain the impact of the matters on the audit opinion and the audit report.

It was disappointing to note that most candidates scored low marks in this important syllabus topic.

The following observations were made:

- i. Most of the candidates failed to explain the form of opinion is suitable in each case and argue correctly why that is the suitable opinion.
- ii. Many did not address the part of the question that required candidates to state the impact on the audit report.

This is a topical subject and candidates should be able to answer simple knowledge based questions and also be able to suggest suitable opinion in a given scenario. Knowledge of the relevant standards namely ISA 700, ISA 701, ISA 705 and ISA 706 is important and also understanding the circumstances under which they apply is necessary.

QUESTION FIVE

The general performance on this question was the best in the paper. 34 candidates out of 51 that attempted it managed to obtain at least 10 marks out of a total of 20 available marks. A pass rate of 66.7% was recorded. The highest score was 15 out of 20 marks while the lowest was 2.

Part (a) of the question could have been answered with little reference to the information in the scenario. The scenario was meant to help candidates easily pick the factors that may necessitate the issuance of a new engagement letter in an ongoing engagement.

The following observations were made:

- i. A minority of the candidates scored poorly because they were not able to give the required 4 factors and in some cases the candidates showed complete lack of knowledge of what was being asked.
- ii. The majority scored high marks in this part of the question.

Part (b) was a knowledge based question requiring candidates to distinguish between using the work of internal audit and seeking direct assistance. Most candidates did not know the distinction signifying lack of knowledge of the topics.

Candidates were also required to explain 4 matters that should be considered in deciding whether to use the work of internal audit and based on the evaluation of the information in the scenario to make an appropriate recommendation. Most of the candidates ably answered this part of the question and scored more than half the available marks.

A majority of the candidates explained correctly professional skepticism and professional judgement. A few did not give examples of when professional judgement may be used and so lost the marks available for doing so.

Overall performance of candidates

- | | |
|---|---------|
| i. Highest mark obtained in this paper: | 56% |
| ii. Lowest mark obtained in this paper: | 10% |
| iii. Overall pass rate | : 16.4% |

SUBJECT: CA 2.4 -TAXATION

QUESTION ONE

The general performance on this question was good. 35 out of the 53 candidates who attempted the question achieving a pass (that is a score of at least 20 out of 40 marks), representing a pass rate on the question of 66%. The lowest score was 8, whilst the highest was 40 out of the available 40 marks.

This question examined company income. In part (a) candidates were required to state the date when company was required to submit the return of provisional income tax in respect of the tax year 2020 and explain the consequences of submitting the return late. This part of the question was generally well answered, only a few candidates failed to state the relevant due dates.

Part (b) required candidates to compute the provisional income tax paid by the company during the tax year 2020, stating the due date for each installment and was generally well with the exception of a few students who used the original estimated taxable profit of K7, 800,000 to compute the provisional income tax instead of using the revised taxable profit figure of K5, 100,000.

In Part (c) candidates were required to compute capital allowances on buildings, implements, plant and machinery. The most common weaknesses demonstrated by candidates who scored poor marks on this part of the question included:

- i. Failing to apply the 10% test correctly to determine how much of the expenditure incurred on building would be classified as expenditure on industrial buildings and any amount which would be classified as expenditure on a commercial building.
- ii. Using the wrong rates when computing the wear and tear allowances.
- iii. Not restricting the disposal proceeds on the disposal of pool cars to the original cost when computing the balancing charge arising on their disposal.

Part (d) asked candidates to calculate the amount of the final taxable business profit after capital allowances for the company and was generally well answered. The main challenge faced by candidates performed poorly on this part of the question was failing to identifying disallowable expenditure which needed to be added back to the accounting profit when computing the taxable profit.

Part (e) which required candidates to compute the income tax payable by the company for the charge year 2020 and explain the consequences of paying this tax late was equally answered well with the exception of a few candidates, who ignored the last part of the question and therefore lost marks.

QUESTION TWO

The general performance on this question was excellent. 41 out of the 48 candidates that attempted the question managed to obtain at least 10 marks out of a total of 20

available marks. A pass rate of 85.4% was recorded. The highest score was 18 out of 20 marks while the lowest was 2.

This question examined taxation of investment and employment income and was generally answered well by candidates. In part (a), candidates were asked to explain the tax treatment of various types of investment income received from Zambian sources in the tax year 2020 by the tax payer. This part of the question was generally answered well with the exception of a few candidates who failed to state the correct rates at which withholding was charged on the different types of investment income received by the tax payer.

In part (b) candidates were required to compute the income tax payable for the tax year 2020. The most common mistakes made by candidates who performed poorly on this part of the question included:

- i. Not time apportioning the salary which was given as an annual amount in the question to the nine months the tax payer was employed in the tax year 2020.
- ii. Including investment that suffers withholding tax which is final in the personal income tax computation of the tax payer
- iii. Omitting to include the gross royalties in the personal income tax computation.

QUESTION THREE

The general performance on this question was poor. Only 8 out of the 22 candidates that attempted the question managed to obtain at least 10 marks out of a total of 20 available marks. A pass rate of 77.5% was recorded. The highest score was 15 out of 20 marks while the lowest was 1.

This question examined administration of direct taxes and was generally poorly answered. Part (a) required candidates to compute the amount of provisional income tax paid by the tax payer, stating the amount of each instalment paid and was generally answered well.

In part (b) candidates were required to state the dates when provisional income tax relating to the tax year 2020 and the balance of income tax for the tax year 2019 were paid and to compute the amount of penalties and interest arising on late payment of each amount. This part of the question was poorly answered, as candidates demonstrated a lack of knowledge of this topic and therefore failed to identify the instalments which were paid late and also failed to compute the amount of penalties and interest arising on the late payment of those instalment.

In part (c) candidates were required to state the dates when the provisional income tax return relating to the tax year 2020 and the self- assessment return for the tax year 2020 should have been submitted. This part of the question was also poorly answered. Again, candidates demonstrated a lack of knowledge of the operation of

the self-assessment system and therefore failed to state the relevant due dates and compute the penalties arising on the late submission of the returns.

Part (d) which required candidates to explain the advantages associated with the provisional income tax system was reasonably well answered, with the exception of a few candidates who misunderstood the question and provided disadvantages instead of advantages.

QUESTION FOUR

The general performance on this question was poor. Only 21 out of the 45 candidates that attempted the question managed to obtain at least 10 marks out of a total of 20 available marks. A pass rate of 46.7% was recorded. The highest score was 19 out 20 marks while the lowest was 0.

The performance of candidates on this question which examined taxation of farming operations and basis of assessment for business profits was below average. The question had two parts. In part (a), candidates were asked to explain the basis of assessment for profits made in the first period of trading, identifying the relevant tax years, when the profits will be assessed to income tax. Most candidates demonstrated a lack of knowledge of basis rules and therefore failed to explain the basis of assessment.

In part (b) candidates were required to calculate the final amount of the taxable business profits for each relevant tax year. The following are most common mistakes made by candidates who performed poorly on this part of the question:

- i. In arriving at the taxable profits, candidates were required to compute capital allowances for the tax years 2019 and 2020 so as to deduct them from the profits, however, some candidates ignored the computation of capital allowances for the tax year 2019 and instead only computed those for the tax year 2020.
- ii. Not restricting the qualifying cost for the purposes of computing the improvement allowance applicable to dwelling houses to K20,000.
- iii. Not restricting the disposal proceeds on the disposal of Toyota Camry to its original cost in the computation of the balancing charge arising in the year 2019.

QUESTION FIVE

The general performance on this question was also poor. Only 11 out of the 43 candidates that attempted the question managed to obtain at least 10 marks out of a total of 20 available marks. A pass rate of 25.6% was recorded. The highest score was 15 out 20 marks while the lowest was 2.

This question which examined value added tax was generally poorly answered with 26% of the candidates passing and 74% failing. Part (a) which required candidates to

explain the differences between zero-rated supplies and exempt supplies was reasonably well answered.

In part (b) candidates were required to calculate the amount of VAT payable by HPC Limited for the month of October 2020. The most common weaknesses which resulted in poor performance by most candidates on this question included:

- i. Recovering the input VAT on diesel in full when only 90% is recoverable.
- ii. Failing to compute the recoverable input VAT correctly from the figures on expenditure which were stated at their VAT inclusive values.
- iii. Computing input VAT on expenditure on which VAT is irrecoverable which included entertainment expenses, telephone expenses and petrol.

Part (c) of the question required candidates to state the due dates when the company should have submitted the VAT return and paid the VAT and was generally answered well as most candidates were able to state the correct due dates.

In part (d) of the question candidates were asked to compute the amount of penalties arising for submitting the VAT return for the month of October 2020 late and the amount of penalties arising for paying the amount of VAT due for the month of October 2020 late.

A good number of candidates demonstrated a lack of knowledge of the amounts of interest and penalties arising and therefore failed to provide the required computations.

Overall performance of candidates

- i. Highest mark obtained in this paper: 75%
- ii. Lowest mark obtained in this paper: 26%
- iii. Overall pass rate in this paper: 64.2%

SUBJECT: CA 2.5-FINANCIAL MANAGEMENT

QUESTION ONE

The general performance on this question was poor. Only 16 out of the 86 candidates who attempted the question achieving a pass (that is a score of at least 20 out of 40 marks), representing a pass rate on the question of 18.6%. The lowest score was 0, whilst the highest was 26 out of the available 40 marks.

Part (a) required candidates to calculate the current weighted average cost of capital and the project specific cost of capital for PAF Plc. Part (b) asked candidates to evaluate the proposed investment in the computer data storage device using the net present value method. Part (c) required candidates to calculate the Internal Rate of Return (IRR) of the proposed project and advise if it is financially acceptable. Part (d) asked candidates to explain how the environmental uncertainty may impact the investment decision.

Majority of the candidates failed to calculate the market values. They failed to recognize that the shares were 11.8million but instead the majority were dividing it by 0.5. Some failed to calculate the market value of the bond. Others could not get the project specific cost of capital by ungearing the equity beta to get the asset beta and then re-gear based on the project financing to get the project equity beta. Surprisingly, some candidates also failed to inflate the variables and fixed cost appropriately including the sales. Candidates also had challenges computing the IRR. Majority of students appeared to have no idea how environmental uncertainty may impact the investment decision.

QUESTION TWO

The general performance on this question was poor. Only 10 of the 48 candidates that attempted the question managed to obtain at least 10 marks out of a total of 20 available marks. A pass rate of 20.8% was recorded. The highest score was 13 out 20 marks while the lowest was 0.

Part (a) required candidates to evaluate whether to accept the offer from factoring company. It was observed that candidates' had difficulties to calculate the finance charges leading to failure to calculate the actual cost of factoring and effective cost of factoring. This in turn resulted into wrong conclusion and recommendation. Additionally, most students avoided this question.

Part (b) required the candidates to calculate the current weighted cost of capital. It was noted that candidates had difficulties to calculate the yield to maturing, market value of the bond thereby leading to a wrong calculation of WACC. Candidates also did not make use of the annuity tables but rather chose the PV tables.

QUESTION THREE

The general performance on this question was also poor. Only 25 of the 60 candidates that attempted the question managed to obtain at least 10 marks out of a total of 20

available marks. A pass rate of 41.7% was recorded. The highest score was 18 out of 20 marks while the lowest was 0.

Part (a) (i) required candidates to determine the value of the company using dividend growth model. This was fairly done as many students were able to calculate the current dividend. However, candidates had challenges in calculating the dividend growth rate over the two years and swapped the numerator with the denominator. Part (a)(ii) required candidates to determine the value of the given company using the price/earnings ratio method. This part was perfectly answered. Part (a) (iii) required candidates to explain the significance of the values calculated in (i) and (ii). This part was fairly answered but with wrong values due to challenges in part (i), however, candidates were not penalized for the explanations based on the wrong values. Another common mistake was that the explanation was based on valuation methods used and their values rather than the current values of the company.

Part (b) required candidates to calculate the values of the convertible bonds with respect to (i) conversion value; (ii) cost of the convertible bond and ;(iii) conversion premium and explaining its significance. The candidates answered part (b)(ii) fairly well as they recognized the use of IRR, but they had a wrong par value resulting from (i). However, candidates had problems with the calculation of conversion value because candidates erroneously used either K85 or K83 or K100 rather than K4. This picking error also affected (iii) thereby leading to wrong conclusion.

QUESTION FOUR

The general performance on this question was very good. 54 of the 70 candidates that attempted the question managed to obtain at least 10 marks out of a total of 20 available marks. A pass rate of 77.1% was recorded. The highest score was 18 out of 20 marks while the lowest was 1.

Part (a) asked candidates to Advise Mwenzi Ltd whether or not they should take up the discount while part (b) required candidates to explain the reasons for the differences in the working capital policies of a manufacturing company and a retail firm. Lastly, part (c) asked candidates to explain six barriers to entry that may discourage new entrants in to the steel manufacturing industry.

Some student responses failed to methodically respond to the requirement of part (a) by not first calculating the cash discount on the invoice value. This figure determined the basis of calculating the investment amount and eventually the number of days. The number of days which were to be used to apportion the interest chargeable.

The advice was be based on whether in interest is lower or higher than the discount. In some cases the student responses regarding the advice was correct i.e. Mwenzi to take-up the discount, but it was not based on the outcome of the calculations. Regarding the response to part (b), some answers completely failed to state clearly the reasons of the differences between the working capital policies of a manufacturing

company and a retail firm. The implication is that the students did not comprehend the question due to inadequate preparation.

QUESTION FIVE

The general performance on this question was poor. Only 24 out of the 62 candidates that attempted the question managed to obtain at least 10 marks out of a total of 20 available marks. A pass rate of 38.7% was recorded. The highest score was 15 out 20 marks while the lowest was 2.

Most candidates failed to calculate yearly incremental sales figures based on 7% yearly increase over a 5 year period as required. In some cases, depreciation was wrongly calculated or not even calculated at all. Where depreciation was calculated, it was subtracted from the contribution figure instead of being added back since it is the cash flow that was to be worked -out. Depreciation being a non-cash deduction, it is to be added-back when determining the cash flow before tax.

Most candidates that attempted part (b) failed to determine both the sensitivity analysis of sales and contribution. Incorrect responses of this part were attributed to wrong calculation of incremental sales and contribution figures on the basis of which the sensitivity analysis was to be determined. The other reason could have been due to lack of understanding by the candidates of the concepts. Some Candidates failed to calculate capital allowances on reducing balance basis. The figures used to calculate the tax relief on yearly basis for 5 years.

Overall performance of candidates

- i. Highest mark obtained in this paper: 63%
- ii. Lowest mark obtained in this paper: 12%
- iii. Overall pass rate in this paper: 28.7%

SUBJECT: CA 3.1 ADVANCED FINANCIAL REPORTING.

QUESTION ONE

The general performance on this question was very good. 76 of the 98 candidates who attempted the question managed to score of at least 20 out of 40 available marks. The recorded pass rate on the question was 77.6%. The lowest score was 1, whilst the highest was 40 out of the available 40 marks.

The following were noteworthy mistakes of candidates:

- i. Most Candidates wrongly valued non-controlling interests (in part A and B) at fair value (full method), instead of share of the fair value of C's identifiable net assets at acquisition (proportionated method) as required by the question.
- ii. Some candidates added share of associate profit after tax (K72, 000), this should have been subtracted (reversed) because it was credited (added) in the statement of profit or loss.
- iii. Others added net actuarial loss of K5, 000, which was reported in other comprehensive income.
- iv. Some candidates lost marks because they deducted employee benefits paid (K23, 000) as cash outflow, instead of contributions (K161,000).
- v. Other candidates started with profit after tax (K120, 000), but failed to adjust for the tax expense (K79, 000), in order to come up with profit before tax of K199,000.
- vi. Candidates also ignored deferred tax balances in calculating tax paid. Tax paid is computed by taking into account both current and deferred tax balances, and income tax expense in the profit or loss account.
- vii. Some candidates wapped the balances brought forward and balances carried forward. Further, few candidates indicated balances on a wrong side of the ledger accounts. For future examinations, you are advised to use narrative if you are not comfortable with leger accounts. Take note that both narrative and ledger accounts are acceptable.
- viii. Misclassification of cash items and wrong headings was also note. Such candidates hence lost 3 marks which were available for the correct format of statement of cash flow. Candidates are advised to be familiar with headings of cash flow.
- ix. Most Candidates generally attempted part C, however candidates did not spend sufficient time discussing the ethical and professional requirements of the question.
- x. It was also noted that most of the candidates simply concluded that it was unethical and unprofessional, without considering the ethical and professional issues which were tested. Thereby discussed the ethics generally without linking it to the scenario which was presented in the question.

QUESTION TWO

The general performance on this question was poor. Only 19 out of the 68 candidates that attempted the question managed to obtain at least 10 marks out of a total of 20 available marks. A pass rate of 27.9% was recorded. The highest score was 20 out of 20 marks while the lowest was 1.

In the first transaction, very few candidates explained the IAS 37 recognition criteria for provisions. However most candidates correctly concluded that a warranty provision must be recognized. A few candidates mistakenly thought the issued concerned measurement of revenue under IFRS 15. Almost all candidates failed to correctly compute the amount to report in the financial statements in respect of the warranty provisions.

It was evident that most candidates are lacking knowledge of IFRS 16, both on basic lessee accounting and accounting for sale and lease back.

QUESTION THREE

The general performance on this question was also poor. Only 15 out of the 53 candidates that attempted the question managed to obtain at least 10 marks out of a total of 20 available marks. A pass rate of 28.3% was recorded. The highest score was 19 out 20 marks while the lowest was 1.

This was a 20 % mark question, with three (3) separate transactions on financial instruments. The question required candidates to advise the directors of Nkhula Plc on the three issues (transaction) by stating the appropriate accounting treatment and computing amounts to report in the financial statements in accordance with relevant accounting standards.

A few number of candidates chose this question and was poorly attempted. It appears candidates were not prepared for financial instruments.

Transaction one (Issued loan notes at par).

This part of a question was either ignored or not well handled by candidates.

Common mistakes included the following:

- i. Few candidates wrongly classified the loan notes as an amortised cost liability, despite the question clearly stated that 'Nkhula plc has designated the loan notes as a fair value through profit or loss'.
- ii. Some candidates adjusted the initial amount with transaction costs. Transaction costs should have been expensed in statement of profit or loss in accordance with IFRS 9.
- iii. Others failed to split and report remeasurement gain (K860, 000) in statement of profit or loss (movement due to general changes in market interest rates indifferences). Candidates are advised and reminded that remeasurement gains and losses are primarily reported in the statement of profit or loss. However, any remeasurement gain or loss that arises from changes in the credit worthiness of the entity are reported in other comprehensive income.

On transaction two (Investment in loan notes), the most notable mistakes were the following:

- i. Most candidates wrongly classified the investment in loan notes as an amortised cost liability instead of an amortised cost asset.
- ii. Transaction costs were expensed, instead being capitalized (added) on initial measurement.
- iii. Few Candidates amortised the asset using the coupon rate (10%) instead of effective interest rate of 7.7%.

QUESTION FOUR

The general performance on this question was poor. Only 2 out of the 71 candidates that attempted the question managed to obtain at least 10 marks out of a total of 20 available marks. A pass rate of 2.8% was recorded. The highest score was 10 out 20 marks while the lowest was 1.

Most candidates displayed superficial knowledge of IFRS 2 on cash settled transactions. Some candidates were even giving explanations referring to IAS 19, in particular those relating to retirement benefit accounting.

In the second transaction, almost all candidates failed to compute amounts to report in financial statements in respect of the long term gratuity employee benefit.

QUESTION FIVE

The general performance on this question was fair. 35 of the 63 candidates that attempted the question managed to obtain at least 10 marks out of a total of 20 available marks. A pass rate of 55.6% was recorded. The highest score was 19 out 20 marks while the lowest was 2.

The question was divided into parts a, b and c. In part (a), most candidates scored full marks on this part and it showed that they are not taking some aspects of the syllabus as peripheral.

In part (b), a number of candidates did not make use of the information in the scenario to make useful commentary but rather resorted to restating the criteria for segmental reporting. This included unduly focusing on the 10% threshold for a business line to qualify as a segment. This showed that a lot of students at this level still do not sufficient technical skills to use information for decision making. Further, the students were required to present their analysis in a short report, most candidates did not even bother to produce a report.

In part (c), while the majority of candidates were able correctly identify the limitations of segmental reports, they did not make much use of data that was presented. Most candidates tended to write everything they know on segmental reporting without much regard to the examiner's specific requirements. Naturally, such a download of information would not attract any marks.

Overall performance on this question was just poor due to failure by students to demonstrate ability to navigate through available information and make practical use of the same for analysis.. Students are expected to apply their knowledge at this level and reproducing textbook material will not be enough to succeed in the examination

Overall performance of candidates

- i. Highest mark obtained in this paper: 83%
- ii. Lowest mark obtained in this paper: 1%
- iii. Overall pass rate in this paper: 32.7%

SUBJECT: CA 3.2-ADVANCED AUDIT AND ASSURANCE

QUESTION ONE:

The general performance on this question was poor. Only 55 out of the 126 candidates that attempted the question managed to score at least 20 out of 40 available marks. The recorded pass rate on the question was 43.7%. The lowest score was 1, whilst the highest was 32 out of the available 40 marks.

The question was divided into parts (a) to (e). Part (a) of the question required candidate to describe benefits to an audit firm of having a money laundering program in the firm. This was a knowledge based question and candidates should have simply applied the theory they have learnt to the scenario with basically relating it to Nambi Associates. The following observations were made:

- i. Many candidates seemed not to know the firm's need to have a money laundering program in place and so left this part of the question unanswered.
- ii. The question required candidates to describe 6 benefits and a number of candidates barely managed to describe half that number and obtained marks in proportion to the benefits described.
- iii. A number of candidates gave benefits of a money laundering program from the point of view of the client company and no marks were awarded for doing so.

Part (b) was at typical question at this level requiring candidates to advise using information in the scenario. Candidates should have observed the inappropriateness of the advice given by the partner to the Audit Manager whose main motivation is on retaining the client. Candidates should have concluded that the partner was not in order to give such advice.

Many candidates failed to use the information or advice given by the partner to the audit manager and argue correctly to support the recommendation for further action. Some candidates recommended the setting up of a money laundering unit instead of dealing with the matter at hand.

Part (c) was divided into two parts. The first part required candidates to advise on the inherent risks with regards balances held at fair values for 6 marks and give an example. Any answers suggesting the estimation of fair values attracted marks and candidates needed to give an example. It was noted that some candidates attempted to explain the risk but with no example as required thereby losing the easy marks available for doing so.

Some candidates went to great length explaining the meaning of fair values according to IFRS 13 without explaining the related audit risks and no marks were given. Candidates should understand the question requirements and address them in answering questions.

The second part required candidates to advice on the audit procedures for balances held at fair values. To answer this part adequately candidates needed to have a clear

understanding of the accounting for fair values and the related assertions. The following were observed:

- i. Many candidates simply did not attempt this part clearly suggesting that they did not understand the topic on audit procedures.
- ii. Some have less than the expected audit procedures to warrant the available 4 marks.
- iii. Some answers were too general such as obtaining written representations from management which required further explanation in terms of relevant representations.

Part (d) required candidates to explain ethical and other professional issues clearly stated in the question. There were three clear matters to consider and candidates simply needed to identify the ethical/professional matter and discuss giving suitable safeguards. It was disappointing to observe that many candidates failed to score these easy marks and the following were observed:

- i. Some candidates did not identify correctly the ethical matters which were clear in the question.
- ii. Some candidates tried to explain the ethical matters but failed to give appropriate safeguards.
- iii. In some cases candidates showed lack of understanding for example in the case of situation 3 candidates should have computed the % of the agreed fee to total firm income and commented appropriately with regards reliance on one client and advise as necessary.
- iv. Many candidates gave decline as a safeguard in all cases even where it may not be appropriate. For example when being threatened with litigation how does decline come in possibly resignation could be appropriate. Candidates should note that decline and resignation are safeguards of last resort when no other safeguards are available.

Part (e) required candidates to evaluate the detection risks in the audit of revenue on the audit of the financial statements of Eric Ltd.

Candidates should have observed that inherent risk is that which may cause the auditor not to detect misstatements. Answers should have been related to the difficulties the auditors would have in the audit of revenue such as lack of suitable training and experience of the auditors and the fact that these on-line sales in which the audit staff may lack knowledge.

General answers without relating them to the audit team did not attract maximum marks. Some candidates explained detection risks that are not related to the audit of revenue.

QUESTION TWO

The general performance on this question was also poor. Only 25 out of the 127 candidates that attempted the question managed to obtain at least 10 marks out of a

total of 20 available marks. A pass rate of 19.7% was recorded. The highest score was 16 out 20 marks while the lowest was 1.

Part (a) of the question on ethics explanation and the ethical matters were easy to identify in the question because they were numbered and so candidates did not need to spend time identifying the ethical matters.

For a total of 14 marks for three ethical matters candidate should have come up with at least three or four relevant points on each one to score maximum marks. Candidates should use the marks against the question to determine the length and depth of the answers that should be given.

It was noted that most candidates explained in detail the five fundamental principles without any reference to the information in the scenario. No marks were awarded for doing so. The question clearly required candidates to explain ethical and professional matters in the audit of the financial statements of Lusutha Ltd.

In part (b), candidates were required to explain the importance of audit work on opening balances in an audit.

Valid comments recognizing the fact that opening balances do have an impact on current year figures attracted marks and also that there is an increased risk if the prior year financial statements were audited by different auditors.

Most of the candidates did not show understanding of the impact of opening balances to the current year audit. If the opening balances are misstated, this will impact on the current year financial statements and also if the previous year financial statements were audited by a different firm it essential that they are audited for correctness.

Part (c) of the question required candidates to evaluate the use of the Emphasis of Matter paragraph as suggested by the Engagement Partner. The objective of the question was to assess whether candidates understood the meaning and use of this paragraph in the auditor's report.

It was clear from the answers that a majority of the candidates simply did not know the meaning and use of this paragraph. Clearly the suggestion by the partner was not correct and candidates should have explained why.

In past examinations candidates have been asked to explain the meaning and use of the Emphasis of Matter paragraph and the performance was poor as observed then. Most candidates concluded and agreed with the recommendation of the partner which was incorrect suggesting that they do not understand the use of the Emphasis of Matter paragraph and the use of the paragraph on going concern in the auditor's report.

QUESTION THREE

The general performance on this question was poor. Only 6 out of the 92 candidates that attempted the question managed to obtain at least 10 marks out of a total of 20 available marks. A pass rate of 6.5% was recorded. The highest score was 12 out of 20 marks while the lowest was 1.

Part (a) of the question required candidates to explain the reporting differences between a statutory audit and a review engagement. To be able to answer this candidates needed to know the difference between an audit and a review engagement.

Candidates were expected to explain reasonable assurance arising from a statutory audit and limited assurance arising from a review engagement. Most of the candidates explained the difference between external audits and review engagements without dealing with the reporting differences as required by the question. Candidates should have discussed reasonable assurance which results from a statutory audit and limited assurance arising from a review of financial statements. Briefly explaining each of these two levels of assurance should have earned candidates maximum marks.

Part (b) of the question required candidates to evaluate each of 4 matters in the question and suggest 2 audit procedures that should be performed. Candidates simply needed to give a short brief of the matters and suggest suitable audit procedures.

The following were observed:

- i. Some candidates did not bother to discuss the issues and simply suggested audit procedures thereby losing the marks for evaluating.
- ii. Some candidates gave only one audit procedure instead of 2 as per question requirement.
- iii. Many candidates simply did not attempt this part suggesting lack of understanding of the topic on audit procedures. Candidates are reminded that this is a core area of the syllabus and audit procedures are likely to feature in future examinations.

In part (c), candidates were required to describe the response of the auditors in view of the refusal by management to use a model that complies with the relevant accounting standard.

Candidates should have argued for a particular modification of the conclusion depending on the materiality and perverseness of the matter. A majority of the candidates either left this part unanswered or did not support the decision to issue a particular form of modification. It was clear from the answers that most candidates did not know the provisions of ISRE 2410 on reviews of interim financial statements.

QUESTION FOUR

The general performance on this question was poor. Only 17 out of the 67 candidates that attempted the question managed to obtain at least 10 marks out of a total of 20

available marks. A pass rate of 25.4% was recorded. The highest score was 14 out of 20 marks while the lowest was 2.

Part (a) of the question required candidates to explain the implication of low remuneration levels in an audit firm on the audit of financial statements of client companies. For 2 marks, candidates should have related this to matters of quality of audits and guidance given by relevant auditing standards. Poor compensation of audit staff could impact on motivation and the quality of the work carried out.

It was observed that most candidates wrote too much for 2 marks. Two relevant points will suffice rather than spend valuable time going into unnecessary detail.

Part (b) required candidates to suggest suitable audit procedures for agricultural products. This required knowledge of the relevant accounting standards dealing with agricultural products particularly IAS 41, IAS 16 and IAS 2 and knowledge concerning which agricultural products are subject to the provisions of these standards.

It was disappointing to note that a majority of the candidates simply did not answer this part of the question or gave wrong answers. Many candidates have less than the required 4 audit procedures thereby losing easy marks.

Some candidates explained procedures in respect of the processing plant instead of agricultural products as per question requirement.

Candidates are once again reminded of the need to fully understand the accounting and auditing requirements of specific areas contained in the syllabus as these will be examined from time to time.

Part (c) of the question related to practice matters and particularly guidelines on advertising and applying those given situations.

The question contained 4 different situations related to advertising and candidates needed to evaluate each one of them and comment appropriately and conclude whether or not it was appropriate to use the methods suggested in the question.

A majority of candidates scored very low marks with many simply not attempting to answer this part of the question. Some candidates only stated whether the advertising method is allowable or not allowable without explaining.

Part (d) required candidates to explain the need by a client company for assurance on its risk management systems. Candidates should have realized that this relates to the provision of other assurance engagements other than audits. This is different from risk assessment performed during an audit of financial statements.

A large number of candidates confused the risk engagement to work carried out during risk assessment in an audit in accordance with the provisions of ISA 315. No marks were given because this was not the requirement of the question.

QUESTION FIVE

The general performance on this question was poor. Only 8 out of the 88 candidates that attempted the question managed to obtain at least 10 marks out of a total of 20 available marks. A pass rate of 27.9% was recorded. The highest score was 12 out of 20 marks while the lowest was 0.

The question was divided into parts (a) and (b). Part (a) required candidates to explain the use of a combined approach involving tests of controls and substantive tests or the use of only substantive tests for 4 marks. Most candidates exhibited lack of understanding of the two approaches and did not give satisfactory answers.

The auditors can either use a substantive approach and place no reliance on the internal controls or if they wish to place reliance on internal controls they may use a combined approach in which case they perform tests of control to determine the effectiveness of the internal controls. Depending on the outcome of the results of the tests of controls management will decide on the approach to use.

Part (b) (i) required candidates to discuss the importance of performing procedures on subsequent events using information given about Sparrow Ltd in the question. General answers did not attract maximum marks but it was observed that many candidates were able to describe the importance of audit procedures on subsequent events.

In part (b) (ii), candidates were required to evaluate each of the 4 situations and comment on the suggested opinions given in the questions. To answer this part of the question adequately candidates required to fully understand audit reports and the suitability of the suggested opinions.

The following were observed:

A majority of the candidates could not suggest suitable opinions and explain the basis for the recommended opinion. This is a basic knowledge question requiring candidates at this level to apply their theory of audit reports in accordance with relevant standards to given situations.

Overall performance of candidates

- i. Highest mark obtained in this paper: 61%
- ii. Lowest mark obtained in this paper: 14%
- iii. Overall pass rate in this paper: 15.7%

SUBJECT: CA 3.3 -STRATEGIC BUSINESS ANALYSIS

QUESTION ONE

The general performance on this question was excellent. 74 out of the 91 candidates that attempted the question managed to score at least 20 out of the 40 available marks. The recorded pass rate on the question was 81.3%. The lowest score was 4, whilst the highest was 38 out of the available 40 marks.

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

Part (a) required the candidates to discuss any four (4) barriers to entry that would be considered. Few candidates got this answer right as most just guessed. Part (b) asked candidates to discuss three (3) generic competitive strategies that would be considered in competing in a particular market.

Part (c) required candidates to explain any four (4) benefits from a strategic alliance. Many candidates got this one right.

Part (d) asked candidates to discuss any four (4) factors that should be considered when choosing alliance partners. Many candidates also got this one right.

QUESTION TWO

The general performance on this question was poor. Only 20 out of the 68 candidates that attempted the question managed to obtain at least 10 marks out of a total of 20 available marks. A pass rate of 29.4% was recorded. The highest score was 18 out 20 marks while the lowest was 0.

This was a scenario-based question on the work of a board of directors of ZNBC. It had a total of up to 20 marks. Some 68 candidates out of 90 attempted this question, hence it was very popular.

It required candidates to discuss how the strategy ZNBC was contemplating formulating was likely to be influenced by its stakeholders' expectations. The question was poorly answered by most candidates as the majority failed to explain the relationship or influence of stakeholders on company decisions and decision-making. The overall performance on this question was very poor at 29.4% pass rate.

QUESTION THREE

The general performance on this question was Excellent. 74 out of the 90 candidates that attempted the question managed to obtain at least 10 marks out of a total of 20 available marks. A pass rate of 82.2% was recorded. The highest score was 12 out 20 marks while the lowest was 0.

This question had two parts (a) and (b). It was attempted by 89 candidates, hence almost all candidates answered it. Part (a) was on the effects of technological change on the Zambia Postal Services' performance after enjoying monopoly status in the telecommunications industry for many years. It required candidates to describe the nature of the risk the company has faced and recommend any four (4) ways the company can employ to manage that risk. Many candidates gave the correct answers to this part.

Part (b) was on the functions of the Chairperson of the Board and the Chief Executive Officer in a state-owned enterprise. It required candidates to evaluate the government's proposed move to have one person serve in both positions.

Most candidates responded well to the question. The pass rate of 82% showed that candidates performed very well on this question.

QUESTION FOUR

The general performance on this question was fair. 36 of the 61 candidates that attempted the question managed to obtain at least 10 marks out of a total of 20 available marks. The pass rate recorded was 59%. The highest candidate scored 17 out of 20 marks while the lowest scored 2.

This question was in three parts (a), (b) and (c). This question was on organizational structure for a project. Part (a) It required candidates to recommend a suitable organizational structure giving its advantages and demerits. Most candidates did not understand what this was all about and those who attempted it scored very poorly.

Part (b) asked candidates to describe the different parts of the business environment and the different types of analyses that can be done in each. Many candidates got this answer right.

Part (c) required candidates to describe how changes in technology can affect an organization. Many candidates again got this one right. The pass rate on this question was just above average.

QUESTION FIVE

The general performance on this question was poor. Only 21 out of the 54 candidates that attempted the question managed to obtain at least 10 marks out of a total of 20 available marks. A pass rate of 38.9% was recorded. The highest score was 20 out of 20 marks while the lowest was 0.

This was a one-part question concerned with business ethics in a Zambian company. The majority of the candidates failed to give advice to the company in terms of what to do when the other part in a business contract was demanding a bribe.

Candidates fared very badly on this question and the majority of those who got the answer correct only scored around 10 out of 20 marks.

Overall performance of candidates

- i. Highest mark obtained in this paper: 85%
- ii. Lowest mark obtained in this paper: 16%
- iii. Overall pass rate in this paper: 72.5%

SUBJECT CA 3.4 ADVANCED TAXATION

QUESTION ONE

The performance on this question was fair. 25 out of the 45 candidates that attempted the question passed it, representing a pass rate of 55.6%. The highest score was 29 out of 40 while the lowest was 7.

This question examined taxation of mining operations and was parts (a) to (d). In part (a) (i) candidates were required to calculate the indexed capital allowances claimable on the foreign acquired assets. Most candidates managed to compute the capital allowances with the exception of a few candidates who used the wrong rates in computing the allowances and therefore could not calculate the correct amounts.

Part (a) (ii), required candidates to calculate the total capital allowances claimable on locally acquired assets and other qualifying mining expenditure. The main challenge faced by candidates who performed poorly on this part of the question was using the wrong rates when computing capital allowances on mining capital expenditure.

In part (b) candidates were required to calculate the final mining profit for the tax year 2020 and to show the amount of the tax loss remaining unrelieved at the year end. The most common weaknesses demonstrated by candidates in answering this part of the question included:

- i. Failure to calculate the correct amount of mineral royalty tax to be disallowed in the computation of the taxable profits.
- ii. Failure to calculate the amount of interest to be disallowed (i.e. interest in excess of 30% of the Tax EBITDA).
- iii. Failing to identify the disallowed expenditure to add back in computing the taxable profit.
- iv. Failure to calculate the indexed mining loss and the correct amount of loss to be relief available for the tax year.

Part (c) required candidates to calculate the final company income tax payable by the company for the tax year 2020.

The most common mistake by the candidates who performed poorly on this part of the question, was using the wrong tax rate in computing the company income tax.

Some candidates taxed both the mining and non-mining profits at the rate of 35% instead of taxing the mining profits separately at 30% and then taxing the non-mining income also separately at 35%. Other candidates taxed the non-mining income at 30% instead of 35%.

Part (d) required candidates to explain the taxation implications of purchasing pool cars under (i) a hire purchase arrangement, (ii) an operating lease arrangement and (iii) under a finance lease arrangement.

This part of the question was generally poorly answered by candidates as most candidates demonstrated a lack of knowledge of the taxation implications of acquiring assets under each of the above options.

Candidates specifically failed to explain:

- (i) the VAT implications of acquiring motor cars under each option.
- (ii) The tax treatment of interest which to be incurred by the company under the hire purchase and finance lease options.
- (iii) whether capital allowances will be claimed by the business on the cars and at what rate under each option.
- (iv) The tax treatment of the rentals payable under the operating lease option.

QUESTION TWO

The general performance on this question was fair. 18 out of the 33 candidates that attempted the question managed to obtain at least 10 marks out of a total of 20 available marks. A pass rate of 54.5% was recorded. The highest score was 17 out 20 marks while the lowest was 1.

This question covered international aspects of taxation and was reasonably well answered. Part (a) (i) required candidates to explain the taxation implications for a tax payer arising from exercising share options under an unapproved employee share option scheme. The performance of candidates on this part of the question was generally poor as most candidates demonstrated a lack of knowledge of the tax treatment of unapproved share options and therefore failed to provide the required explanations.

Part (a) (ii) required candidates to explain the taxation implications of sale of shares acquired under unapproved share option scheme and was also poorly answered as candidates failed to calculate the correct amount of Property Transfer Tax (PTT) payable on the sale of shares.

In part (b) candidates were required to explain how the answer to part (a) would have been different if the share option scheme was approved for tax purposes.

The following are the main challenges faced by the candidates who scored poor marks on this part of the question:

- i. Failure to explain that the gain arising on exercise of the share options under an approved share option scheme would be exempt from income tax.

- ii. Failure to explain that sale of shares acquired under an approved share option scheme is exempt from Property Transfer Tax (PTT).

Part (c) required candidates to calculate the amount of income tax payable on the Zambian income and income from foreign sources generated by the tax payer during the year and was reasonably well answered.

However, a few candidates faced the following challenges in answering this part of the question:

- i. Omitting to include the taxable income arising on exercise of shares options under unapproved share option scheme in the computation of the income tax payable.
- ii. Including the net royalties in the computation instead of the grossed-up amount.
- iii. Including investment income from Zambian sources on which withholding is final in the personal income tax computation of the tax payer.
- iv. Using the wrong tax rates when computing the income tax payable by the tax payer.
- v. Failing to calculate the amount of double taxation relief available on the foreign income.

QUESTION THREE

The general performance on this question was poor. Only 10 out of the 24 candidates that attempted the question managed to obtain at least 10 marks out of a total of 20 available marks. A pass rate of 27.9% was recorded. The highest score was 13 out 20 marks while the lowest was 4.

This question examined company income tax and Value Added Tax (VAT) payable for groups of companies. In part (a) candidates were required to advise the directors on the amount of income tax payable by each company in the group. The following are the challenges faced by the candidates who scored poor marks on this part of the question:

- i. Failure to identify the disallowed expenditure to be added back when computing the taxable profit.
- ii. Using the wrong rates to compute the amount of capital allowances claimable by each company.
- iii. Failing to calculate the disallowed interest expense (i.e. interest in excess of 30% of the company's Tax EBITDA).

Part (b) required candidates to advise the directors on the amount of Value Added Tax (VAT) payable by each company and was also generally poorly answered. The following are the were the most common mistakes made by candidates in answering this part of the question:

- i. Failing to calculate the correct amount of output VAT on the sales from taxable supplies.
- ii. Failure to calculate the correct amount of input VAT on purchases and overheads.
- iii. Failure to calculate the correct amount of input VAT on office equipment and factory building acquired during the year

QUESTION FOUR

The general performance on this question was poor. Only 10 out of the 368 candidates that attempted the question managed to obtain at least 10 marks out of a total of 20 available marks. A pass rate of 27.8% was recorded. The highest score was 17 out 20 marks while the lowest was 1.

The question examined administration of direct taxes and ethical issues in the provision of tax services. Part (a) of it required candidates to explain the causes of and the differences between tax avoidance and tax evasion, and the practical consequences of practicing each of them. A few candidates demonstrated a lack knowledge of tax avoidance and tax evasion and therefore failed to provide the required explanations.

Part (b) which required candidates to advise the company of the amounts of penalties and interest on overdue taxes was also poorly answered. The following are the challenges faced by the candidates in answering this part of the question:

- i. Failing to identify the appropriate due dates for the payment of provisional income tax and the balance of the income tax which resulted in candidates failing to compute the penalties and interest arising on late payment of income tax.
- ii. Failure to identify the due date for the submission of the provisional income tax return resulting in the candidates failing to compute the correct amounts of penalties arising on the late submission of the return.

QUESTION FIVE

The general performance on this question was good. 28 out of the 41 candidates that attempted the question managed to obtain at least 10 marks out of a total of 20 available marks. A pass rate of 68.3% was recorded. The highest score was 18 out 20 marks while the lowest was 1.

This question covered tax audits and investigations, and taxation of financial institutions. In part (a) candidates were required to explain the tax defaults that may be uncovered during a tax audit. Candidates demonstrated a lack of knowledge of the types of defaults and therefore failed to explain the meaning of deliberate

behavior, careless behavior with significant consequences and careless behavior without significant consequences.

In part (b) (i) candidates were required to explain the conditions that should be met in order for an employee share option scheme to be approved for tax purposes. This part of the question was generally well answered with the exception of a few candidates who demonstrated a lack of knowledge of share option schemes and therefore failed to provide the required explanations.

In part (b) (ii) candidates were required to calculate the correct amount of income tax payable by the bank. The main challenges faced by the candidates who performed poorly on this part of the question included:

- i. Failing to differentiate between allowable and disallowable expenses when computing taxable profit.
- ii. Using the wrong rates when computing the capital allowances claimable by the bank on qualifying expenditure.
- iii. Failing to calculate the allowable interest on assets acquired under hire purchase.

Using the wrong rates to compute the company income tax payable by the company.

Overall performance of candidates

- | | | |
|------|--------------------------------------|-----|
| i. | Highest mark obtained in this paper: | 74% |
| ii. | Lowest mark obtained in this paper: | 22% |
| iii. | Overall pass rate in this paper: | 60% |

SUBJECT: CA 3.5 -ADVANCED MANAGEMENT ACCOUNTING

QUESTION ONE

The performance on this question was fair. 6 out of the 12 candidates that attempted the question passed it, representing a pass rate of 50%. The highest score was 25 out of 40 while the lowest was 8.

The question examined the balanced scorecard perspectives, the assessment of financial performance (using the EPS, share price and the Economic value Added (EVA)), evaluation of benchmarking and key benefits of implementing a just in time manufacturing philosophy.

On the balanced scorecard, poorer candidates simply explained the general four perspectives of this card. The requirement was to link the perspectives to the CEO's suggested critical success factors (CSF). There was no CSF on the financial perspective and, therefore, there was no need to explain it. The other point missed by most candidates was the need to come up with the performance measures for the identified CSF's.

The assessment of financial performance was ably handled. Poorer answers came from those who did no calculations at all and those who failed to give the Eva assumptions as required by the question.

On benchmarking, some candidates did not read the question properly. They concentrated on explaining benchmarking and the types of benchmarking. The question was clear: evaluate the advantages and disadvantages of benchmarking.

Furthermore, an evaluation of the performance of the company against other competitor companies in the sector was required. Poorer candidates kept on comparing performance of other companies (CVL vs FTL) in the sector instead of the performance of the organisation (SEL) in the question and its competitors (CVL and FTL). The answers on JIT benefits were generally satisfactory.

QUESTION TWO

The general performance on this question was poor. Only 2 out of the 9 candidates that attempted the question managed to obtain at least 10 marks out of a total of 20 available marks. A pass rate of 22.2% was recorded. The highest score was 11 out 20 marks while the lowest was 0.

It comprised three parts, (a), (b) and (c). Part (a) required the calculation of the variable cost per unit of each product, part (b) preparing a financial analysis of the decision strategy to implement based on the cost information available and calculated in part (a) while part (c) was a discussion on the adoption of activity-based management (ABM). Generally, poor answers were provided by most of them.

Part (a), candidates could not determine the total volume factor and total operation factor thereby failing to calculate the variable cost per unit. In part (b), most of the candidates failed to analyse the data available. Whilst in part (c), they lacked the understanding of ABM hence scored less marks.

QUESTION THREE

The general performance on this question was fair. 5 out of the 9 candidates that attempted the question managed to obtain at least 10 marks out of a total of 20 available marks. A pass rate of 55.6% was recorded. The highest score was 16 out 20 marks while the lowest was 3.

This question was on divisional performance. It had three parts (a), (b) and (c). Part (a), required the candidates to discuss the factors that lead to divisionalisation in an organization such as Tulani Plc. Most candidates produced generic answers instead of referring to the scenario.

Part (b), required the preparation of profit statements for two divisions. The performance was below average as most of the candidates did not apply the requirement. It was surprising that some candidates ended up with contribution instead of profit.

Part (c), candidates were supposed to recommend key changes vital to Amano's planning and control system to support the adoption of Kaizen costing concepts. There was knowledge dumping in this case instead of applying it to Amano. Most of the candidates were instead discussing Kaizen costing. In future candidates should be reminded that the level of this paper is advisory and therefore requires analytical and professional judgment.

QUESTION FOUR

The general performance on this question was poor. None of the 10 candidates that attempted the question managed to obtain at least 10 marks out of a total of 20 available marks, resulting in a 100% failure rate. The highest score was 8 out 20 marks while the lowest was 0.

The whole question was specifically on budgeting. It had two parts, (a) and (b). Part (a), required an explanation of five weaknesses of the traditional budgeting approach. Most candidates interpreted traditional budgeting approaching as incremental budgeting hence produced wrong answers.

Part (b), required a discussion on the developments in the concept of beyond budgeting in both the private and public sector organizations. Again most candidates did not know the concept of beyond budgeting hence could not discuss of its developments.

QUESTION FIVE

The general performance on this question was also poor. Only 1 candidate out of the 7 that attempted the question managed to obtain at least 10 marks out of a total of 20 available marks. A pass rate of 12.3% was recorded. The highest score was 15 out 20 marks while the lowest was 5.

The question had two parts, (a) and (b). Part (a) needed the candidates to advise the board on how an ERPS and EIS could provide benefits over and above those provided

by transaction processing systems. The performance by most candidates was below average.

Part (b) required a recommendation. A number of candidates were only able to list benefits of ERPS and EIS hence could not score maximum marks.

Overall performance of candidates

- i. Highest mark obtained in this paper: 56%
- ii. Lowest mark obtained in this paper: 22%
- iii. Overall pass rate in this paper: 16.7%

SUBJECT: CA 3.6- ADVANCED FINANCIAL MANAGEMENT

QUESTION ONE

The general performance on this question was poor. Only 3 out of the 14 candidates that attempted the question managed to score at least 20 out of 40 available marks. The recorded pass rate on the question was 21.4%. The lowest score was 4, whilst the highest was 24 out of the available 40 marks.

Part (a) of the question required candidates to compute the APV with a split into (a)(i) base case NPV and (a)(ii) financing side effects. This was not well answered mainly. Candidates erroneously used the given cost of equity rather than the ungeared cost of equity. Those candidates that calculated the asset beta went further to find the re-gearing equity beta rather than using the calculated asset beta to find the cost of equity using the CAPM. The other common mistake was on the calculation of capital allowance based on the overall cost of investment of USD4.5 billion rather using the individual yearly values that were provided. Furthermore, candidates wrongly applied the rates on the calculation of interest saved. Moreover, candidates had difficulties in the correct use of annuities to compute the inflows.

Part (b) of this question required candidates to explain the merits and demerits of syndicated loans. This part was well answered as candidates had generic approach to bulky financing.

Part (c) required candidates to discuss the strategies that the project consortium could use to minimize corporate taxes and manage restrictions on remittance of profits. This part was well answered as candidates did identify and provided valid explanations.

Part (d) required candidates to explain how the carbon credit trading can be used to reduce the impact of business activities on the environment. Candidates had limited knowledge on this as such it was not properly handled.

QUESTION TWO

The general performance on this question was also poor. Only 1 out of the 10 candidates that attempted the question managed to obtain at least 10 marks out of a total of 20 available marks. A pass rate of 10% was recorded. The highest score was 10 out 20 marks while the lowest was 3.

Part (a) required candidates to compute the cost of equity and weighted average cost of capital for Kaya Plc. before implementing the proposal, stating any assumptions made. While part (b) asked to calculate the cost of equity and weighted average cost of capital for Kaya Co. after implementing the proposal, stating any assumptions made. Lastly, part (c) required candidates to comment on the findings in relation to (a) and (b) above.

Most candidates did not calculate the correctly the market value of debt and market value of equity. The asset beta for hunting business posed a challenge. Market value of debt was wrongly calculated resulting in wrong answers for total value. Hunting

business for cost of equity and WACC were generally wrong because of wrong market value debt.

QUESTION THREE

The general performance on this question was good. 4 out of the 6 candidates that attempted the question managed to obtain at least 10 marks out of a total of 20 available marks. A pass rate of 66.7% was recorded. The highest score was 15 out 20 marks while the lowest was 4.

Part (a) asked the candidates to explain to MA management on the meaning of money laundering and the extent to which the company is exposed given the model of business that it operates. Part (b) required candidates to advise on the steps that can be taken to assess the exposure risk for MA investments using the risk-based approach. Lastly, part (c) asked candidates to advise MA Investments on what measures it can put in place to prevent the possibility of being unintentionally involved in money laundering activities by its clients.

In response to part (a) some candidates were unable to clearly explain the meaning and concept of money laundering as it relates to the situation of MA Investments and How MA Investments is exposed to money laundering risk. However, most students correctly explained the concept of money laundering.

As a consequence of the observation above, students who went further and attempted part (c) was able to suggest appropriate measures to address circumvent the problem of money laundering in MA investments.

QUESTION FOUR

The general performance on this question was excellent. 13 out of the 14 candidates that attempted the question managed to obtain at least 10 marks out of a total of 20 available marks. A pass rate of 92.9% was recorded. The highest score was 13 out 20 marks while the lowest was 9.

Part (a) asked candidates to discuss the advantages and disadvantages of growth by acquisitions as compared with growth by internal investment.

Part (b) asked candidates to discuss any three (3) defensive tactics that PAK Ltd can employ to prevent the acquisition from going ahead.

Part (c) asked candidates to explain four (4) reasons why a takeover may fail to deliver an expected increase in wealth for a bidding company's shareholders. Lastly, part (d) to explain the role and aims of the International Monetary Fund (IMF) and the conditions that are normally attached to its loans.

Most candidates were unable to clearly identify the various defensive takeover tactics when responding to part (b). These tactics should have been clearly itemized and then fully explained in order to obtain maximum marks allocated to this section.

QUESTION FIVE

The general performance on this question was also excellent. 9 out of the 11 candidates that attempted the question managed to obtain at least 10 marks out of a

total of 20 available marks. A pass rate of 81.8% was recorded. The highest score was 15 out of 20 marks while the lowest was 3.

Part (a) asked candidates to discuss one (1) advantage and two (2) disadvantages of using the following instruments to manage the currency risk:

- (i) Forward Contract
- (ii) Currency Options
- (iii) Futures Contracts

Part (b) required candidates to calculate the outcome of the transaction if the currency risk was managed using:

- (i) Forward Contract.
- (ii) Money market.

Part (c) asked candidates to advise management of ZAMA Limited on a strategy of managing the company's exposure to currency risk.

Surprisingly, a few candidates could not calculate properly the outcome in part (b) using the money market and forward contract.

Overall performance of candidates

- i. Highest mark obtained in this paper: 67%
- ii. Lowest mark obtained in this paper: 31%
- iii. Overall pass rate in this paper: 57.1%

SUBJECT: CA 3.7-PUBLIC SECTOR AUDITS AND ASSURANCE

QUESTION ONE

A total of 189 candidates attempted this question. 114 scored at least half the available marks. The performance on this question was generally very good with some high marks being scored by some students.

Part (a) of the question required candidates to explain how auditing public sector entities impacts positively on trust in the society. The following observations were made:

- i. A minority of candidates explained accountability and transparency instead of dealing with the requirements of the question.
- ii. A majority of the candidates explained clearly how audits of public institutions impact positively on trust in society.

In part (b), candidates were required to show understanding of ISSAI 12 by evaluating the information in the scenario and explain the extent to which the OAG demonstrates its relevance. The following observations were made:

- i. Most candidates failed to use the information in the scenario in evaluating and gave general answers which did not attract maximum marks.
- ii. A sizeable number of candidates showed lack of knowledge of the provisions of ISSAI 12 which gives guidance in this area.

Part (c) of the question required candidates to identify and explain 4 ethical issues in the forensic audit of the province. The following observations were made:

- i. Some candidates explained threats to the independence of the auditor namely self-interest, self-review, advocacy, intimidation and familiarity without relating them to information in the scenario.
- ii. It was disappointing to note that a number of candidates took lack of funding to be an ethical matter when it is not.

Part (d) required candidates to suggest suitable safeguards for each of the ethical matters identified and explained in (c). Presentation is important in this type of question and it is advised that they are answered at the same time and properly referenced. Most candidates failed to give suitable safeguards to the ethical matters identified in (c).

Part (e) was a knowledge based question requiring candidates to state the actions by the forensic auditor to safeguard financial and other information. The following common mistakes were observed:

- i. A majority of the candidates explained this and obtained maximum marks.
- ii. Weak candidates defined forensic audit which was not required and no marks were awarded.

Part (f) required candidates to explain the key stages in a forensic investigation.

A majority of the candidates scored well in this part of the question.

Part (g) of the question required candidates to recommend 6 procedures that could be used to gather evidence in the valuation of the alleged corruption.

Most of the candidates gave general answers and did not provide audit procedures in trying to determine the extent of the alleged corruption.

Part (h) required candidates to suggest a suitable opinion based on information about the outcome of an audit of a new district.

A majority of candidates who lost marks did so because they seemed to lack understanding of the provisions of ISSAI 1705 and concluded that a qualified opinion will be appropriate for matters that are pervasive. Others suggested a qualified opinion when the auditor could not obtain sufficient appropriate evidence which would require a disclaimer of opinion:

QUESTION TWO:

The general performance on this question was excellent. 63 out of the 65 candidates that attempted the question managed to obtain at least 10 marks out of a total of 20 available marks. A pass rate of 96.9% was recorded. The highest score was 18 out of 20 marks while the lowest was 6.

The question was divided into parts a, b and c. Part (a) required candidates to explain the three main types of public sector audits namely financial, performance and compliance audits. Most of the candidates explained these correctly and scored maximum marks.

Part (b) required candidates to explain functions of the AG in accordance with the legal requirements. A minority of candidates gave duties of the AG in running the office such as appointing audit team members.

The functions and responsibilities of the AG are as provided in the relevant law.

In part (c) candidates were required to provide an evaluation of the suggestion by the AG that Ngosa who has no previous experience in carrying out a forensic investigation. Candidates needed to use the information in the scenario to do this. Many candidates simply repeated what is in the scenario with little or no evaluation and conclusion.

QUESTION THREE

The general performance on this question was fair. 22 out of the 45 candidates that attempted the question managed to obtain at least 10 marks out of a total of 20 available marks. A pass rate of 48.9% was recorded. The highest score was 16 out of 20 marks while the lowest was 5.

The question also had three parts. Part (a) required candidates to explain the importance of the SAI outsourcing some of its work. Most of the candidates scored well in this part of the question.

Part (b) required candidates to advise the AG on whether to outsource the actuarial valuations. Most of the arguments were weak and candidates failed to adequately support their advise.

In part (c), candidates were required to evaluate the general controls in the IT system. A number of candidates stated audit procedures to confirm the existence of the controls. Candidates were expected to evaluate each of the four controls and comment on their adequacy or lack thereof.

QUESTION FOUR

The general performance on this question was also fair. 13 out of the 28 candidates that attempted the question managed to obtain at least 10 marks out of a total of 20 available marks. A pass rate of 46.4% was recorded. The highest score was 17 out 20 marks while the lowest was 1.

The question was divided into three parts. Part (a) required candidates to explain the objective of performance auditing. Most of the candidates scored well in this part.

In part (b), candidates were required to describe the audit procedures in the performance audit of the parastatal in the question.

Candidates were required to apply the three principles of performance auditing of economy, efficiency and effectiveness to the information in the question. Most of the candidates who attempted this question failed to do so satisfactorily and lost marks.

Part (c) required candidates to suggest features of constructive recommendations. A majority of the candidates score high marks in this part of the question.

QUESTION FIVE

The general performance on this question was poor. 24 out of the 58 candidates that attempted the question managed to obtain at least 10 marks out of a total of 20 available marks. A pass rate of 41.4% was recorded. The highest score was 16 out 20 marks while the lowest was 1.

Part (a) of the question required candidates to explain 3 benefits of planning an audit. Most of the candidates scored maximum marks and ably explained the benefits of audit planning.

Part (b) of the question required candidates to explain fraud risk assessment procedures according to ISSAI 1240.

Candidates exhibited lack of knowledge of the fraud risk assessment procedures and scored poorly in this part.

Part (c) required candidates to distinguish auditor's experts from management experts. A majority of the candidates answered this well and scored maximum marks.

Part (d) required candidates to state the procedures in planning to use the work of the internal audit department.

Most of the candidates scored maximum marks in answering this part of the question.

Part (e) required candidates to discuss the elements of public sector auditing in the context of the audit of the National Road Investments Fund. Most of the candidates explained elements of an assurance engagement which were not relevant in answering this question.

Overall performance of candidates

- i. Highest mark obtained in this paper: 67%
- ii. Lowest mark obtained in this paper: 27%
- iii. Overall pass rate in this paper: 56.1%

SUBJECT: CA 3.8-PUBLIC SECTOR FINANCIAL MANAGEMENT

QUESTION ONE

The performance of the lone candidate that attempted the paper on this question was very good. The candidate obtained 29 out of the available 40 marks (representing a 100% pass rate).

QUESTION TWO

The performance of the lone candidate that attempted the paper on this question was fair. The candidate obtained 10 out of the available 20 marks (representing a 100% pass rate).

QUESTION THREE

The performance of the candidate that attempted the paper on this quest was poor. The candidate obtained 9 marks out of the available 20.

QUESTION FOUR

The question was not attempted.

QUESTION FIVE

The performance on this question was fair. The candidate obtained 10 out of the available 20 marks.

Overall performance of candidates

- i. Highest mark obtained in this paper: 58%
- ii. Lowest mark obtained in this paper: 58%
- iii. Overall pass rate in this paper: 100%