



JUNE 2021 EXAMINATIONS

CHIEF EXAMINERS REPORTS

CA ZAMBIA

SUBJECT: CA 1.1- FINANCIAL ACCOUNTING

QUESTION ONE

The general performance on this question was poor. Of the 89 candidates who attempted the question, only 24 passed (got at least 10 out of the total 20 marks available). The pass rate recorded was 27%. The highest mark scored on this question was 16 out of 20 and the lowest was 2 out of 20.

Question One was a compulsory Multiple Choice question. Candidates did not perform well as most of them could not demonstrate accurate understanding of specific accounting issues, or this was evidence of inadequate preparation, lack of thoroughness or incomplete syllabus coverage.

QUESTION TWO

The general performance on this question was very good with 67 out of the 85 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 78.8%. The lowest score was 2 out of 20 marks, whilst the highest 20 marks.

The question required candidates to prepare the Statement of Profit or Loss and the Statement of Financial Position for a limited company. Majority of candidates used the format for sole traders instead of the standard format for limited liability companies. The IAS 1 format for published financial statements was not specifically required by the question, and so candidates were not penalized for presentation format. Performance on this question was reasonably good as candidates were able to score above average marks. Common mistakes included failing to account for the disposal of non current assets before calculating the current year's depreciation charge, and failing to apply IAS 2 by using the lower of cost or net realisable value for closing inventory.

QUESTION THREE

The general performance on this question was very poor with only 26 of the 73 candidates who attempted the question scoring 10 marks and above out of 20 marks, representing a pass rate on the question of 35.6%. The lowest score was 1, whilst the highest was 17 marks out of 20.

The question required candidates to identify and explain errors that do not affect the Trial Balance (stated in the question as 'do not affect the Suspense Account) in part (a), and issues that are covered in a partnership agreement in part (b). Part (c) of the question required candidates to prepare a receivables and payables control accounts for the year, whereas part (c) required candidates to prepared corresponding reconciliations of the list of balances to balances on the control accounts.

Performance on this question was below average. Common errors included identifying errors without their explanations, or explanations were incorrect for the errors, discussing issues that are in the Articles of Association for companies, instead of issues that are considered in the partnership Agreement. Majority of candidates prepared the Control Accounts correctly, but failed to prepare the reconciliations of listing of balances correctly. Figures that should have been added were subtracted and vice versa.

QUESTION FOUR

The general performance on this question was good with 34 out of the 55 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 61.8%. The lowest score was 1, whilst the highest scores 20 out of the available 20 marks.

This part of the question carried 10 marks and required candidates to prepare an income statement from incomplete records. Some candidates had difficulties in calculating the following:

- i. Sales figure –which should have been calculated as follows (closing balance for receivables plus cash received from receivables less opening balance for receivables).
- ii. Purchases figure –which should have been calculated as follows (closing balance for payables plus cash paid to payables plus discount received less opening balance for payables).
- iii. Rent and rates figure –which should have been calculated as follows (Rent paid plus accrued rent at close less opening accrued rent = income statement charge).

The question which carried 10 marks and required candidates to draw up a statement of financial position from incomplete records.

Candidates had problems in computing the correct opening capital figure. Many candidates omitted the bank balance figure in the total assets figure and a good number of candidates were using a cost figure for motor van, instead of the Net book value figure in the assets value.

On receivables, candidates failed to deduct the bad debts written off from receivables figure. Most candidates avoided this question, which was a good examination strategy. For the few who attempted it, the performance was just above average. Incomplete records topic is technical and involving, but highly examined. Therefore, Both Lecturers and candidates are advised to spend enough time on this topic for the sake of future examinations.

QUESTION FIVE

The general performance on this question was good. 27 out of the 42 candidates that attempted the question achieved a pass (that is a score of at least 10 out of 20 marks), representing a pass rate on the question of 64.3%. The lowest score was 2, whilst the highest was 18 out of 20.

The question had two (2) parts, candidates were required to update the cashbook and prepare a bank reconciliation statement by reconciling the bank statement balance to the updated cash book balance. The adjusted cash book was well prepared by most of the candidates. The reconciliation of the cash book and bank statement balance was also done. The bank reconciliation statement was generally well done except that some candidates failed to properly determine to add or subtract unpresented and uncredited cheques. The adjusted cash book also saw candidates interchanging debits for credit and mixing up any figures they lay hands on.

QUESTION SIX

The general performance on this question was fair with 40 of the 78 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 51.2%. The lowest score was 2, whilst the highest 20 out of 20.

The question had five (5) parts, candidates were required to do the following:

- (a) Explain and give an example of compensating errors and Error of commission.
- (b) Distinguish between current and non-current assets.
- (c) Explain going concern and accruals concept.
- (d) Explain the difference between preference shares and ordinary shares.
- (e) Define, using numerical examples each of the following terms (Nominal issue, premium issue, rights issue and bonus issue).

Although this question was supposed to be relatively straightforward for candidates as it didn't involve any calculations, many candidates got it wrong. Most students gave correct response to the question. However, some failed to understand the meaning of the question and lost marks.

The general performance of candidates in was mixed. The performance of candidates was average. Few candidates had above average. High performers were across all centres and low performers were also across all centres. The level of preparedness of candidates was mixed. The most common mistakes made by the candidates on the question included: Failure to state the definitions and none illustration of numerical examples.

Part (c) was answered very well by most candidates. However, some of the candidates instead of stating the business 'will continue in operation for the

foreseeable future' stated that will continue in operation for the unforeseeable future. Further, most students defined accrued expense instead of accruals concept.

Overall performance of candidates

- i. Highest mark obtained in this paper: 89%
- ii. Lowest mark obtained in this paper: 13%
- iii. Overall pass rate in this paper: 48.3%

SUBJECT: CA 1.2 BUSINESS STATISTICS

QUESTION ONE

The general performance was fair on this question. 54 out of the 95 candidates that attempted it obtained at least 10 marks out of the total available 20. A pass rate of 56.8% was recorded. The highest score out of the total of 20 marks was 16 while the lowest was 2.

This was a multiple choice question that had sub-questions from across the syllabus for the subject. Some candidates seemed to have lost marks due to failure to compute the detailed calculations on some of the question requirements.

QUESTION TWO

The general performance on the question was very poor. Only 16 out of the 92 candidates that attempted the question managed to obtain at least 10 out of a total of 20 marks available. The pass rate recorded was 17.4%. The highest score out of 20 was 17 while the lowest was 0.

The first part of the question enquired candidates to use the normal distribution method to find probability and quantities of the random variable. The performance on this question was good as the candidate showed knowledge in the subject being asked.

The second part involved the use of discrete probability distribution property of addition of probability values. The performance as bad as the candidates could not fully utilize the concept that was required due to misunderstanding the question for general probability rules.

The third part involved interpretation of data from a given pie chart. Candidates showed good knowledge in this part as they were able to solve the question correctly.

QUESTION THREE

The general performance on this question was very good. 67 of the 92 candidates that attempted it managed to obtain at least 10 marks out of a total of 20 available marks, resulting in a 72.8% pass rate. The highest score was 20 out of 20 marks while the lowest was 0.

Part (a) of the question required candidates to use the given grouped data to find the mean, mode, median and variance. The performance in this section was good as candidates showed good knowledge of the subject. However some candidates could not find correct values due to use of wrong summations and wrong data entry.

Part (b) required candidates to use the normal distribution method to find the probability. Candidates who attempted this part were able to find the correct probability.

QUESTION FOUR

The general performance on this question was fair. 22 of the 44 candidates that attempted it managed to obtain at least 10 marks out of a total of 20 available marks, thereby resulting in a 50% pass rate. The highest score was 20 out of 20 marks while the lowest was 0.

The first section of this question candidates were required to use the method of linear regression to find the least square regression line. Candidates were further required to find the coefficient of correlation. There was an observed poor performance in the question due to use of inaccurate summations.

The second part required candidates to use the method of discrete probability distribution to find the average of the given data. Candidates showed good knowledge in this part hence most of them found the required correct answers.

QUESTION FIVE

The general performance on this question was very good. 66 of the 87 candidates that attempted it managed to obtain at least 10 marks out of a total of 20 available marks, resulting in a 75.9% pass rate. The highest score was 20 out of 20 marks while the lowest was 0.

The hard had three part which had the following requirement for candidates. Part (a) required candidates to list the components of a time series which was done accurately.

The second part (part b) required candidates to construct a bar chart and use it to analyse the results that were displayed. The performance on this part was very good except for a few candidates who were drawing histograms instead of bar charts

The last part of the question involved the use of basic probability rules to solve problem in the given scenario. Many students struggled on this part as they could not appropriately use the basic probability rules.

QUESTION SIX

The general performance on this question was very good. 39 of the 55 candidates that attempted the question managed to obtain at least 10 marks out of a total of 20 available marks. A pass rate of 70.9% was recorded. The highest score was 18 out of 20 marks while the lowest was 0.

The question had two parts with the first part requiring candidates to use the method of binomial distribution to calculate probabilities. The performance was average due to candidates making numerical errors in calculations and choices of values of random variable that were not sufficient

The second of part involved ungrouped data and candidates were required to find statistical measures such as the range, mean, standard deviation and the median. There was an observed good performance on this part as candidates showed good knowledge in the subject required.

Overall performance of candidates

- i. Highest mark obtained in this paper: 81%
- ii. Lowest mark obtained in this paper: 15%
- iii. Overall pass rate in this paper: 63.2%

SUBJECT: CA 1.3-BUSINESS ECONOMICS

QUESTION ONE

The general performance on this question was fair. All the 66 candidates that attempted the June 2021 CA 1.3 Examination answered it. 35 of them managed to obtain a pass on the question (a score of at least 10 marks out of the available 20). A pass rate of 53% was recorded. The highest mark scored on this question was 14 out of 20 while the lowest was 2 out of 20.

This was a multiple choice question with 10 sub-question set from across the syllabus. There was no specific question that proved to be problematic as results were evenly distributed.

QUESTION TWO

The general performance for this question was fair. 34 of the 65 candidates that attempted the question passed it representing a pass rate of 52.3%. The highest mark scored was 19 out of 20 while the lowest was 0.

The question was divided into two (2) parts namely (a) with (a) further divided into (i), (ii), (iii) and (iv). Part (a) was based on demand and supply analysis. To answer the questions correctly candidates were required to (1) draw the initial equilibrium position, (2) consider which curve is affected by the given factor, (3) Consider the direction of the shift, and (4) consider the effect on equilibrium quantity and equilibrium price. The common problem was that some candidates could not show equilibrium. Equilibrium, graphically, occurs at a point where the demand curve intersect the supply curve. Some students on drew one of the curves while others failed to correctly identify the curve affected by the given factor. Also some candidates gave no explanations of their graphs. Marks are distributed between graphs and explanations.

Part (b) required candidates to explain any two (2) reasons why demand for salt is perfectly inelastic. Performance was poor. Many candidates were providing none economic answers. The reasons are lack of close substitutes and low percentage of income spent on it.

QUESTION THREE

The general performance for this question was very good. 42 out of the 55 candidates that attempted the question obtained at least 10 out of the available 20 marks. A pass rate of 76.4% was recorded. The highest score was 20 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 K 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 -shape. Answers were unsatisfactory.

QUESTION FOUR

The general performance on this question was excellent. 41 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 20 out of 20 marks while the lowest was 4.

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 demonstration 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 20 of the 56 candidates that attempted the question managed to obtain at least 10 marks out of

a total of 20 available marks. A pass rate of 35.7% was recorded. The highest score was 18 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 then look at the factor that is given.

QUESTION SIX

The general performance on this question was good. 26 candidates out of the 39 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 20 out of 20 marks while the lowest was 0.

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: 76%
- ii. Lowest mark obtained in this paper: 15%
- iii. Overall pass rate in this paper: 69.7%

SUBJECT: CA 1.4- COMMERCIAL AND CORPORATE LAW

QUESTION ONE

The general performance on this question was fair. 63 of the 107 candidates that attempted the question managed to obtain at least 10 marks out of a total of 20 available marks. A pass rate of 58.9% was recorded. The highest score was 16 out of 20 marks while the lowest was 4.

This was compulsory and consisted of multiple choice questions. Candidates did not perform too well in this question as most appeared to have not known the answers to the questions and were providing guess work for solutions. In the future, it is imperative that students study and be more prepared especially for multiple choice questions as there is not a single mark that a student would be awarded for a wrong choice compared to where they write to explain an answer.

QUESTION TWO

The general performance on this question was very good. 78 of the 107 candidates that attempted the question managed to obtain at least 10 marks out of a total of 20 available marks. A pass rate of 72.9% was recorded. The highest score was 17 out of 20 marks while the lowest was 4.

Question two was equally compulsory with two parts. Candidates seem to have had a challenge with the first part of the question where they were required to explain how a pre-incorporation contract would be ratified. The second part of the question did not present that much challenge for students as could be seen from their performance. A lot of students answered the part correctly. Going forward students should be encouraged to study broadly and be able to address questions regardless of the part in the manual where they may be drawn from especially that questions are drawn from different topics in the manual and if candidates just focused their attention on few parts of the manual they would not be able to address questions from different topics in the manual.

QUESTION THREE

The general performance on this question was fair. 19 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 57.6% was recorded. The highest score was 19 out of 20 marks while the lowest was 0.

Very few candidates attempted this question with only about. In the first part of the question, few candidates performed well. The dismal performance in this question is mainly be attributed to the fact that the candidates may not have been familiar with how share capital is reduced in a company. Going forward it is imperative for the

candidates to pay more attention to the topic on corporate finance in the ZICA manual.

The performance on the second part of the question was not bad. Candidates did well here and were able to identify the contents of the Directors' Report.

In the last part of the question a good number of students performed quite well. The part needed students to distinguish between *res sua* and *res extincta* and the student were able to answer the questions correctly. However students who performed badly on this question showed a lack of understanding on the meaning of the two terms. As law has a number of maxims, it would be encouraged that students should read thoroughly their ZICA manual.

QUESTION FOUR

The general performance on this question was excellent. 88 of the 103 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.

The question was divided into parts (a) and (b). Part (a) focused on offer and invitation to treat. Candidates were expected to exhibit understanding of the distinction between the two and advice Caleb. About 95% of students attempted this part of which, 90% got the answer correct indicating that the candidates understood the question and the topic from which the question was set in the ZICA manual. The 5% that failed the question mixed up the concepts. Future candidates should be encouraged to acquaint themselves with problem questions as well as discussant ones.

Part (b) of the question was based termination of an offer. Candidates were supposed to explain five ways in which an offer can be terminated. Candidates performed well in this part with about 85% getting the question correctly. For the future, students are encouraged to focus attention on the ZICA manual as it is from there that all questions are drawn.

QUESTION FIVE

The general performance on this question was very good. 66 of the 87 candidates that attempted the question managed to obtain at least 10 marks out of a total of 20 available marks. A pass rate of 75.8% was recorded. The highest score was 18 out of 20 marks while the lowest was 0.

The question had three parts. The first part of the question was based on limitations of directors. The candidates were to highlight limits to a director as provided by the law. The Companies Act and the Zica manual are comprehensive on this subject. About 95% attempted the question and 90% got the question correct. The few that failed needed to have relied on the Zica manual and the Act. For the future candidates must be encouraged to focus their studies more on the ZICA manual.

The second part required candidates to needed a student to explain ways of increasing share capital of a company. The performance was average. Most candidates passed this question whereas others struggled due to selective studying and unpreparedness. About 80% of the candidates who attempted it got the answers right. Future candidates are encouraged to study the module in full

The third part was based on limited liability of a company. The performance was good and students understood this topic very well an indication that the students had read well read on the subject. Few students struggled with the veil of incorporation but still the performance was good.

QUESTION SIX

The general performance on this question was very good. 75 out of the 97 candidates that attempted the question managed to obtain at least 10 marks out of a total of 20 available marks. A pass rate of 77.3% was recorded. The highest score was 16 out of 20 marks while the lowest was 5.

This question had three parts. Candidates did well on the first two parts but had challenges with the third part which required them to explain the two contracts which are binding on a minor. Candidates require knowledge of contracts involving minor that would be binding on the minors. From the students that did not get that part of the question correct, it showed that there is a general lack of knowledge on that issue. The information is, however, in the ZICA manual and a student who has been well read on the manual would not have any challenges addressing the issues raised in the question.

Overall performance of candidates

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| i. | Highest mark obtained in this paper: | 76% |
| ii. | Lowest mark obtained in this paper: | 29% |
| iii. | Overall pass rate in this paper: | 86.8% |

SUBJECT: CA 1.5 –MANAGEMENT THEORY AND PRACTICE

QUESTION ONE

The general performance on this question was very good. 39 of the 49 candidates that attempted the question managed to obtain at least 10 marks out of a total of 20 marks. The pass rate recorded was 79.6%. The highest mark scored was 16 while the lowest was 6 out of 20.

QUESTION TWO

The general performance on this question was excellent. 48 out 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 98% 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) asked the candidates to explain the benefits of two partners coming together in business in this manner. Most candidates did very well on this part.

Part (b) was about what form should partners sign to make their business legal. Majority of candidates answered this part correctly.

Part (c) asked candidates to explain the unlimited liability in this business. Most of the candidates got this right. Only one candidate who got 0 failed this question.

QUESTION THREE

The general performance on this question was very good. 30 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 76.9% was recorded. The highest score was 20 out of 20 marks while the lowest was 2.

This question had three parts: (a), (b) and (c). Part (a) required candidates to define an alliance while part (b) required candidates to describe the main (8) features of a cooperative.

Part (c) required candidates to define a cooperative. Most candidates performed well on this question but a few scored very low marks.

QUESTION FOUR

The general performance on this question was excellent. 45 out 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 95.7% was recorded. The highest score was 20 out of 20 marks while the lowest was 4.

This question had two parts: (a) and (b). Part (a) was on defining globalization and list four (4) effects of globalization on firms while part (b) was on stating five effects of COVID-19 on the firms both local and global.

Most candidates attempted this question. Many of the candidates got good marks, a few even got 20 marks while only two scored very low.

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 explain any five characteristics suggested by Locke and Latham that should be in goal setting.

Part (b) required candidates to explain the meaning of this statement about motivation-it is a mental process where by an individual decides how much effort to put into their work. Only half of the few candidates who attempted this question did well on it.

QUESTION SIX

The general performance on this question was fair. 12 out of the 21 candidates 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 0.

This question had three parts: (a), (b) and (c). Part (a) asked candidates to state five (5) purposes of the personal development plan.

Part (b) asked candidates to suggest three other ways of motivating employees. Part (c) asked the candidates to list four (4) characteristics of a career development program.

Overall performance of candidates

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| i. | Highest mark obtained in this paper: | 89% |
| ii. | Lowest mark obtained in this paper: | 19% |
| iii. | Overall pass rate in this paper: | 91.8% |

SUBJECT: CA 1.6- BUSINESS COMMUNICATION

QUESTION ONE

The general performance on this question was excellent. 76 of the 84 candidates that attempted the question managed to obtain at least 10 marks out of a total of 20 marks. The pass rate recorded was 36.9%. The highest mark scored was 17 while the lowest was 2 out of 20.

QUESTION TWO

The general performance on this question was poor with only 31 out of the 84 candidates that 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.

This was equally a compulsory question that required candidates to explain the difference between the terms that were given. The common mistakes were as follows:

- i. Candidates were overlooking physical security measures and concentrated more on software measures of encryption.
- ii. Candidates also generally lost marks here because most of them could not give the correct explanation for completeness and validity, as well as explaining the difference between them. Controls or checks still remain a challenge.
- iii. Candidates appear to have studied more on spreadsheets than the corresponding Databases. Therefore distinguishing them become a one sided approach.

QUESTION THREE

The general performance on this question was equally poor. Only 36 out of the 76 candidates that attempted the question managed to obtain at least 10 marks out of a total of 20 available marks. A pass rate of 47.4% was recorded. The highest score was 18 out of 20 marks while the lowest was 0.

The question was about different types of Boolean Operators symbols used, Tabs and how AIS is useful in a business firm. The following were the common mistakes noted in this question:

- i. Most candidates answered this question well, except a few that thought the symbols were used for calculations in excel.
- ii. Some candidates were explaining the alignments instead of tabs in word processing.

- iii. Other candidates were noted to have been explaining the advantages of AIS instead of how useful it is in business.

QUESTION FOUR

The general performance on this question was very poor. None of the 11 candidates that attempted the question managed to obtain at least 10 marks out of a total of 20 available marks. A fair rate of 100% was recorded. The highest score was 7 out of 20 marks while the lowest was 0.

The questions were about compare and contrast the brick-and-mortar strategy and the click-and-mortar strategy. Five techniques used to acquire information and explaining the fire safety risk management. The following were the common mistakes noted in this question:

- i. Candidates seemed not to have understood the question because they failed to relate it to ecommerce or business enterprise processes.
- ii. A few candidates answered the techniques used to acquire information correctly.

QUESTION FIVE

The general performance on this question was very good. Of the 84 candidates that attempted the question, 66 managed to obtain at least 10 marks out of a total of 20 available marks. A pass rate of 78.6% was recorded. The highest score was 19 out of 20 marks while the lowest was 2.

Part (a) required Candidates to write a notice using the memo format, inviting all the members of department for a meeting. Part (b) required them to briefly explain two (2) roles of a notice in an organization while part (c) required them to State three (3) differences between a notice and a memo.

The following mistakes were observed:

- i. Wrong format or layout- some candidates presented letters.
- ii. Some candidates produced long irrelevant reports.
- iii. Failure to include important details of a meeting such as type of a meeting day and date, time and venue.
- iv. Wrong content presented.
- v. Mixing up content with an agenda.
- vi. Failure to attempt this particular question.
- vii. Repeat of answers were given.
- viii. Failure to state the difference between a notice and a Memo

QUESTION SIX

The general performance on this question was very good. 56 out of the 80 candidates that attempted the question managed to obtain at least 10 marks out of a total of 20 available marks. A pass rate of 70% was recorded. The highest score was 19 out of 20 marks while the lowest was 0.

This question required candidates to use information from the table that was provided in the question and draw a multiple line graph that visually represents the Zambian Kwacha against world major currencies. Part (b) required candidates to explain the two (2) major differences between a line graph and a bar chart, while part (c) required them to State four (4) advantages of using diagrams to convey messages.

The common errors that were observed:

- i. Failure to make use of the graph paper provided on the answer script leading to inaccurate points that were plotted on the graph.
- ii. Some candidates drew the communication cycle instead of the required graph.
- iii. Failure to state the differences between a graph and a bar chart.
- iv. Identifying other statistical ways of presenting information other than stating the differences.
- v. Very poor grammar.

Overall performance of candidates

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| i. Highest mark obtained in this paper: | 78% |
| ii. Lowest mark obtained in this paper: | 25% |
| iii. Overall pass rate in this paper: | 64.3% |

SUBJECT: CA 2.1 FINANCIAL REPORTING

QUESTION ONE

The general performance on this question was very good. 78 out of the 103 candidates that attempted the question achieved a pass (that is a score of at least 20 out of 40 marks), representing a pass rate on the question of 75.7%. The lowest score was 0, whilst the highest was 40 out of the available 40 marks.

The question required candidates to prepare a consolidated statement of profit or loss in Part (a) and a consolidated statement of financial position in part (b) for a group of companies including a subsidiary and an associate. Part (c) required candidates to the accruing of a provision for legal costs would affect the application of IFRS3 Fair Values to preparation of group accounts.

Most of the candidates did well on parts (a) and (b) of the question and scored marks above average. Common mistakes included using numbers of shares as values in the calculation of purchase consideration or cost of control for the investment by mean of a share exchange. Other errors were failure to prorate the results of the year for the subsidiary by 9/12, and those for the associate by 3/12. As a consequence, carrying amounts of Investment in Associate and Non-controlling Interest accounts were wrongly calculated. Majority of candidates included full amounts of unrealized profit and additional depreciation based on fair value in NCI and Investment in associate accounts, instead of the proportion in line with the shareholding.

Majority of candidates did not provide an answer to part (c) of the question, and those who did stated incorrectly the application of IAS 37, and did not mention how calculation of fair values in the context of group accounts would be done. Calculation of fair values in the context of group accounts took precedence over the accounting treatment of contingent assets and liabilities as provided for by IAS 37. Further, candidates could not tell whether an asset would be recognized or a liability as a result of the contingency for the legal costs.

QUESTION TWO

The general performance on this question was fair. 39 out of the 83 candidates that attempted the question managed to obtain at least 10 marks out of a total of 20 available marks. A pass rate of 47% was recorded. The highest score was 17 out of 20 marks while the lowest was 0.

The question was on published financial statements with eight adjustments for 20 marks. Candidates were asked to prepare a statement of profit or loss and other comprehensive income, statement of changes in equity and statement of financial position.

This was a popular question as it was attempted by 83 out of 103, representing 81% of candidates that sat for paper 2.1 in June 2021. Of those who attempted this question, 39 (47%) passed and 44 (53%) failed. The highest and lowest scores were 17 (average mark of those that passed being 12) and 0 (average mark of those that failed being 6) respectively.

The following are areas where most marks were lost by some candidates:

- i. failure to correctly account for a fully subscribed rights issue of shares made during the reporting period.
- ii. inaccurate accounting for a right-of-use asset acquired at the beginning of the accounting period on a five-year lease with installment payments in arrears. As is usual, this meant loss of marks in five sections of the financial statements, namely: two lines in the statement of profit or loss under finance cost and depreciation as well as three lines in the statement of financial position under non-current assets, non-current liabilities and current liabilities.
- iii. incorrect accounting for a transaction on environmental provision in line with IAS 17: Provisions, contingent liabilities and contingent assets.
- iv. inadequate technical knowledge of accounting for FVTPL investments, and
- v. inability to correctly account for both current and deferred tax according to IAS12: Income taxes.
- vi. not showing all necessary workings, and
- vii. Sheer lack of adequate preparation for the exam.

QUESTION THREE

The general performance on this question was good. 59 of the 94 candidates that attempted the question managed to obtain at least 10 marks out of a total of 20 available marks (representing a 62.8% pass rate). The highest score was 20 out of 20 marks while the lowest was 1.

The question asked candidates to prepare a statement of cash flows, using the indirect method. This question was well answered on the whole, with a pleasing level of knowledge being displayed regarding cash flow (IAS 7).

The main figures expected to be calculated by candidates were:

- (a) Cash paid to acquire property, plant and equipment.
- (b) Taxation paid.
- (c) Lease rentals paid.
- (d) Cash proceeds from issue of equity shares.
- (e) Profit on disposal of plant.
- (f) Dividends paid.

The following common mistakes were noted:

- i. Picking profit before tax for 2020 (K14,000,000), instead of K7,800, 000 for 2021.
- ii. Not knowing the format for the statement of cash flow. Knowing the format helps in earning free marks related to treatment of depreciation charge for the year, working capital changes, profit or loss on disposal of property, plant and equipment, proceeds from issue of shares, cash paid to acquire property, plant and equipment, tax paid and dividends paid just to mention but a few.
- iii. Adding a gain on disposal of plant K8,200,000 (K16,200,000 – 8,000,000), instead of Subtracting (reversing).
- iv. Ignoring deferred tax balances in calculating tax paid. Tax paid is computed by taking into account current and deferred tax balances, income tax expense in the profit or loss account.
- v. Not subtracting depreciation charge for the year and carrying value of plant disposed of in computing cash paid to acquire property, plant and equipment.
- vi. Showing a bonus issue and increase in warranty provisions as cash flow items under financing activities.

QUESTION FOUR

The general performance on this question was very poor. Only 3 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 6.7% was recorded. The highest score was 12 out of 20 marks while the lowest was 0.

This was a mixed-bag question with four sub questions, all on accounting treatment of transactions in line with selected accounting standards. Total marks available were 20.

This was a less popular question with only 44 of the 103, representing 44%, of candidates that sat for paper 2.1 in June 2021 attempting this question. Of those who attempted this question, 3 (7%) passed and 41 (93%) failed. The highest and lowest scores were 12 (average mark of those that passed being 11) and 0 (average mark of those that failed being 2) respectively.

In part (a) of the question, the following shortcomings which cost candidates some marks were noted:

- i. technical knowhow of accounting treatment for taxes under IAS12: Income taxes.
- ii. not backing their explanations with financial statements extracts.

Part (b) had the following common mistakes:

- i. Inaccurate computation of revaluation surpluses/losses for the stated two years.
- ii. Incorrect accounting treatment of revaluations in extract statements of profit or loss for the two years ended 31 December 2019 and 31 December 2020.

In Part (c) candidates inappropriately accounted for a right-of-use asset acquired on a five-year lease. Unlike the adjustment in Question 2 discussed above; here the question dealt with annual payments in advance and candidates were asked to compute amounts to be reported in financial statements of a vendor by first journalizing the entries and showing financial statements extracts. As advised in Question 2 above, candidates need to have good technical understanding of accounting for Leases.

Part (d) saw most candidates incorrectly account for a transaction under IAS 10: Events after reporting period.

The fact that 93% of the candidates that attempted this question failed is an indication that students' understanding of accounting standards needs to be addressed.

QUESTION FIVE

The general performance on this question was poor. Only 23 out 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 46.9% was recorded. The highest score was 20 out of 20 marks while the lowest was 0.

The question had two parts, part (a) was based on IFRS 5 Non-current assets held for sale and discontinued operations and part (b) was based on the due process.

This question was not well answered. On the theory questions, most candidates spent a lot of their time discussing issues not immediately relevant to the question: giving backgrounds, providing lengthy introductions, defining irrelevant terminology etc.

Most candidates demonstrated their lack of understanding of IFRS 5 and due process. Candidates are advised to have an understanding of each area of the syllabus **(both computation and theory)** in order to increase their chances of passing.

Weaker answers made the decision without considering the requirements, or merely listed the requirements under IFRS 5 without applying them to the scenario.

Others reached a conclusion without fully relating their decision to the standard, which limited their opportunities for scoring high marks.

Overall performance of candidates

- i. Highest mark obtained in this paper: 84%
- ii. Lowest mark obtained in this paper: 9%
- iii. Overall pass rate in this paper: 51.5%

SUBJECT: CA 2.2 – MANAGEMENT ACCOUNTING

QUESTION ONE

The general performance on the question was very poor. Only 16 candidates out of 69 that attempted it managed to obtain at least 20 out of the total available 40 marks, representing a 23.2% pass rate. The highest score out of 40 was 33 marks while the lowest was 0.

This was a compulsory question. It examined prices derived using Absorption Costing (AC) and Activity Based Costing (ABC) principles as well as budgeting objectives and functional budgets.

The budgeting part of the question was very well answered. On part (a), i.e. AC and ABC, poorer candidates added up non-financial information (such as number of set ups, labour hours) and financial information (such as machine depreciation, set up costs) and, of course, came up with nonsensical totals. Others included direct wages in the total overheads when calculating the overhead absorption rate.

In part (b), where a comparison of the AC and ABC results was required, those who could not do justice to part (a) also failed lamentably to make meaningful comments on part (b).

In part (c), the reasons for not adopting ABC are basically the disadvantages of introducing, implementing and operating the ABC system. But a lot of candidates used the results in part (b) as the reasons for not adopting ABC.

QUESTION TWO

The general performance on this question was fair. 33 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 56.9% was recorded. The highest score was 20 out of 20 marks while the lowest was 0.

This is an optional question. It was one of the popular questions with 84% attempts. Part (a) the determination of the most profitable mix of Product M, N and O was well done and the rankings were appropriate. However, only few candidates found it a problem as they failed to determine the contribution per limiting factor.

Part (b) (i) the margin of safety in units and percentage were equally well done as the question did not have ambiguity but clear.

Part (b) (ii) on break-even point was not answered well in that only few candidates got it right. Candidates labored to regurgitate the formulae. As a result the pass mark was low.

Part (c) candidates were requested to explain the accounting treatment of Normal and Abnormal losses. Most candidates instead were differentiating the Normal loss

from abnormal loss contrary the requirements of the question. Such candidates were penalized and obtained zero mark.
The highest score was 100%, lowest was zero. The general pass rate was 57%.

QUESTION THREE

The general performance on this question was very poor. Only 9 of the 51 candidates that attempted the question managed to obtain at least 10 marks out of a total of 20 available marks. A pass rate of 17.6% was recorded. The highest score was 20 out of 20 marks while the lowest was 0.

The following were the common mistakes noted:

- i. Some candidates failed to recognizing the need for opening and closing inventory figures in the preparation of the profit and loss accounts.
- ii. Few candidates were able to calculate the OAR of K75.
- iii. The marginal cost part of a) was better answered than the absorption aspect as many were not able to calculate the Over/Under values (K16,000) and apply it accordingly.
- iv. Profit reconciliation between Marginal and Absorption profits was attempted by only a few students and less than 50% of those who did got it right.

QUESTION FOUR

The general performance on this question was poor as only 22 out of the 66 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 1.

This question was testing candidates on variances and only one candidate did not attempt the question. The majority obtained average marks as they failed to calculate Material variance, Labour variance and Sales value. Variances question is always there in the exam but candidates still find it a challenge to calculate variances. Some candidates even failed to calculate a fixed production overhead which was straight forward.

QUESTION FIVE

The general performance on this question was good. 16 out of the 25 candidates that attempted the question managed to obtain at least 10 marks out of a total of 20 available marks. A pass rate of 64% was recorded. The highest score was 20 out of 20 marks while the lowest was 2.

This question was the least attempted question. It was also a well attempted question. Those who failed either did not have the knowledge or gave generic answers as opposed to referring to the scenario.

Overall performance of candidates

- i. Highest mark obtained in this paper: 77%
- ii. Lowest mark obtained in this paper: 5%
- iii. Overall pass rate in this paper: 30.4%

SUBJECT: CA 2.3- AUDITING PRINCIPLES AND PRACTICE

QUESTION ONE

The general performance on this question was good with 81 out of the 119 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 68.1%. The lowest score was 1, whilst the highest was 34 out of the available 40 marks.

Part (a)

(i) This part of the question required candidates to identify and explain 5 business risks in the audit of the financial statements of Quality Paints Manufacturing plc.

A majority of the candidates scored high marks in this question. The following observations were made for those who scored lower marks:

- Some candidates discussed the risk of material misstatement which is not a business risk.
- Some candidates did not explain the business risks in full therefore not addressing the part of the question that required explanations.
- A minority of candidates discussed internal control deficiencies in the inventory system clearly signifying their lack of understanding of business risks.

(ii) This part of the question was related to part (a) requiring candidates to explain the impact on the financial statements of the business risks identified. A majority of the candidates scored low marks in this part of the question. Many candidates focused the impact on the business of the risks identified and not the impact on the financial statements as required by the question. It should be noted that some business risks impact the financial statements particularly with regards the ability of the company to continue as a going concern and therefore the appropriateness of the use of the going concern assumption in preparing the financial statements.

Part (b)

This was a multi requirement question requiring candidates to identify and explain internal control deficiencies in the given scenario and also suggest improvements.

A majority of the candidates scored high marks in this part of the question. There were a few who scored low marks and the following were observed:

- A few candidates discussed business risks which were not the requirement of the question. Candidates are reminded to address the requirements of the question in answering examination questions.
- Some candidates ably identified and explained internal control deficiencies but did not suggest any improvements thereby losing the marks allocated to doing so. Candidates are reminded to address all parts of the questions.

Part (c)

This was largely a knowledge based question requiring candidates to suggest suitable inventory count instructions that should have been put by management of Quality Paints Manufacturing Ltd.

A majority of the candidates were able to suggest suitable stock count instructions. It was disappointing to note that a sizeable minority lost marks in this part mainly for the following reasons:

- i. Some gave less than the required six instructions resulting in the loss of marks.
- ii. Some answers show clear lack of understanding of inventory count instructions and gave answers such as there should be segregation of duties in stores without further explanation and ensuring that inventory is valued properly.

Part (d)

This part of the question required candidates to explain further audit procedures that should be performed after the inventory particularly related to the valuation of inventory. A sizeable number of candidates lost marks because they did not suggest procedures to deal with valuation of inventory and instead dealt with any assertion even those that do not have anything to do with valuation of inventory. In some cases candidates simply explained the meaning of assertions instead of suggesting audit work or procedure that should be done.

QUESTION TWO

The general performance on this question was poor. Only 24 out of the 80 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 16 out of 20 marks while the lowest was 0.

The following comments are made for the individual parts of the question:

Part (a)

- (i) This part of the question required candidates to explain the principles of accountability and stewardship using the information in the scenario. All candidates were expected to do is to explain that the one involved in the day to day running of the business is a steward acting on behalf of the one not involved in running the business. The management and the employees are stewards who should act in the best interest of the others not involved in running the business.

Whereas most candidates scored maximum marks, weak candidates explained corporate governance without explaining the two principles as per question requirement. Other candidates wrote far too much for 2

marks allocated to this part which is a clear waste of valuable examination time.

- (ii) This part of the question required candidates to explain how the independent audit will give assurance to James who is not involved in the day to day running of the business. A majority of the candidates scored well but a minority of the candidates gave general answers with some referring to shareholders in the case of a partnership. There were answers that were below expectations with possibly only one valid point. For 4 marks candidates were expected to give at least 4 valid points in order to gain maximum marks. Candidates should have discussed the value of an independent audit and the resulting opinion and the management letter detailing any internal control deficiencies that may exist.

Part (b)

This part of the question was on an important are of the syllabus that of subsequent events. To answer this question adequately candidates were expected to have good knowledge of the provisions of IAS 10 and ISA 560.

The performance in this question was generally poor with the majority of the candidates scoring less than half the available marks and the following observations were made:

- (i) This part required candidates to exhibit that they understand the objectives of the auditor with regards subsequent events in the audit of financial statements.

Candidates scored low marks with most simply explaining the meaning of subsequent events for which no marks were awarded and suggesting that the candidates do not know the provisions of ISA 560.

Two well explained valid points could have earned candidates maximum marks. Candidates should have observed that the objective is to ensure that management has correctly dealt with subsequent events in line with the provisions of IAS 10 and to respond appropriately where this is not the case.

- (ii) For 2 marks candidates were required to explain the passive and active duties of the auditor with regards subsequent events. Many candidates simply did not know what these terms mean and some associated active duty with regards adjusting events and passive duty with regards non-adjusting events.

Candidates should clearly understand the timeline between the period end and the date of signing the audit report and the period after signing the audit report. Auditors have an active duty to identify adjusting and non-adjusting events that occur between the period end and the date of signing the audit report and confirm that management has correctly

accounted for these. After the date of signing the audit report, the auditor has a passive duty and it is management to inform the auditor of any events that occur after this date which would have caused the auditor issue a different opinion.

- i. This part of the question required candidates to show understanding of the accounting and auditing subsequent events i.e. adjusting and non-adjusting events. A majority of the candidates scored poorly showing their lack of understanding of examples of adjusting and non-adjusting events which are clearly explained in IAS 10. The question required candidates to discuss the impact on the financial statements but a majority discussed the impact on the audit opinion. Use of accounting knowledge in answering this question would have helped candidates answer it well and score high marks.

QUESTION THREE

The general performance on this question was also fair. 47 out of the 107 candidates that attempted the question managed to obtain at least 10 marks out of a total of 20 available marks. A pass rate of 43.9% was recorded. The highest score was 16 out of 20 marks while the lowest was 2.

A total of 106 candidates attempted this question and this represents 89% of the candidates who sat for this paper.

The performance in this question was generally good with 47 candidates scoring above half the available marks. The average score in this question was 11 out of the available twenty marks.

The following observations were made:

Part (a)

A majority of the candidates scored high marks in this part of the question which was on audit assurance and the following were observed:

- (i) This required candidates to explain the meaning of reasonable assurance in an audit for 2 marks. A majority did this well but a small minority simply stated that this is the opinion that the auditor expresses when financial statements are free from material misstatements without explaining the meaning of reasonable assurance.
This is a high but not absolute level of assurance such as that given after an audit and there is a high amount of evidence gathered by the auditor and is given in a positive form with the auditor expressly stating whether the financial statements do or do not show a true and fair view.
- (ii) Most candidates scored more than half the available marks but there were some who gave less than the required 4 reasons. This was a knowledge

based question which candidates should have had no problems dealing with.

- (iii) This was a knowledge based question requiring candidates to explain 4 advantages of non-statutory audits. Those who explained less than the required 4 advantages got marks in proportion to the correct advantages explained.

Part (b)

A majority of the candidate scored low marks in this part of question 3 and the following were observed:

- (i) This part of the question required candidates to explain and give examples of the use of audit software and test data. Whereas a majority ably explained audit software and test data very few gave examples resulting in loss of easy marks. Candidates are reminded to address all parts of the questions. For 6 marks simply explaining the two terms did not earn maximum marks.
- (ii) This part of the question required candidates to explain the meaning of sampling and non-sampling risks in the audit of financial statements.

A majority of the candidates could not explain correctly the meaning of these terms. These risks arise from the fact that auditors do not test all the items in the populations forming the financial statements. Sampling risk is the risk that the auditor will issue an inappropriate opinion because of concluding from testing only a sample. Had they tested all the items the conclusion could have been different. Non-sampling risk on the other hand is the risk of issuing an inappropriate opinion due to other reasons other than sampling.

QUESTION FOUR

The general performance on this question was good. 72 out of the 116 candidates that attempted the question managed to obtain at least 10 marks out of a total of 20 available marks. A pass rate of 62.1% was recorded. The highest score was 19 out of 20 marks while the lowest was 2.

This was the most popular optional question with 116 candidates out of the 119 who sat for this examination attempted this question. 72 candidates scored more than half the available marks.

Part (a)

A majority of the candidates scored high marks in this part. A sizeable number did not address the second part of the question which required candidates to explain the importance of segregation of duties and so lost marks attributed to doing so.

Part (b)

This part of the question required candidates to explain the meaning of professional competence and due care and to explain its importance. The majority of candidates scored high marks but the following were observed with regards those who scored poorly:

- i. Some candidates did not address the part requiring an explanation of the importance of professional competence and due care.
- ii. Some candidates gave general answer on the importance without relating to the audit of Chipendeshi Plc.

Part (c)

This part of the question required candidates to identify and explain 4 ethical issues from a given scenario and to suggest suitable safeguards.

A majority of the candidates scored high marks the following were observed for those who scored lower marks:

- i. A few discussed business risks for which no marks were awarded.
- ii. There were some candidates who did not suggest suitable safeguards and so lost the easy marks allocated to this.
- iii. A few simply could not identify and explain 4 ethical matters as required and gave less.

QUESTION FIVE

The general performance on this question was the best in the paper. Only 3 candidates out the 45 that attempted it managed to obtain at least 10 marks out of a total of 20 available marks. A pass rate of 6.7% was recorded. The highest score was 11 out of 20 marks while the lowest was 0.

The following was observed:

Part (a)

This part of the question required candidates to explain the importance of documentation in an audit for 7 marks. This was a knowledge based question and candidates should have scored maximum marks in this part. Candidates were expected to give 7 valid points to get maximum marks. Candidates lost marks because they gave much fewer than the expected number of valid points. The importance of documentation is clearly explained in the study manual.

For 3 marks candidates were required to suggest the action the firm should take regarding management's request for audit working papers. A majority of the candidates scored poorly showing lack of knowledge of the provisions of ISA 230 in this regard.

Part (b)

The performance in this part of the question was poor resulting in most candidates scoring very low marks. This question required candidates to know fully the elements and contents of the elements of the auditor's report.

A majority of the candidates generally explained the general contents of the audit report without a critical analysis of the appropriateness of the draft report in the question and this did not earn any marks. This is an important part of the syllabus which is likely to be examined at every examination in the future and candidates are reminded to ensure that they understand this topic well.

Overall performance of candidates

- i. Highest mark obtained in this paper: 71%
- ii. Lowest mark obtained in this paper: 17%
- iii. Overall pass rate : 46.6%

SUBJECT: CA 2.4 -TAXATION

QUESTION ONE

The general performance on this question was fair. 72 out of the 130 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 55.4%. The lowest score was 1, whilst the highest was 34 out of the available 40 marks.

In part (a) candidates were required to calculate the maximum capital allowances the by the company for the tax year 2021. This part of the question was generally answered with the exception of a few candidates who faced the following challenges in computing the capital allowances:

- i. Forgetting to restrict the disposal proceeds on the sale of the first old tractor to the original cost given that it was sold for proceeds which were higher than its original cost.
- ii. Forgetting to restrict the expenditure qualifying for wear and tear allowances on the farm dwellings to K20,000. Most candidates used the actual expenditure incurred of K60,000 for each structure which was wrong.
- iii. Using the wrong rates to compute the wear and tear allowances on the farm dwellings and on the other expenditure qualifying for capital allowances.
- iv. Restricting the capital allowances on the personal to holder to the business use of each vehicle by each director, when these are claimable in full for a company.
- v. Forgetting to capitalize the costs incurred in reconditioning the second hand combine harvester, to put in a useable state when computing the capital allowances claimable on it.

Part (b) required candidates to compute the tax adjusted business profits for the company and was fairly well answered with the exception of a few candidates who failed to identify the relevant disallowed expenses to be added back in the computation of the taxable profits.

Some candidates additionally made the mistake of deducting K1000 as the allowance for employing the differently abled persons, when this amount was revised to K2,000 per such person, in the Income Tax (Amendment) Act of 2020.

Part (c) asked candidates to calculate the final income tax payable by the company and was generally poorly answered. The most common weakness demonstrated by candidates included:

- i. Using the wrong tax rates to compute the company income tax payable
- ii. Not taxing the farming profits separately at the rate of 10% and then taxing the non-farming income in form of investment income at the normal company income tax rate of 35%

- iii. Forgetting to gross up the investment income (on which withholding tax which is not final) which comprised royalties and bank interest, when including the amounts in the company income tax computation, given that the figures given in the question were net of withholding tax. Such candidates consequently also deducted the wrong amounts of the WHT as tax credits when computing the final company income tax refundable to the company.
- iv. Including dividend income in the computation, when this should be excluded given that the withholding tax is a final tax.

Part (d) which required candidates to state the due date when the company should submit the income tax return for the tax year 2021 and to state the penalty for submitting the return late was generally well answered. However, a few candidates failed to state the correct penalties for submitting the return, and in some cases gave the penalty of 1000 penalty units (K300) which apply to individuals, instead of 2000 penalty units (K600) applicable to companies. Other candidates stated that the penalty is 5% of the income tax payable which was also wrong as this is the penalty for the late payment of income tax and not for late submission of the income tax returns.

QUESTION TWO

The general performance on this question was fair. 40 out of the 77 candidates that attempted the question managed to obtain at least 10 marks out of a total of 20 available marks. A pass rate of 51.9% was recorded. The highest score was 17 out of 20 marks while the lowest was 0.

Candidates performed reasonably well on this question which examined aspects of administration of taxes and property transfer tax. 52% of the candidates who attempted the question passed and 48% failed.

Part (a) comprised three parts requiring candidates to prepare notes to be used in the training workshop explaining (i) the Role and function of the Tax Appeals Tribunal (TAT) (ii) the composition of the TAT and (iii) the differences between and the possible causes of tax avoidance and tax evasion, describing the practical consequences engaging in each practice.

In parts (a) (i) and (ii) candidates generally demonstrated a lack of knowledge of the operation of the TAT and therefore failed to provide the required explanations, with some candidates explaining the functions of Zambia Revenue Authority as opposed to those of the TAT.

In part (a)(ii) most of the candidates were able to differentiate between Tax Avoidance and Tax Evasion but failed to explain correctly the possible causes and consequences of each practice and therefore lost marks.

Part (b) required candidates to explain the Property Transfer tax implications of the transactions entered into by the tax payer during the year, and to calculate the

amount of any property transfer tax arising on each transaction. This part of the question was fairly well answered by candidates with the exception of a few candidates who made the following mistakes in answering the question:

- i. Using the wrong property transfer tax rate of 10% instead of 5%.
- ii. failure to determine the correct realized value on the disposal of the residential plot, which was the actual gross proceeds received of K400,000 ($K392,000 \times 100/98$) before deducting the agency fees, as this was higher than its open market value of K395,000.
- iii. Taking the realised value on the gift of a residential house to the daughter who qualifies as an immediate family member under PTT rules as being nil which was wrong, as the realised value for transfers to immediate family members is any actual consideration received, which was K10,000.
- iv. Treating the gift of land to a nephew as a transfer to an immediate family member, which was wrong as a nephew is not an immediate family member of the transferor under PTT rules.

QUESTION THREE

The general performance on this question was fair. Only 54 out of the 113 candidates that attempted the question managed to obtain at least 10 marks out of a total of 20 available marks. A pass rate of 47.8% was recorded. The highest score was 20 out of 20 marks while the lowest was 1.

This question covered taxation of employment and investment income for individuals. 49% of the candidates who attempted the question passed and 51% failed.

In Part (a) candidates were required to calculate the amount of withholding tax paid on each type of investment income received by the tax payer. This part of the question was generally well answered with the exception of few candidates who made the following the mistakes in answering the question:

- Calculating WHT on treasury bill at the rate of 0% instead of 15%.
- Multiplying the WHT rates by net amount figures of the investment income given in the question, resulting in the wrong amounts of WHT being computed.

The performance of candidates in part (b) which required candidates to compute the income tax payable by the tax payer was below average.

The most common weakness demonstrated by candidates who scored poor marks on this part of the question included:

- i. failing to calculate the correct basic salary and consequently also failing to calculate the correct amounts of the housing and transport allowances which were pegged at 21% and 10% of the basic salary respectively.
- ii. Treating taxable benefits such as leave pay and accrued service bonuses as exempt benefits and including exempt benefits such as repatriation pay as taxable benefits in the computation.
- iii. deducting items which are not allowable from gross emoluments such as medical expenses and NAPSA contributions in the computation of the taxable income.

QUESTION FOUR

The general performance on this question was very good. Only 81 out of the 111 candidates that attempted the question managed to obtain at least 10 marks out of a total of 20 available marks. A pass rate of 73% was recorded. The highest score was 19 out of 20 marks while the lowest was 2.

Candidates performed exceptionally well on this question which covered taxation of patronships, with 68% of the candidates passing and 32% failing.

In part (a) candidates were asked to calculate the partnership's tax adjusted business profit before division of the partnership profits between the partners. This part of the question was generally well answered and only a few candidates failed to identify the relevant expenses to disallow when computing the taxable profits.

Part (b), which required candidates to calculate the amount of business profits on which each partner would be assessed on was equally well answered as candidates managed to provide the required computations.

Candidates also managed to provide satisfactory answers for part (c) which required the computation of the final income tax payable by the partners for the tax year 2021.

QUESTION FIVE

The general performance on this question was also poor. Only 41 out of the 77 candidates that attempted the question managed to obtain at least 10 marks out of a total of 20 available marks. A pass rate of 53.2% was recorded. The highest score was 19 out of 20 marks while the lowest was 1.

This question examined taxation of mining operations and was fairly well answered. 57% of the candidates who attempted the question passed and 47% failed.

In part (a) candidates were required to calculate the tax adjusted mining profit for the mining company. The most common weakness demonstrated by candidates who scored poor marks on this part of the question included:

- i. Failing to calculate the correct amount of mineral royalty tax to disallow in the computation of the taxable profit.
- ii. Failing to identify the relevant expenditure to add back in the computation of taxable profit.

Part (b) which required candidates to calculate the income tax payable by the company was generally well answered, with the exception of a few candidates who made the mistake of taxing both the mining and non-mining income at 30% which is wrong, as only the mining profit is taxable at 30% whilst non-mining income is taxable at 35%.

Overall performance of candidates

- i. Highest mark obtained in this paper: 91%
- ii. Lowest mark obtained in this paper: 4%
- iii. Overall pass rate in this paper: 57.9%

SUBJECT: CA 2.5-FINANCIAL MANAGEMENT

QUESTION ONE

The general performance on this question was poor. Only 25 out of the 164 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 15.2%. The lowest score was 1, whilst the highest was 30 out of the available 40 marks.

Part (a) asked candidates to prepare a forecast for project one of the annual after-tax cash flows of the investment in nominal terms, and determine the present value of the new machinery and advise whether it is a worthwhile investment. Common mistakes made by students included computation of the WACC when it was already provided in the question. In addition, some candidates could not give the reason for accepting/rejecting a project. For instance, they would say accept the project because it is a worthwhile investment. Instead of saying the project should be accepted because it has a positive NPV. The question asked the candidate to advise whether the investment is worthwhile on the basis of the NPV.

Part (b) asked candidates to explain the following:

- i. Limitations of the capital asset pricing model (CAPM) and
- ii. How it can be used in calculating a project-specific discount rate, in investment appraisal.

The common mistakes made by some candidates included explaining the disadvantages of appraisal methods such as NPV and ARR. For example, some were saying it is not cash flow based method. When addressing the difficulties in finding the variables, some candidates were referring to the need to calculate the variables. The need to calculate the variables simply means the necessity which may or may not be difficult.

Some responses were too shallow and vague. They referred to gearing and ungearing the beta without providing the reasons why it is done.

Part (c) required candidates to determine the following for Project two:

- i. Which plant should be acquired if any based on ROCE.
- ii. Which plant should be selected if any based on payback period.
- iii. Discuss four (4) benefits of ROCE and payback period as investment appraisal techniques.

Surprisingly, most candidates were discounting profits of plant A and B when calculating the ROCE for the plants. Others were assuming that the Net Book Value in the ROCE formula is the cost of the plant minus disposal proceeds. Some failed to calculate the simple payback period. They failed to convert the profits to cash flows by adding back depreciation. It appeared student did not prepare for all the investment appraisal techniques which include ROCE and payback period.

Instead of writing the advantages and disadvantages of ROCE and PAYBACK some candidates were explaining the meaning or the purpose of ROCE and PAYBACK. This may not always be the same as advantages and disadvantages.

QUESTION TWO

The general performance on this question was poor. Only 42 of the 105 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 of 20 marks while the lowest was 2.

Part (a) required candidates to calculate the order size to minimize inventory costs, the number of orders placed each year, the length of the inventory cycle and the total costs of holding inventory for the year. This question was fairly attempted although some candidates were not dividing 52 weeks by the number of orders and others were dividing 52 by 400 instead of 52 weeks /20 orders to find the inventory cycle. Candidates also failed to compute the total costs as exhibited lack of knowledge of the components of the total inventory costs.

Part (b) asked candidates to evaluate whether the factoring company's offer is financially acceptable. Most candidates failed to compute the receivables correctly because they were using 52 weeks instead of 365 days which meant dividing weeks into days. Interest on advance: Calculation of this was incomplete. When calculating interest on advance some students were forgetting that only 80% would be advanced. Despite the overdraft rate not being provided in the question, full credit was given for candidates who assumed the rate.

QUESTION THREE

The general performance on this question was very poor. Only 31 of the 111 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 16 out of 20 marks while the lowest was 1.

Part (a) required candidates to explain the circumstances under which a share valuation will be necessary to be undertaken. Part (b) asked candidates to discuss whether a change in dividend policy will affect the share price of Zambeef Plc. Both questions were fairly attempted although candidates showed little knowledge of Modigliani and Miller theory. Candidates did also not come out to state that shareholders are indifferent between dividends and gains. In addition, candidates were failing to state that the value of the company is determined solely by the "earning power" of its assets and investment.

Part (c) required candidates to calculate the following current values for each K100 convertible bond:

- (i) market value;
- (ii) floor value;
- (iii) Conversion premium.

Some candidates did not use the correct conversion formula which is $PO(1+g)^nR$. The correct conversion value should have been $5x(1+.007)^{5x20}=K140.26$. In addition, candidates were getting K36.90 instead of K136.90. This is because they were not adding K100 which is the PV of the conversion value.

QUESTION FOUR

The general performance on this question was poor. Only 42 of the 121 candidates that attempted the question managed to obtain at least 10 marks out of a total of 20 available marks. A pass rate of 34.7% was recorded. The highest score was 18 out of 20 marks while the lowest was 0.

Part (a) required candidates to discuss the use of Venture capital as a source of finance for CDX Limited. Surprisingly, some candidates did not know the venture capitalist and hence failed to discuss. Part (b) asked candidates to explain four (4) factors that might influence the choice of debt finance for CDX Limited. This question was well attempted.

Part (c) asked candidates to estimate the current value of CDX Ltd shares if the required return to shareholders of quoted companies in the same industry as CDX Ltd is 20%.

Most students that attempted this question were unable to determine the expected increase in dividend each year starting from Year 1 to Year 6 and Year 7 and beyond. The percentage growth was given at 10% from Year 1 to Year 4, 15% from Year 5 to Year 6 and 11% from Year 7 onwards. Even after being given these percentages to be applied, some students used a 20% as growth rate. (Note that this percentage was actually the discount rate). So the students exhibited a failure to apply the correct percentages as required.

Most of the students who attempted Q4 avoided Q4(c) altogether. This exhibits a failure of these candidates to adequately prepare for this type of the syllabus content (Business Valuation).

QUESTION FIVE

The general performance on this question was poor. Only 42 out of the 139 candidates that attempted the question managed to obtain at least 10 marks out of a total of 20 available marks. A pass rate of 30.2% was recorded. The highest score was 14 out of 20 marks while the lowest was 0.

Part (a) required candidates to Calculate the cost of owning a tanker; Use the discounted cash flow method; Calculate the cost of leasing the tanker; use the discounted cash flow method and advise on the option to be adopted. Justify your answer.

Some candidates who attempted this question failed to correctly determine the Net Present Value (NPV) for owning the truck. Others were unable to identify what the question required of them to do first before a decision is made i.e. that it required determining the NPVs and compare. In some cases, a wrong discount factor of 10% was applied as a discount factor to discount the cash flows instead of 7%. They failed to compute a first the after tax cost of debt which was calculated as follows; $[(10\%(1-0.3) = 7\%]$.

Overall performance of candidates

- i. Highest mark obtained in this paper: 64%
- ii. Lowest mark obtained in this paper: 11%
- iii. Overall pass rate in this paper: 22%

SUBJECT: CA 3.3 -STRATEGIC BUSINESS ANALYSIS

QUESTION ONE

The general performance on this question was very poor. Only 1 out of the 142 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 0.7%. The lowest score was 2, whilst the highest was 20 out of the available 40 marks.

This question had five parts: (a),(b), (c), (d) and (e). It was a case study-based compulsory question to be attempted by all candidates; and most candidates scored very poorly. It had four (5) sub-questions with a total of up to 40 marks. Part (a) required the candidates to describe the requirements which have to be met in order to ensure the suitability of this company's strategy in its environment. Very few candidates got this answer right as most just guessed.

Part (b) asked candidates to determine the barriers to entry into this new type of agriculture and suggest how they can be lowered. Very few candidates got this answer right as they just wrote about Porter's Five forces without relating to the case.

Part (c) required candidates to categorize the risks into families using a suitable technique. Again very few candidates got this answer right as they just reproduced the TARA model without relating to the case.

Part (d) asked candidates to carry out the strategic choice for this company and advise them which fruit to concentrate upon and why. Using risk analysis, they were to show all the relevant workings and logics as required to arrive at your recommendation. Many candidates didn't even what strategic choice was all about or how to carry it out.

Part (e) required candidates to forecast the growth in earnings for the shareholders through calculations. No candidate got the full answer correct. The performance on this question was very poor as some candidates even got less than 10 out of 40 marks.

QUESTION TWO

The general performance on this question was also very poor. Only 30 out of the 108 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 16 out of 20 marks while the lowest was 0.

This question had three parts: (a), (b) and (c). This was a scenario-based question on the organizational structure of a company. It had a total of up to 20 marks. Some 109 candidates out of 144 attempted this question, hence it was very popular like a compulsory one.

Part (a) asked candidates to recommend an organizational structure that would be suitable for this organization, giving its specific requirements, advantages and demerits. Very few candidates got the correct answer – transnational structure.

Part (b) required candidates to describe the different parts of the business environment in which this company is going to operate in and what types of analyses that can be done for each. No candidate got this one right and yet it was very simple.

Part (c) asked candidates to describe how changes in the technology can affect this organization.

The overall performance on this question was very poor at 27.5 % pass rate or just about a quarter.

A lot of information was demanded of the candidates and the requests were ambiguous. The majority of the candidates did not understand the question and the concepts used, hence a large number of them performed very poorly.

QUESTION THREE

The general performance on this question was poor. Only 48 out of the 123 candidates that attempted the question managed to obtain at least 10 marks out of a total of 20 available marks. A pass rate of 39% was recorded. The highest score was 20 out of 20 marks while the lowest was 0.

This scenario based question had three parts (a), (b) and (c). Part (a) required candidates to discuss the three (3) Strategic information systems that can be adopted by an organization. Many candidates gave the correct answers to this part.

Part (b) required candidates to use the generic business strategies to show how Information systems can be used to achieve competitive advantage. Most candidates did not responded well to the question.

Part (c) asked the candidates to identify two advantages of virtual operations.

QUESTION FOUR

The general performance on this question was fair. 37 of the 70 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 52.9%. The highest candidate scored 20 out of 20 marks while the lowest scored 0.

This question was in two parts: (a) and (b). This question was on growth strategies and it was not popular since less than half of the candidates attempted it.

Part (a) required candidates to diagrammatically use the correct model to determine the growth direction for a company called PAZED. Most candidates did not understand what this was all about and those who attempted it scored very poorly.

Part (b) asked candidates to discuss four potential risks associated with implementing a product-market growth strategy. Many candidates got this answer wrong.

QUESTION FIVE

The general performance on this question was poor. Only 20 out of the 117 candidates that attempted the question managed to obtain at least 10 marks out of a total of 20 available marks. A pass rate of 17.1% 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 analyze the five (5) types of common ethical problems that you would target at the company.

Candidates faired very badly on this question and the majority of those who got the answer correct only scored around 10 out of 20 marks while there were a few who scored 20 and some even 0. The pass rate of 17% is indicative of the dismal performance on this question and the paper as a whole.

Overall performance of candidates

- i. Highest mark obtained in this paper: 70%
- ii. Lowest mark obtained in this paper: 5%
- iii. Overall pass rate in this paper: 13.3%

SUBJECT: CA 3.1 ADVANCED FINANCIAL REPORTING.

QUESTION ONE

The general performance on this question was very good. 58 of the 155 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 37.4%. The lowest score was 5, whilst the highest was 40 out of the available 40 marks.

This was a 40-mark question and tested candidates on Consolidated Statement of Financial Position of a complex group (D-shaped acquired through piece meal acquisition). This question was fairly moderate. It involved a parent (Zakeyo Plc), subsidiary (Yobe Plc) and sub-subsidiary (Mateyo Plc). The sub-subsidiary was initially an associate for one year (from 1 January 2018 to 31st December 2018).

All candidates attempted this question. It was generally well answered by candidates who had full grips of the principles of consolidation. However, a number of candidates scored poorly.

Loss of marks was mainly due to the following:

- i. Not showing all the workings. Some candidates simply showed consolidated figures for property, plant and equipment and other items of the statement of financial position without showing how they were arrived at. Marks were lost especially where their consolidated figures were incorrect.
- ii. Including subsidiary's share capital in consolidated statement of financial position. Candidates should bear in mind that only parent's share capital is part of consolidated statement of financial position.
- iii. Treating an associate (in 2018) like a subsidiary. Candidates need to know that an associate is accounted for using the equity method and not line by line consolidation which applies to subsidiaries. They should therefore learn the equity method to avoid losing marks unnecessarily.
- iv. The information for the computation of Goodwill was straight forward yet most candidates could not do it. Few students measured NCI using the fair value of the net assets at acquisition" (i.e. proportionate/partial method) despite note (1) of the question clearly stated that "it is group policy to apply the full goodwill method in respect of all its acquisition.
- v. Improper treatment of the fair value adjustments for property plant and equipment was observed in most scripts.
- vi. Most Candidates did not conduct impairment review of the investments at 31st December 2020 of Yobe Plc and Mateyo Plc as Cash Generating Units.

QUESTION TWO

The general performance on this question was very poor. Only 25 out of the 114 candidates that attempted the question managed to obtain at least 10 marks out of a total of 20 available marks. A pass rate of 21.9% was recorded. The highest score was 18 out of 20 marks while the lowest was 1.

This was a 20 marks mixed-bag question with three sub questions, all on accounting treatment of transactions in line with selected accounting standards.

This was a popular question with 114 of the 155, representing 74%, of candidates that sat for paper 3.1 in June 2021 attempting this question. Of those who attempted this question, 25 (22%) passed and 89 (78%) failed. The highest and lowest scores were 18 (average mark of those that passed being 12) and 1 (average mark of those that failed being 6) respectively.

In Part (a), the following shortcomings cost candidates some marks:

- i. Failure identify that the question requirement in part (i) was on recognition criteria for **Provisions** in accordance with IAS 37, rather than Contingent liabilities and Contingent assets as was common by most candidates who wasted valuable examination time meant for other aspects of the paper.
- ii. Inexhaustive discussion of relevant accounting standards, i.e. IAS 37, IAS 10 and IAS 8, in treatment of audit fee provision by directors of a named company in (a) (ii).

Candidates made the following errors in Part (b):

- i. lack of understanding the question on why permanent difference between accounting profits and taxable profits do not have deferred tax consequences.
- ii. Inadequate technical skills on accounting treatment for taxes under IAS12: Income taxes. It is the examiners' strong encouragement that this topic being equally taught at Advanced diploma level, exit level candidates in Advanced Financial Reporting at Advisory level should have good grounding in transactions involving IAS 12: Income taxes.

In Part (c), candidates inappropriately computed amounts for a financial instrument issued at a discount and wrongly accounted for it as a financial liability and some cases as a compound instrument instead of it as a financial asset.

QUESTION THREE

The general performance on this question was also poor. Only 33 out of the 112 candidates that attempted the question managed to obtain at least 10 marks out of a total of 20 available marks. A pass rate of 29.5% was recorded. The highest score was 19 out of 20 marks while the lowest was 1.

This 20 marks mixed-bag question also had three sub questions with a mix of topical issues and effect of transactions treatment on financial statements under International Financial Reporting Standards (IFRSs).

This was equally a popular question with 112 of the 155, representing 72%, of candidates that sat for paper 3.1 in June 2021 attempting this question. Of those who attempted this question, 33 (29%) passed and 79 (71%) failed. The highest and lowest scores were 19 (average mark of those that passed being 12) and 1 (average mark of those that failed being 6) respectively.

Common Mistakes:

Part (a) was well answered by many candidates. Those that did not do well separately described corporate social responsibility and shareholder expectations rather than discussing the difficulty in reconciling the two opposed aspirations.

Part (b) was equally well answered by many candidates while a few that attempted Question 3 and had not adequately prepared themselves on IFRS 8: Operating segments simply left-out this part unanswered.

Part (c) on treatment of two transactions with a view to improving company profits under International Financial Reporting Standards (IFRSs), had average to below average marks. Candidates who scored poorly either incorrectly commented in favour of or against the suggested treatment contrary to guidelines of International Financial Reporting Standards (IFRSs) on the two matters.

QUESTION FOUR

The general performance on this question was very 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 4.7% was recorded. The highest score was 17 out of 20 marks while the lowest was 1.

Part (a) of the question required candidates to account revenue from the construction of premises according to provisions of IFRS 15 *Revenue from contracts with Customers* and part (b) of the question required candidates to account for a capital grant and a revenue grant according to provisions of IAS 20 *Government Grants*.

Candidates were ill-prepared for this type of question. Solutions revealed surface understanding of rules in the accounting standards, and also a poor understanding of double entry as it applies to Financial Reporting. Common mistakes included the following:

Part (a) Candidates provided an explanation of the 5 Steps in revenue recognition instead of applying the steps to the scenario by calculating and stating the accounting treatment in each of the three years.

- i. Accounting treatments were stated generally, instead of separately for each year.
- ii. Failure to distinguish a debit from a credit, as amounts that should have been netted were added in most cases.
- iii. Failure to identify when an asset is created and when a liability is created. Amounts receivable were described as liabilities and deferred income was described as an asset.

Part (b) Candidates could not state options for accounting for government grants: Reducing the cost of non-current asset, or carrying the amount as a deferred income to be amortised. They could not specify the for which they were calculating amounts and stating the accounting treatment

- i. Revenue grant amounts taken to the Statement of Profit or loss were described as 'accounted for as expenses'!
- ii. Failure to distinguish a debit from a credit, as amounts that should have been netted were added in most cases.

QUESTION FIVE

The general performance on this question was very poor. 20 of the 117 candidates that attempted the question managed to obtain at least 10 marks out of a total of 20 available marks. A pass rate of 17.1% was recorded. The highest score was 19 out of 20 marks while the lowest was 1.

The question generally required candidates to assess the financial performance and financial position of the entity. Invariably all candidates calculated the regular ratios without exception and commented on them as to whether there was an increase or a decrease. Marks were allocated on the basis of general assessment of financial statements. As a result, many candidates scored above average on this question.

That said, it is worth pointing out that few candidates used the additional information on life of non-current assets which was twice as long as it should have been, resulting in understating amounts of depreciation and overstating profitability. The incorrect accounting of financial instruments (FVTPL for a listed company) whereby fair value losses were taken to Other Comprehensive Income instead of the main SPL under finance costs, resulted in understating realised losses and overstating profits. For these reasons, the calculated profitability ratios were

inaccurate and misleading. Candidates at this level must realize that they will be assessed on ability to identify problems and advise on how to deal with them, based on relevant information. Some ratios calculated would not have been relevant to the problems the organisation had. Few additional ratios would have been required but not all ratios without exception. Candidates at the Advisory Level must not expect questions like those that are appropriate at the Application Level of the Course.

Overall performance of candidates

- i. Highest mark obtained in this paper: 88%
- ii. Lowest mark obtained in this paper: 15%
- iii. Overall pass rate in this paper: 36.1%

SUBJECT: CA 3.2-ADVANCED AUDIT AND ASSURANCE

QUESTION ONE

The general performance on this question was very good. 175 out of the 230 candidates that attempted the question managed to score at least 20 out of 40 available marks. The recorded pass rate on the question was 76.1%. The lowest score was 6, whilst the highest was 39 out of the available 40 marks.

It should be noted here that candidates who score less than half the available marks in the compulsory question stand a lower chance of passing the examination. It has been observed that candidates perform better in the compulsory scenario question compared to the optional questions where candidates score less than half the available marks as will be shown in the performance analysis for the optional questions.

This question covered the key areas of the syllabus namely risk and ethics and it was very pleasing to observe the improvement in candidates answering this question and being able to correctly distinguish business risks from audit risks as well as the ability to identify and explain the ethical issues in the given scenario.

Candidates are reminded to always use the information in the scenario in answering this type of question and avoid giving general answers which earn less than the maximum marks available.

Part (a)

This part of the question required candidates to identify and explain five ethical issues in the given scenario and to suggest suitable safeguards that must be applied. A majority of the candidates ably identified the ethical matters and gave suitable safeguards and thereby scoring high marks in this part of the question.

The following were noted resulting in a minority scoring less than expected marks in this part:

- i. Some candidates identified and explained less than the required five ethical matters and lost easy marks for not giving the required number of risks.
- ii. Some candidates did not suggest suitable safeguards as required by the question and therefore lost marks allocated for doing so.
- iii. Some candidates identified the ethical matters as familiarity or self-review etc. Candidates are reminded to identify and explain the ethical issue such as retaining a 12% stake in a client company being the ethical issue and then state the fact that it gives rise to a self-interest threat.
- iv. A sizeable number of candidates did not suggest suitable safeguards that must be applied. Candidates are reminded to do so in future examinations and also that resigning from the engagement is a last resort and candidates must suggest safeguards as explained in the study materials. If auditors were to resign each time there is an ethical dilemma many would not remain in business! Others suggested decline as a suitable safeguard clearly indicating

that they do not know the meaning of declining because this can only be done before accepting the audit.

- v. There was a sizeable number of candidates who did not use the information in the scenario in answering the question. At this level of the examinations, candidates are required to show skills of using the information in the scenario failure to which they will score less marks.

Part (b)

This part of the question required candidates to identify and explain five audit risks in the audit of the financial statements in the given scenario and candidates were required to suggest suitable audit responses by the auditors to the risks identified. A majority of the candidates ably answered this part and scored more than half the available marks. It was observed though that in many instances candidates write far too much for the available marks. Candidates should use the marks on offer as a basis for deciding how much to write. 10 marks for 5 audit risks and suggested responses suggests that it is a maximum of 2 marks for correctly identifying and explaining the audit risk and writing a whole page for one risk and response is not a good examination technique because far too much time is spent for doing so.

The following additional observations were made by the marking team:

- i. Disappointingly some candidates explained ethical issues which were clearly not the requirement. Several explained audit risks but did not suggest any suitable responses by the auditors. Candidates are reminded to address all parts of the question in order to score maximum marks.
- ii. A few candidates explained business risks in this part of the question which was not correct because business risks were required in part (c) of the question. This clearly suggests that some candidates do not know the distinction between audit risk and business risk. Candidates are reminded that audit risk impact on figures contained in the financial statements and can result in the misstatement of the financial statements whereas business risks impact on management failing to meet its objectives. Important to note that some business risks impact the financial statement especially the ability of the company as a going concern and therefore the appropriateness of the financial reporting framework used.
- iii. Some candidates gave responses from the point of view of management rather than the auditor. Audit risk is the risk that the auditor may give an inappropriate audit opinion and so the response should come from the auditor.
- iv. Some candidates explained clearly what audit risk is explaining each of the three elements which was not the requirement of the question and so scored no marks for doing so.

Part (c)

This part of the question required candidates to explain four business risks. A majority of the candidates scored maximum marks and ably identified and explained business risks. The following observations were made for candidates who scored low marks:

- i. Some candidates discussed audit risks in this part stating for example that this is a new audit which is clearly an audit risk impacting on detection risk.
- ii. A few discussed ethical issues here clearly showing lack of understanding of business risks.

Part (d)

This part of the question required candidates to distinguish audit risk from risk of material misstatements. Simply the distinction is that the risk of material misstatement is the risk that the financial statements could be misstated before considering the audit whereas audit risk is the risk that the financial statements could be misstated even after the audit by external auditors.

Most candidates scored low marks than expected and the following observations were made:

- i. Some explained the three elements of audit risk in detail and did not attempt to explain risk of material misstatement.
- ii. Some candidates wrote far too much for the available marks which is clearly a waste of valuable examination time. Candidates are reminded to use the marks available as a basis to determine the length of the answers.

Part (e)

This part of the question required candidates to distinguish between using the work of internal audit and seeking direct assistance of internal audit. Many candidates scored less than half the available marks showing clearly that they do not understand the two. In the first instance of using the work of internal audit means that if in the view of the external auditors the internal audit work is effective this will impact on the work of the statutory auditor. In this case the internal auditor work under the supervision of management. In the case of seeking direct assistance, the internal auditors are supervised by the statutory auditors to perform work that would have been carried out by the statutory auditor.

The following were observed as contributing to low marks scored:

- i. Most candidates explained the work of internal audit and external audits which was not the question requirement.
- ii. Some candidates did not give examples of how work of internal audit and direct assistance could be used by the statutory auditors as required by the

question. Candidates at this level should note that all parts of the questions should be addressed otherwise they risk to lose marks attributed to doing so.

QUESTION TWO

The general performance on this question was good. 106 out of the 175 candidates that attempted the question managed to obtain at least 10 marks out of a total of 20 available marks. A pass rate of 60.6% was recorded. The highest score was 19 out of 20 marks while the lowest was 0.

Generally candidates performed well in this question with 105 candidates scoring more than 50% of the available marks. The average score in this question was 10 marks out of the maximum available 20 marks.

The following comments are made for the individual parts of the question:

Part (a)

This was a mixed question on insurance for statutory auditors and auditor liability. The performance was generally satisfactory and the following observations were made:

- (i) This was a knowledge based question requiring candidates to advise on the form of insurance that the firm should take in line with the ZiCA requirements.
A majority of the candidates showed lack of knowledge of the two types of insurance that the audit firms should take against auditor liability.
The firm should take Professional Indemnity Insurance to cover any risk of being sued for professional negligence and also Fidelity Guarantee Insurance to cover the firm from any act of dishonesty on the part of the employees of the firm.
- (ii) This part of the question required candidates to describe the chances of the institutional investor in the scenario succeeding in suing the auditors for professional negligence.
For 6 marks candidates needed to know the theory on professional judgment and the decision in the Caparo case. Four valid points including the three criteria required to succeed in suing the auditor by a third party will have earned candidates full marks. In conclusion candidates should have concluded and supported their conclusion.
Most candidates simply explained the three criteria required to succeed in suing the auditors with little to support their answers resulting in the loss of marks.

Part (b)

This was a question on quality control and candidates needed to have knowledge of the two standards on quality control. Most of the candidates scored more than half the available marks and the following were observed:

- (i) This part was a knowledge based question requiring candidates to distinguish quality control at the firm level and at the individual audit level. Most candidates showed that they had knowledge of the provisions of the ISQC 1 and ISA 220 and scored high marks.
- (ii) This part of the question required candidates to apply the theory on quality control to the given scenario and evaluate against the provisions of the standards on quality control.

Candidates ably evaluated and provided improvements that Thrift & Co Chartered Accountants needed to put in place.

QUESTION THREE

The general performance on this question was poor. Only 82 out of the 192 candidates that attempted the question managed to obtain at least 10 marks out of a total of 20 available marks. A pass rate of 42.7% was recorded. The highest score was 16 out of 20 marks while the lowest was 0.

A total of 194 candidates attempted this question and this represents 84% of the candidates who sat for this paper. This was the most attempted optional question. The question was a combination of knowledge and application of knowledge to the given scenario.

The performance in this question was below expectation with only 82 candidates scoring above half the available marks. The average score in this question was 9 out of the maximum twenty marks.

The following observations were made:

Part (a)

This question required candidates needed to know the requirements of ISA 315 and identify and explain using the information in the scenario the matters that the auditors of the financial statements of Mutti Chemicals Plc. needed to gain an understanding of as part of planning the audit. This is a Chemical company and matters such as the laws and regulations governing chemical industries should be understood and the nature of the industry. Most of the candidates did not use the information in the scenario and scored low marks and further a majority of the candidates discussed audit risks in detail which should be addressed in (b) but indeed the auditors needed to gain an understanding of the risk assessment systems of the entity as well as the risks without discussing the risks in detail which is a requirement of part (b) of the question.

Part (b)

This part of the question required candidates to describe audit risks in the audit of the financial statements of Mutti Chemicals Plc. Candidates needed to explain why they are considered audit risks in order to gain maximum marks.

Candidates lost marks because:

- i. Weak candidates explained audit risk and its components for which no marks were awarded. Candidates needed to identify audit risks in the scenario and to explain why they are considered audit risks.
- ii. Some candidates gave less than the 4 audit risks and so got marks in proportion to the risks identified and correctly explained. There was a minority of candidates who gave many more than the required number of audit risks and so wasted valuable examination time.

Part (c)

This part of the question required candidates to discuss a statement by the Senior Auditor that non-compliance with laws and regulations should only be reported to management and not to the regulatory authority.

Candidates should have immediately brought to light their knowledge of the fundamental principle of confidentiality and apply it in answering the question. There are exceptions to the principle that auditors should not disclose to third parties information that comes to them by virtue of their position.

Candidates needed to support their answer and general answers did not attract maximum marks. Most candidates did not give valid arguments to support their answers and so lost easy marks.

Part (d)

This part of the question required candidates to explain the responsibilities of the auditor and management with regards compliance with laws and regulations by Mutti Chemicals Plc. Candidates needed to know the provisions of ISA 250 *Consideration of Laws and Regulations in the Audit of Financial Statements*.

From the answers it is clear that most candidates do not know the provisions of the relevant standards. Candidates are reminded that in this examination they will be examined to show understanding of the provisions of auditing standards. Most candidates wrongly stated that management is responsible to put in place laws and regulations which must be followed by the auditor.

Laws and regulations are put in place by relevant regulatory authorities to be followed by companies subject to those laws and regulations such as Mutti Chemicals Plc. and management has the primary responsibility to ensure compliance and put in place controls to ensure compliance. ISA 250 details the objective of the auditor which basically is to obtain sufficient appropriate evidence that financial statements are not misstated due to non-compliance with laws and regulations.

QUESTION FOUR

The general performance on this question was very poor. Only 31 out of the 145 candidates that attempted the question managed to obtain at least 10 marks out of a total of 20 available marks. A pass rate of 21.4% was recorded. The highest score was 16 out of 20 marks while the lowest was 0.

Part (a)

- (i) This part of the question required candidates to explain 2 ways in which the use of CAATs could help reduce audit costs in the audit of the financial statements.

Most candidates wasted time explaining the meaning of CAATs for which marks were not awarded and this was not the requirement of the question. In answering this question correctly it shows that candidates know what CAATs are and basically it is the speed within which the audit can be carried out and the fact that the firm may need less staffing levels and hence cut down on cost.

- (ii) This part of the question required candidates to explain the meaning of big data and data analytics and to explain how the use of data analytics could reduce detection risk by the auditors.

- (iii) This was a multiple requirement question requiring candidates to explain the meaning of the two terms in the question and also to describe how detection risk could be reduced through the use of data analytics.

Through the use of data analytics auditors can test more items and possibly not use sampling and test all items in the population. The greater the sample sizes, the lower the sampling risk and ultimately detection risk because the auditors will test larger samples.

Part (b)

This was a question on audit reports and just like in previous examinations candidates scored low marks in this important topic. There are standards that guide auditors on reports and candidates are encouraged to fully understand the provisions of these standards.

The following were observed:

- i. A majority of the candidates discussed the distinction between an unmodified opinion and a modified opinion which was not a requirement of the question and no marks were awarded for doing so.
- ii. The question required candidates to discuss unmodified reports and modified reports.
- iii. Other candidates wrote far too much for 2 marks which is poor examination technique. 2 valid points could have earned maximum marks.

The standard audit report of ISA 700 is an unmodified report with the elements contained therein. You will note that the standard unmodified report does not contain an Emphasis of Matter or Other Matter paragraph. The introduction of Emphasis of Matter and Other Matter paragraphs causes the report to be a modified report. The inclusion of the two paragraphs in accordance with the provisions of ISA 706 is the cause of the report being modified not related to the opinion.

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 16 out of 20 marks while the lowest was 1.

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.

Part (a)

This part of the question required candidates to explain relevant points that should be included in a presentation to graduates of ZiCA on two issues relating to practice firms of Customer Due Diligence and Tipping off.

Candidates should have noted in answering this question that it is in relation of client money laundering activities and the auditor. The performance was below expectation largely because:

- i. Most candidates confused customer due diligence to due diligence assignments that auditors perform when there is a sale or purchase of a business and lost marks as a result. Customer due diligence is from the perspective of the auditor knowing their clients in order to avoid dealing with clients involved in money laundering.
- ii. Many candidates seemed not to know the meaning of tipping off with some suggesting that this is the provision of inside information to third parties yet it means alerting a client that there are plans that an investigation is about to be carried out on its activities by relevant authorities.

Part (b)

This part of the question required candidates to discuss the three matters in the scenario in the context of uncorrected misstatements. Candidates needed to understand that uncorrected misstatements impact on the audit opinion depending on the materiality and pervasiveness to the financial statements. The question contains enough information to enable candidates calculate materiality which they were expected to use in answering the question.

The performance in this part was poor signifying lack of knowledge of material misstatements and the related auditing standard. The following were observed:

- i. A majority discussed uncorrected misstatements from the point of view of the preparation of the financial statements not relating their answers from the point of view of the auditors and the impact on the audit report.
- ii. Many did not use the information in the scenario to calculate materiality to be used in their answers.
- iii. A sizeable number of candidates discussed the risks of not correcting the misstatements on the financial statements.

Once again candidates are reminded to go through the auditing standards relevant to this subject an answering questions.

Part (c)

This was basically a knowledge based question applied to the given scenario and candidates should have considered self-review ethical issue as well as the fact that the client company is a public listed entity and guidance provides that firm should not provide internal audit services to public listed entities.

Most of the candidates scored well in this question with a few candidates who did not attempt this part of the question.

Overall performance of candidates

- i. Highest mark obtained in this paper: 79%
- ii. Lowest mark obtained in this paper: 21%
- iii. Overall pass rate in this paper: 56.5%

SUBJECT CA 3.4 ADVANCED TAXATION

QUESTION ONE

The performance on this question was very poor. 27 out of the 78 candidates that attempted the question passed it, representing a pass rate of 34.6%. The highest score was 36 out of 40 while the lowest was 0.

Part (a) (i) required candidates to calculate the VAT position of each of the companies in the group and was poorly answered. The most common weaknesses demonstrated by candidates in answering the question included:

- i. Forgetting to charge o VAT on the intra-group sales of goods by Citrus Ltd to Orange Ltd when determining the VAT position of each company.
- ii. Not including VAT on the management fees charged by Citrus Ltd to Orange Ltd and Lemon Ltd when determining the VAT position of each company.
- iii. Failure to calculate the correct amount of the recoverable input VAT by Citrus Ltd on the overheads.
- iv. Forgetting to charge VAT on the intragroup transfer of land by Orange to Citrus Ltd when determining the VAT position of each company.
- v. Calculating VAT on the sales revenue and purchases and expenses for Lemon which was wrong. This is because Lemon Ltd only made exempt supplies and therefore could not charge output VAT nor recover input VAT on its expenditure.
- vi. Calculating VAT on the sales revenue and purchases and expenses for Guava Ltd which is resident in a foreign and therefore outside the scope of Zambian VAT.

In part (a) (ii) candidates where required to explain the property transfer tax (PTT) implications rising from the transfer of property, by the parent to the subsidiary for internal reorganization purposes. Most candidates made the mistake of calculating PTT on the transfer which was wrong, as PTT does not arise on such a transfer.

Part (b) required candidates to advise, with computations, the VAT implications arising from importation of software installation services from a foreign based member of the group. This part of the question was also poorly answered as candidates failed to explain that the transaction will fall under the scope of reverse VAT and therefore failed to calculate the amount of reverse VAT arising on the supply of the services.

In Parts (c) (i) and (ii) candidates were required to explain the taxation implications arising from parent company making a loan to its foreign subsidiary at a rate lower than the commercial rate and from exporting components to its foreign subsidiary at a transfer price equal to the full production cost. This part of the question was generally reasonably well answered by the candidates with the exception of a few candidates who failed to explain how transfer pricing rules will apply to such related party transactions.

Candidates scored poor marks on part (d) (i) which required them to explain the taxation implications arising from the disposal of a subsidiary, as they demonstrated a lack of knowledge of tax implications of a disposal of a company. Similarly, candidates performed poorly in part (d) (ii) which required the candidates to explain the taxation implications arising from the acquisition of a subsidiary.

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

- i. Forgetting to gross up the dividend income received from foreign sources before including it in the personal income tax computation.
- ii. Including dividends received from a Zambian company in the computation which was wrong as the WHT on such dividends is final.
- iii. Using the wrong tax rates in computing the income payable with some candidates using the company income tax rate of 35% instead of the personal income tax rates.
- iv. Failure to calculate the amount of double taxation relief on income received from foreign sources to be credited against the Zambian income tax liability.

QUESTION TWO

The general performance on this question was poor. 15 out 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 30.6% was recorded. The highest score was 20 out of 20 marks while the lowest was 0.

Candidates scored poor marks in part (a) which required them to explain what constitutes a loan to an effective shareholder as they demonstrated a lack of knowledge of the topic and therefore failed to provide the required explanations.

In part (b) candidates were required to advise, with appropriate computations, the taxation implications for the company of the four benefits provided by the company to its two shareholders. Most candidates demonstrated a total lack of knowledge of the tax rules that apply to loans made to effective shareholders and therefore failed to provide explanations of the tax implications arising from the provision of the benefits, which included the provision of a credit facility, an interest free loan, purchase of a home theatre system at below its market price and payment of rentals for a shareholder's private residential.

Parts (c) required candidates to explain the taxation implications of acquiring a motor car, (i) outrightly using a 26% bank loan and (ii) using an operating lease and was generally answered well. However, a few candidates demonstrated a lack knowledge of the tax implications of the two financing options and therefore failed to provide the required answers.

QUESTION THREE

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 20 out of 20 marks while the lowest was 1.

In part (a) candidates were required to advise the individual and the company of the taxation implications of acquiring a motor car personally to be used for both business and private purposes in her company.

Candidates scored poor marks on this part of the question as they failed to identify the relevant tax implications arising, which were that, the individual will claim capital allowances at a rate of 20% restricted to the business use of the car and will not claim input VAT on the cost being the final consumer, whilst there will be no tax implications for company.

Part (b) required candidates to advise on the tax implications if the motor car was acquired by the company and then provided to the individual for business and private use.

The performance of the candidates on this part of the question equally poor as they failed to identify the relevant tax implications arising which were that:

- i. the company will claim capital allowances at a rate of 20% on the car in full without any restrictions
- ii. the personal to holder motor car benefit will be assessed on the company
- iii. Input VAT on the cost of the car will not be claimable by the company as it is irrecoverable
- iv. there will be no tax implications for the individual.

In part (c) candidates were required to explain how the answer to parts (a) and (b) would be different if a motor van was acquired instead of the motor car. Most candidates scored poor marks as they failed to explain that:

- i. Capital allowances will now be claimable at a rate of 25% and not 20%
- ii. no personal to holder car benefit will be assessed on the company and
- iii. the company will now be able to recover claim input VAT on the cost.

Part (d) which required candidates to advise the tax payer on the taxation implications of investing in (i) Government of Zambia bonds and (ii) ordinary shares of companies listed on Lusaka Securities Exchange, was generally well answered, with the exception of a few candidates who failed to provide the required explanations.

QUESTION FOUR

The general performance on this question was very good. 52 out of the 72 candidates that attempted the question managed to obtain at least 10 marks out of a total of 20 available marks. A pass rate of 72.2% was recorded. The highest score was 17 out of 20 marks while the lowest was 0.

Candidates provided satisfactory answers for part (a) which required them to explain the taxation incentives available to companies engaged in mining activities.

Part (b) required candidates to explain the income tax treatment of hedging income and losses was also reasonably well answered. Only a few candidates demonstrated a lack of knowledge of the tax treatment and therefore failed provide the relevant explanations.

In part (c) candidates were required to calculate the amount of taxable business profits and the amount income tax payable by the company and was equally well answered with the exception of a few candidates who faced the following challenges in answering the question:

- i. Failure to identify the relevant adjustments to be made to the profit figure as per accounts to compute the taxable profits.
- ii. Failure to calculate the indexed loss and the amount of the indexed loss to be relieved against profits and the amount of the unrelieved loss to be carried forward to the next tax year.
- iii. Taxing both the mining and non-mining profits at the rate 30%, instead of taxing the mining profits separately at 30% and then taxing the non-mining profits at the rate of 35%.

QUESTION FIVE

The general performance on this question was very. Only 8 out of the 51 candidates that attempted the question managed to obtain at least 10 marks out of a total of 20 available marks. A pass rate of 15.7% was recorded. The highest score was 13 out of 20 marks while the lowest was 2.

In part (a) candidates were required to advise the directors of the company on the exposure to penalties and interest on late submission of returns and payment of taxes. The following are the challenges faced by the candidates:

- i. Failure to calculate the amount of provisional income tax payable for the tax year 2021 and the quarterly installment.
- ii. Failure to advise when the provisional income tax return was supposed to be submitted.
- iii. Failure to calculate the amount of penalties on late submission of provisional income tax return.

- iv. Failure to explain the date when the second installment of provisional income tax was supposed to be paid.
- v. Failure to calculate the amount of penalties arising on late payment of the second installment of the provisional income tax.
- vi. Failure to calculate the amount of penalties on the overdue tax.
- vii. Failure to advise on the amount of penalties arising on the underpayment of income tax for the tax year 2021.
- viii. Failure to calculate the penalty for underpayment of income tax for the tax year 2021.

Part (b) required candidates to evaluate the ethical and professional issues relating to the undisclosed income of the client and was reasonably well answered. However, a few candidates failed to apply the relevant ethical principles to the scenario and also failed to provide on the appropriate course(s) of action to take in the circumstances of the question.

Candidates scored poor marks in part (c) which required candidates to describe the audit procedures a tax auditor should carry out to uncover any hidden income. Candidates failed to explain the relevant procedures that the tax auditor can use to uncover the hidden income of the tax payer.

Overall performance of candidates

- i. Highest mark obtained in this paper: 84%
- ii. Lowest mark obtained in this paper: 5%
- iii. Overall pass rate in this paper: 35.9%

SUBJECT: CA 3.5 -ADVANCED MANAGEMENT ACCOUNTING

QUESTION ONE

The performance on this question was good. 18 out of the 28 candidates that attempted the question passed it, representing a pass rate of 64.3%. The highest score was 34 out of 40 while the lowest was 6.

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.

This is a compulsory question and all the candidates attempted it. The question had five parts. The general performance was good. However, some students failed to make comments on the appropriateness of the CSFs to the Mission statement of NS. Instead they went about repeating the CSFs without any attempt to relate the NS value generation. Unfortunately, this did not attract marks.

Very few students seemed to pay attention to the part of the question that required commenting on the positive and negative aspects of the current CSFs and KPIs.

QUESTION TWO

The general performance on this question was excellent. 16 out of the 19 candidates that attempted the question managed to obtain at least 10 marks out of a total of 20 available marks. A pass rate of 84.2% was recorded. The highest score was 20 out of 20 marks while the lowest was 7.

This was an optional question. It had two parts to be attempted. In Part (a) candidates were requested to discuss the appropriate approaches that Division A management could use to reconcile the different stakeholders and their views of the OLS. Candidates were advised to use the Mendelow's matrix in the evaluation in addition to any other suitable model. Candidates applied themselves fully and the pass mark was generally good. However some candidates failed to properly apply the matrix as a result scored poorly.

Part (b) requested candidates to assess the competitive position of K Plc division, (Divisions B, C, D and E), using the BCG matrix. For those who followed the requirement, it was easy sailing saves for candidates who decided to come up with different models that didn't relate well to the scenario such as 7Ss Model. Such candidates were penalized accordingly.

QUESTION THREE

The general performance on this question was good. 16 out of the 25 candidates that attempted the question managed to obtain at least 10 marks out of a total of 20 available marks. A pass rate of 64% was recorded. The highest score was 15 out of 20 marks while the lowest was 3.

This question required candidates to:

- (a) Explain two concepts of Kaizen Costing (KC) and two conditions for Total Quality Management (TQM) to be successful.
- (b) Evaluate the financial performance of the company using the NPV method; and
- (c) Explain the meaning of economy, efficiency and effectiveness for a university context giving appropriate examples in a university scenario.

This question was fairly well attempted. In part (a), KC was generally well answered. Poorer candidates only gave one KC concept. The two concepts are small incremental reductions and continuous Improvements. TQM was poorly answered. Better candidates gave only one condition. The two conditions are quality culture (Zero defects) and get-it-right-first-time.

In part (b), nearly all the candidates who attempted the question applied the inflation rates from year two instead of from year one. No major problems were encountered on the calculations suggesting that candidates have mastered this type of investment appraisal method.

In the last requirement, poor candidates could not explain the technical meaning of the 3 E's within the Value for Money framework but guessed by giving the grammatical English meanings. Most candidates could not come up with the specific examples for each of the 3 E's as required by the question.

QUESTION FOUR

The general performance on this question was good. 8 of the 13 candidates that attempted the question managed to obtain at least 10 marks out of a total of 20 available marks, resulting in a 61.5% pass rate. The highest score was 18 out of 20 marks while the lowest was 3.

This question was examining candidates on performance measurement and it had three parts (A,B& C). The majority obtained good marks. A good number of candidates had challenges in calculating basic ratios as given in the question.

Part A-Candidates who managed to calculate basic ratios of performance in A were able to comment on the performance of the company without difficulties under part B of the question.

Part C was poorly answered as only few candidates managed to answer while the rest left it blank.

QUESTION FIVE

The general performance on this question was also excellent. 17 candidates out of the 19 that attempted the question managed to obtain at least 10 marks out of a total of 20 available marks. A pass rate of 89.5% was recorded. The highest score was 18 out of 20 marks while the lowest was 8.

This question required candidates to:

- (a) Discuss to what extent LPL was successful in implementing its strategy in 2020.
- (b) Evaluate the appropriateness of the balanced scorecard developed by LPL identifying the drop in market share in 2020; and
- (c) Recommended the suitable modifications for the existing balanced scorecard.

It was one the popular optional questions. A number of the candidates who attempted it scored above average. However, a few candidates where explaining the use of the balanced score as a tool to be used for financial and non- financial performance results. Future candidates are encouraged to relate their answers to the scenario given in the particular question.

Overall performance of candidates

- i. Highest mark obtained in this paper: 75%
- ii. Lowest mark obtained in this paper: 27%
- iii. Overall pass rate in this paper: 82.1%

SUBJECT: CA 3.6- ADVANCED FINANCIAL MANAGEMENT

QUESTION ONE

The general performance on this question was poor. 9 out of the 26 candidates that attempted the question managed to score at least 20 out of 40 available marks. The recorded pass rate on the question was 34.6%. The lowest score was 6, whilst the highest was 32 out of the available 40 marks.

Part (a) (i) asked candidates to calculate the ungeared cost of capital for the project, clearly explaining any assumptions you make. Part (a) (ii) required candidates to evaluate the investment project, clearly explaining the suitability of the appraisal technique used.

Most candidates failed to appreciate the capital structure 60% equity and 40% debt as provided in the question and therefore calculated the wrong asset Beta. Failure to gross up the capital cost of K6300 for the purpose of computing finance cost and issue costs.

Part (b) (i) asked candidates to outline remedial measures that should be taken to minimize the company's foreign exchange risk. Part (b) (ii) required candidates to advise the company on the internal and external factors that will facilitate the transfer of goods and services from one member of the group to another. Part (b) (iii) asked candidates to describe the variables that would determine the value of a real option for BioPharma Ltd.

Common mistakes included:

- i. Some candidates misunderstood the question. They assumed that it was asking for various types of risks. However, it was the remedial measures for foreign exchange losses that was asked for.
- ii. This part was also misunderstood. Different responses were obtained from each candidate. For example, factors which determine the transfer price or reasons for transfer pricing. However, the question was a discussion of internal and external factors that will influence transfer pricing policies of a multinational company.
- iii. Here bullet answers were common e.g. exercise price, Time, risk free rate, standard deviation without explaining clearly each bullet point. Some explanations were vague.

QUESTION TWO

The general performance on this question was also fair. 10 out 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 55.6% was recorded. The highest score was 15 out of 20 marks while the lowest was 6.

Part (a) asked candidates to estimate the Macaulay duration of each of the two (2) bonds LWANGWA Plc is considering for investment. Part (b) required candidates to calculate the effect on the price of each of the two (2) bonds of a general rise in interest rates by 50 basis points. Calculation of yield to maturity rate for both bonds posed a challenge for majority of candidates. Cash flows should have been discounted at these two discount rates. Candidates do not know how to interpolate and others did not even know it.

Part (c) asked candidates to discuss how useful duration is as a measure of the sensitivity of a bond's price to changes in interest rates. Some candidates did not understand the concept of duration.

QUESTION THREE

The general performance on this question was excellent. 22 out of the 25 candidates that attempted the question managed to obtain at least 10 marks out of a total of 20 available marks. A pass rate of 88% was recorded. The highest score was 20 out of 20 marks while the lowest was 6.

Part (a) asked candidates to discuss the reasons small and medium-sized entities (SMEs) might experience less conflict between the objectives of shareholders and directors than large listed companies. Some candidates failed to discuss the answers in line with main causes of the agency problem such as the objectives of the shareholders largely being different, Asymmetric information and that there is a clear distinction between ownership and control, as is usually the case, the shareholders and directors are different people. In addition, some candidates did not explain how such conflict could be reduced in their response and discussion in the answer.

Part(b) required candidates to discuss the factors that JAS Co. should consider when choosing a source of debt finance and the factors that may be considered by providers of finance in deciding how much to lend to the company. Some candidates failed to clearly identify the factors to consider when choosing a source of debt finance and also the different factors to be considered by the providers of finance. They could not clearly explain these factors implying that they did not understand the requirement of the question.

Part (c) asked candidates to discuss the extent to which JAS Co. maybe exposed to Political and Economic risks. This question was well attempted.

QUESTION FOUR

The general performance on this question was very poor. Only 5 out 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 15 out of 20 marks while the lowest was 3.

Part (a) asked candidates to assess whether the acquisition will enhance the wealth of shareholders in FTG Plc. Some candidates failed to re-gear the asset beta to

compute the cost of equity and also discounting the cash flows for years 1-4 and beyond the fourth year.

Part (b) required candidates to explain the concept of Shareholder Value Analysis (SVA) and the factors that can affect the valuation. Majority of the candidates failed to explain the concept of Shareholder Value Analysis the factors affecting the valuation.

QUESTION FIVE

The general performance on this question was fair. 10 out 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 55.6% was recorded. The highest score was 14 out of 20 marks while the lowest was 4.

Part(a) required candidates to explain the Eurobond, discuss three (3) benefits for Government borrowing using Eurobond and four (4) demerits borrowing internationally, using Eurobonds in Zambia. Candidates showed lack of knowledge of Eurobond as they were indicating that it a bond only issued in Euros.

Part(b) asked candidates to distinguish between a leveraged buy-out and leveraged-recapitalization and to briefly discuss the three (3) types of corporate restructuring. Generally, candidates exhibited shallow knowledge on the concepts of leveraged buy-out and leveraged-recapitalization.

Part (c) required candidates to describe the strategies or solutions, that are generally implemented when devising a financial reconstruction scheme. Candidates fairly attempted this question although some answers were too general.

Overall performance of candidates

- i. Highest mark obtained in this paper: 67%
- ii. Lowest mark obtained in this paper: 9%
- iii. Overall pass rate in this paper: 55.6%

SUBJECT: CA 3.7-PUBLIC SECTOR AUDITS AND ASSURANCE

QUESTION ONE

The general performance on the question was excellent. 84 out of the 101 candidates attempted it managed to score at least 20 marks out of the available 40, representing a pass rate of 83.4%. The highest score was 36 marks out of 40 while the lowest was 12.

Part (a)

- (i) This part of the question required candidates to discuss good governance in relation to the management of public funds. A majority of the candidates scored high marks with a few who lost marks because they discussed corporate governance without concentrating on the use of public funds in the public sector.
- (ii) This part required candidates to discuss 4 benefits to citizens of establishing a SAI. This was well answered although weak candidates failed to give 4 benefits. A few discussed benefits to the SAI members rather than the citizens as required in the question.

Part (b)

This question required candidates to have a broad understanding of the public sector and discuss 6 possible problems if the lack of oversight in the management of public funds. The use of common sense earned candidates easy marks.

A majority of the candidates scored high marks while a few gave less than the required 6 and so lost easy marks.

Part (c)

This part of the question required candidates to show understanding of the provisions of the Lima and Mexico declarations using the information in the scenario. A majority of the candidates scored maximum marks in this part.

Part (d)

- (i) This part of the question required candidates to explain compliance auditing using information in the scenario and to suggest 2 audit procedures in a compliance audit using the information in the scenario.
Most candidates described compliance auditing using the information but failed to suggest suitable audit procedures. Most suggested audit procedures did not relate to the information in the question resulting in the loss of marks.
- (ii) This part of the question related to performance audits and particularly to deal with the three elements of economy, efficiency and effectiveness. This part was well answered but a few candidates did not relate to the water project in the scenario. Candidates are reminded of the importance of using the information in the scenario in answering examination questions.

QUESTION TWO

The general performance on the question was also excellent. 70 out of the 83 candidates attempted it managed to score at least 10 marks out of the available 20, representing a pass rate of 84.3%. The highest score was 15 marks out of 20 while the lowest was 1.

The following comments are made for the individual parts of the question:

Part (a)

This question required candidates to have full knowledge of the ISSAIs in the Financial Audits section of the syllabus. This comprises 205 of the syllabus and it is likely that standards will be examined at every examination diet.

- (i) This part of the question required candidates to explain types of representations that the public scenario auditor may obtain from client managements giving the support for their answer. Candidates needed to know the requirements of ISSAI 1580 *Written representations*. Most candidates scored well but a number explained the meaning of written representations without explaining the types of representations that should be obtained mainly regarding management's responsibilities.
- (ii) This part of the question required candidates to explain written representations required by specific standards other than ISSAI 1580. Most candidates failed and showed lack of knowledge of the requirements of ISSAIs such as 1240, 1250 and 1570 for example.

Part (b)

- (i) This was a knowledge based question on the provisions of ISSA 1240 on the topic of fraud in the Financial Audits part of the syllabus.

A majority for the candidates failed to give the responsibilities of the auditor with regards fraud signifying lack of knowledge of the provisions of the relevant standards.
- (ii) This part of the question specifically required candidates to use the information in the scenario to explain factors that are indicative of fraud having taken place. This part was generally well answered with most candidates scoring more than half the available marks.

This required candidates to identify and explain 4 fraud risk factors using information in the scenario. This was well answered except for a few candidates who scored low marks because of explaining less than the required 4 fraud risk factors.

QUESTION THREE

The general performance on the question was fair. 38 out of the 70 candidates attempted it managed to score at least 10 marks out of the available 20, representing a pass rate of 54.3%. The highest score was 16 marks out of 20 while the lowest was 4.

The following observations were made:

Part (a)

- (i) For 2 marks the question required candidates to describe the Lima Declaration guidelines regarding internal and external audits. Generally candidates scored maximum marks in answering this part.
- (ii) This required candidates to explain 5 benefits to the public sector auditor is using the work of Internal Audit in the IT audit of the Ministry of Agriculture. The majority of the candidates scored high marks save for those who could not give 5 benefits as required.

Part (b)

This required candidates to explain the audit procedures the public sector auditor should perform in planning to use the work of the Internal Audit Department of the Ministry of Agriculture.

Most candidates scored high marks in this part of the question.

Part (c)

This part required candidates to explain the importance of disaster recovery measures in IT and make a recommendation where necessary.

Most of the candidates showed lack of understanding recovery measures in the context of IT. A good number who tried to answer this part could not give any recommendations as required and so lost easy marks.

Part (d)

This part of the question required candidates to suggest suitable tests of controls for any payroll IT controls in the scenario. While the majority answered this well there were candidates who could not relate the test of controls to specific controls and so lost marks.

QUESTION FOUR

The general performance on the question was also fair. 27 out of the 54 candidates attempted it managed to score at least 10 marks out of the available 20, representing a pass rate of 50%. The highest score was 15 marks out of 20 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.

Part (a)

This was a knowledge requirement question requiring candidates to explain what is involved in the key stage of *defining the scope and objectives* in a forensic audit.

This was answered well with most of the candidates scoring more than half the available marks. 4 valid points were required to obtain maximum marks but some candidates gave less than the expected valid points resulting in the loss of marks.

Part (b)

This part required candidates to the potential use of data analytics or data mining in a forensic audit of the payroll of the Ministry of Transport. Candidates who simply explained the meaning if data mining without discussing the potential use lost marks.

Part (c)

This question had two parts to deal with namely signature forgery and tampering with the content of a document and required candidates to state 1 procedure to identify each of them.

Candidates lost marks because they did not in some cases state the procedure that should be used as per question requirement. Others simply showed lack of knowledge of signature forgery and tampering with the content of documents in relation to forensic audits.

Part (d)

This part of the question required candidates to advise on the factors that should be considered when evaluating the objectivity of the experts from the police service.

Most of the candidates did not attempt to answer this part and where they did they gave less valid points than expected for 4 marks.

QUESTION FIVE

The general performance on this question was fair. 53 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 57.6% was recorded. The highest score was 17 out of 20 marks while the lowest was 0.

The average score in this question was 10 out of the maximum 20 marks available.

Part (a)

- (i) This part of the question required candidates to explain the purpose of compliance auditing for 2 marks. A majority of the candidates answered well

and scored maximum marks. There were few candidates who explained the meaning of compliance auditing without explaining the purpose.

- (ii) This part of the question required candidates to explain the two types of assurance which may be given in a compliance audit. The performance in this part with some candidates discussing the requirements of part (b) of the question in this section.

Part (b)

This part of the question required candidates to recommend 6 audit procedures in the compliance audit of revenue collection. Most candidates scored well in this question whilst others lost marks for giving less than the required 6 procedures thereby getting marks in proportion to the number of procedures correctly explained.

General audit procedures did not attract maximum marks because candidates were expected to use the information in the scenario in designing suitable procedures.

Part (c)

This part of the question required candidates to discuss performance auditing in the context of the information in the scenario.

Candidates lost marks for discussing the three elements of performance auditing without relating to the information in the scenario.

Part (d)

This part of the question required candidates to explain 4 limitations that the public sector auditors may meet during the IT audit of the National Pension Scheme.

The performance in this part was poor with candidates failing to give the four limitations as required and with many discussing limitations from the client point of view instead of from the public sector auditor's point of view.

Overall performance of candidates

- i. Highest mark obtained in this paper: 73%
- ii. Lowest mark obtained in this paper: 27%
- iii. Overall pass rate in this paper: 85.1%

SUBJECT: CA 3.8-PUBLIC SECTOR FINANCIAL MANAGEMENT

QUESTION ONE

The general performance on the question was very poor. None of the 6 candidates that attempted it managed to score at least 20 marks out of the available 40, representing a pass rate of 0%. The highest score was 18 marks out of 40 while the lowest was 7.

The question was divided into two parts. Part (a) asked the candidates as a consultant hired by Chongwe District Council to prepare an analysis of the information which calculates financial effects of each of the high, medium and low estimates of the electricity generation capability of the windmill and use an expected value approach to advise Chongwe District Council on the financial viability of installing the windmill. Majority of the candidates lacked knowledge of expected value analysis and therefore failed to compute the financing effects based on high medium and low estimates of the electricity generation capability of the windmill using expected values.

Part (b) required candidates to discuss the differences between investment appraisal in the public sector and in the private sector. Some candidates were including features of public sector investment appraisal which are also found in private sector organizations e.g. cost of capital and issues of cost saving which are not unique to the public sector.

QUESTION TWO

The general performance on the question was excellent. All the 6 candidates that attempted it managed to score at least 10 marks out of the available 20, representing a pass rate of 100%. The highest score was 18 marks out of 20 while the lowest was 11.

The question was equally divided into two parts. Part (a) required candidates to discuss how public sector financial management differs from private sector financial management.

Part (b) required candidates to explain the key institutions responsible for public sector financial management in Zambia and provide a brief explanation of their functions. Some candidates failed to state clearly the difference between the Public Sector Financial Management and the Private Sector Financial Management. Some of the candidate's response explaining the public sector financial management was that "finance is usually from the Government which is a critical treasury system; there is usually a sale of service; there is no record of sales targets" and the private sector financial management responses included the following statements: "this is from sales and equity; The demand is from marketing and advertising; Such responses indicate to the marker that the candidate has not understood the question and was

also unprepared for this exam, further probably a lack of knowledge in terms of the clearly identifying the differences between the two as requested for by the examiners.

QUESTION THREE

The general performance on the question was excellent. All the 4 candidates that attempted it managed to score at least 10 marks out of the available 20, representing a pass rate of 100%. The highest score was 18 marks out of 20 while the lowest was 10.

The question was divided into two parts. In part (a), candidates were required to explain the five (5) step business case model and identify its key components as developed by HM Treasury in the United Kingdom and adopted by the SADC country in its capital expenditure approval process. Part (b) required candidates to explain the difference between project grants, programme and project loans as sources of foreign financing and the constraints on relying entirely on foreign borrowing as a major source of Government financing. The question was well attempted.

QUESTION FOUR

The general performance on the question was good. 2 of the 3 candidates that attempted it managed to score at least 10 marks out of the available 20, representing a pass rate of 66.7%. The highest score was 14 marks out of 20 while the lowest was 7.

The question required the candidate as a consultant of the Ministry of Finance to advise the Minister of Finance on the best practice of the financial planning process, managing commitments and how to improve use of the electronic Government system. Some candidates did not state exactly when a commitment is incurred. Some candidates did not state what causes a NO PAYMENT MADE ON APPROVED COMMITMENTS. There was also lack of good explanation on outstanding commitments and unpaid invoices and other bills. Candidates could not properly explain on payment arrears.

QUESTION FIVE

The general performance on the question was excellent. 4 of the 5 candidates that attempted it managed to score at least 10 marks out of the available 20, representing a pass rate of 80%. The highest score was 14 marks out of 20 while the lowest was 0.

The performance was very good as 4 students passed out of 5 students who attempted the question representing a pass rate of 80%.

The Question was divided into parts (a) and (b). Part (a) required candidates to advise the authorities on the purpose of code of ethics in the public sector and part (b) the elements of the code of ethics that should apply to the Treasury. The question was well attempted.

Overall performance of candidates

- i. Highest mark obtained in this paper: 60%
- ii. Lowest mark obtained in this paper: 35%
- iii. Overall pass rate in this paper: 66.7%