JUNE 2021

CHIEF EXAMINERS' REPORTS

TAXATION PROGRAMM

SUBJECT: C1 - BUSINESS MANAGEMENT

QUESTION ONE

The general performance on this question was excellent. 5 out of the 5 candidates who attempted the question achieved a pass (that is a score of at least 10 out of 20 marks), representing a pass rate on the question of 100%. The lowest score was 10, whilst the highest was 19 out of 20 marks.

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

Part (a) asked the candidates to outline four (4) advantages and four (4) disadvantages of divisional structures.
Part (b) was about explain the power of the following individual factors as determinants of personal ethical standards and how they affect managerial ethics: Family influence, Religious values, Personal standards and needs
Most candidates did very well on this question.

QUESTION TWO

The general performance on this question was good. 3 out of the 5 candidates who attempted the question achieved a pass (that is a score of at least 10 out of 20 marks), representing a pass rate on the question of 60%. The lowest score was 3, whilst the highest was 18 out of 20 marks.

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

Part (a) asked the candidates to describe five (5) stages of a product life cycle. Part (b) asked candidates to explain the four (4) types of culture as coined by Charles Handy.
Part (c) asked candidates to identify and explain the interest of two (2) internal stakeholders of a business organization

QUESTION THREE

The general performance on this question was excellent. 4 out of the 5 candidates who attempted the question achieved a pass (that is a score of at least 10 out of 20 marks), representing a pass rate on the question of 80%. The lowest score was 6, whilst the highest was 20 out of 20 marks.

This question had three parts: (a), (b) and (c).
Part (a) asked candidates to explain the importance of an organization chart and the useful information it conveys about the organization.
Part (b) asked candidates to define leadership traits.
Part (c) required candidates to explain the traits of an effective leader.
Almost all the candidates got this question right.

QUESTION FOUR

The general performance on this question was excellent. 4 out of the 5 candidates who attempted the question achieved a pass (that is a score of at least 10 out of 20 marks), representing a pass rate on the question of 80%. The lowest score was 4, whilst the highest was 18 out of 20 marks.

This question had three parts: (a), (b) and (c).
Part (a) required candidates to list and explain three (3) qualities of effective communication.
Part (b) required candidates to describe four (4) barriers to effective communication.
Part (c) asked candidates to explain three (3) specific ways of encouraging ethical behavior
in the work place.
Almost all the candidates got this question right.

QUESTION FIVE

The general performance on this question was excellent. 4 out of the 5 candidates who attempted the question achieved a pass (that is a score of at least 10 out of 20 marks), representing a pass rate on the question of 80%. The lowest score was 6, whilst the highest was 16 out of 20 marks.

This question had five parts (i) to (v).

It asked candidates to explain the following management concepts: Leadership, Marketing, Recruitment, Organization structure, Economic environment.
The majority of candidates answered this question correctly.

Overall performance of candidates

Highest mark obtained in this paper: 82 %
Lowest mark obtained in this paper: 29 %
Overall pass rate in this paper: 80%

SUBJECT: C2 - ECONOMICS & FINANCIAL MATHEMATICS

QUESTION ONE

The general performance on this question was fair. 10 out of the 19 candidates who attempted the question achieved a pass (that is a score of at least 10 out of 20 marks), representing a pass rate on the question of 52.6%. The lowest score was 0, whilst the highest was 20 out of 20 marks.

The question was divided into three (3) parts namely (a), (b) and (c) as follows:

(a) Required candidates to distinguish between fiscal policy and monetary policy. Performance was excellent, though some weak candidates confused the two. This was more evident when some tried to provide some examples of policy tools. Under fiscal policy some included interest rates, money supply, and so on.
(b) Required candidates to explain any two ways that the Zambian government can use fiscal policy to stabilize the economy. Performance was average. Common mistake was failure to identify the fact that fiscal policy tools are taxation and government spending. Some candidates provided interest rates and money supply which are not fiscal policy tools. Further, candidates were supposed to explain how taxation and government spending could be used to improve economic performance.
(c) Required candidates to explain the four canons of taxation as given by Adam Smith. Performance was excellent. As majority of the candidates obtained the full marks allocated. However, others could not provide Certainty, Convenience, Equity and Economy let alone explain them!

QUESTION TWO

The general performance on this question was good. 11 out of the 19 candidates who attempted the question achieved a pass (that is a score of at least 10 out of 20 marks), representing a pass rate on the question of 57.8%. The lowest score was 2, whilst the highest was 18 out of 20 marks.

The question was divided into two (2) parts namely (a) with (a) further divided into (i), (ii) and (iii).

(a) This was based on National Income Determination. To answer the questions correctly candidates were required to (1) identify equilibrium equation or identity, (2) substitute correctly figures into the equation and (3) solve the equation correctly. The common problem was that some candidates could not show equilibrium identity namely $AD = Y = C + I + G$ considering that this is a closed economy.
(i) Required candidates to find the equilibrium level of income. Those who could come up with the identity failed. Another common mistake was failure to substitute properly and solve the equation correctly.

(ii) Required candidates to explain how the answer in (a) would be affected by an increase in the tax rate (t) from 0.25 to 0.3. What was required was to simply use 0.3 where there was 0.25 and solve the equation. Performance was poor. Those who failed part (a) could not get this correctly. Others failed to explain the observed change as required. Yet others explained without calculating the new equilibrium level of income.

(iii) Required candidates to discuss how three (3) monetary policy interventions that the Central Bank may use to stimulate aggregate demand when there is low liquidity in the economy. In short the question was about expansionary monetary policy interventions. Performance was average. Some candidates could not identify Open Market Operations, Required Reserve Ratio and Discount Rate policies as required. Others could not relate to how these can be used to increase liquidity or money supply in the economy.

(b) Required candidates to outline any four (4) functions of the Securities and Exchange Commission in Zambia. Performance was not that good. Some candidates provided functions of the Bank of Zambia. Others presented common sense answers. Candidates are urged to study the entire syllabus to avoid such eventualities.

QUESTION THREE

The general performance on this question was very poor. 3 out of the 19 candidates who attempted the question achieved a pass (that is a score of at least 10 out of 20 marks), representing a pass rate on the question of 15.7%. The lowest score was 0, whilst the highest was 20 out of 20 marks.

This was a compulsory question and was attempted by all candidates with an average of 4 marks out of 20.

The first part required candidates to define a sinking fund. The majority of candidates failed to give a correct definition.

Part b required candidates to use given financial data to calculate the monthly payment for a given load amount. Candidates failed to solve this question correctly due to use of wrong formula.

Part c, and part d emphasized on the use of the method of compound interest to calculate the future valued. Majority of the candidates managed to solve this question correctly.

QUESTION FOUR

The general performance on this question was fair. 8 out of the 19 candidates who attempted the question achieved a pass (that is a score of at least 10 out of 20 marks), representing a pass rate on the question of 42.1%. The lowest score was 0, whilst the highest was 17 out of 20 marks.

The first question required candidates to use the method of normal distribution to find probabilities of given questions. Majority of candidates were able to use the normal z value formula but could not properly use the z-table to calculate the probabilities hence losing marks in the process

The second question involves the use of the concept of supply and demand to calculate equilibrium price and quantity of the given scenario. Most of the candidates managed to get good marks on this question as they demonstrated good knowledge in the topic.

QUESTION FIVE

The general performance on this question was very poor. 3 out of the 19 candidates who attempted the question achieved a pass (that is a score of at least 10 out of 20 marks), representing a pass rate on the question of 15.7%. The lowest score was 0, whilst the highest was 16 out of 20 marks.

All candidates attempted this question with an average performance of 5 marks out of 20 marks.

The first question required candidates to use the method of binomial distribution to solve probability questions that have been given. Up to half of candidates used the correct binomial distribution but some candidates opted to use the Poisson distribution, which did not give accurate solutions.

The second part of this question required candidates to calculate the effective interest rate. Majority of candidates failed to solve this question due to an observed use of wrong formula and general demonstration of lack of knowledge of the subject.

Overall performance of candidates

Highest mark obtained in this paper: 69 %
Lowest mark obtained in this paper: 4%
Overall pass rate in this paper: 31.6%

C3 - ACCOUNTANCY FOR TAX PRACTITIONERS

QUESTION ONE

The general performance on this question was good. 7 out of the 13 candidates who attempted the question achieved a pass (that is a score of at least 10 out of 20 marks), representing a pass rate on the question of 53.8%. The lowest score was 0, whilst the highest was 20 out of 20 marks.

Part "a" required candidates to clear the suspense account by correcting the errors that affect the double entry. This part was poorly done. Knowledge on double entry was lacking. Many candidates who attempted failed to establish the suspense figure and could not show the double entry for each error.

Part 'b' required candidates to prepare a revised trial balance. Candidates answered this part well.
Part "c" required candidates to prepare a bank reconciliation statement from the given balances.
This was well done.

QUESTION TWO

The general performance on this question was very good. 10 out of the 13 candidates who attempted the question achieved a pass (that is a score of at least 10 out of 20 marks), representing a pass rate on the question of 76.9%. The lowest score was 5, whilst the highest was 16 out of 20 marks.

All candidates attempted this question and ten (10) candidates passed representing 77% pass rate.
Part "a" required candidates to prepare a statement of Profit or Loss for the year ended 31 December 2020.
Candidates had a challenge on computing the correct figure for Administrative expenses.

Finance costs were not correctly calculated.

Part "b" required candidates to prepare a statement of financial position as at 31st December, 2020. Generally this part was well done. The only item not correctly done was the PPE where candidates failed to show the accumulated depreciation. The correct figure was K397,520 + K36,780 = K434,300. This figure should be subtracted from the cost i.e. K735,600 – K434,300.

QUESTION THREE

The general performance on this question was poor. 3 out of the 13 candidates who attempted the question achieved a pass (that is a score of at least 10 out of 20 marks), representing a pass rate on the question of 23.1%. The lowest score was 0, whilst the highest was 12 out of 20 marks.

This question required candidates to prepare a statement of cash flows for the year ended 31 December 2020. Only three (3) candidates passed representing 25% pass rate. The candidates had challenges which included the following:
(1) The format for the cash flows.
   IAS statements of cash flows gives two formats i.e. direct method and indirect method. The indirect method should be used when the examiner gives limited information. This method has three parts.
   (a) Cash flows from operating activities.
   (b) Cash flows from investing activities.
   (c) Cash flows from financing activities.
   Candidates are encouraged to leave half a page for Part "a" and a quarter page each for Parts "b" and "c"
(2) The profit before tax is the starting point. Many candidates started with profit for the period.
(3) Candidates failed to identify adjusting items.
(4) Payments to acquire PPE. Candidates are encouraged to open a PPE Account
(5) Proceeds from the sale of PPE presented a challenge. This figure is the sum of Profit on sale (K10,800) plus net book value (K6,740).

Candidates are encouraged to adequately prepare themselves including doing as many past paper questions on cash flows.

QUESTION FOUR

The general performance on this question was very good. 9 out of the 13 candidates who attempted the question achieved a pass (that is a score of at least 10 out of 20 marks), representing a pass rate on the question of 69.2%. The lowest score was 4, whilst the highest was 20 out of 20 marks.

Candidates presented good answers.

QUESTION FIVE

The general performance on this question was very poor. 1 out of the 13 candidates who attempted the question achieved a pass (that is a score of at least 10 out of 20

marks), representing a pass rate on the question of 7.6%. The lowest score was 1, whilst the highest was 12 out of 20 marks.

This question required candidates to post transactions given in the books of original entry. The books of prime entry involved VAT. Very poor answers were given. Knowledge on double entry is critical in this programme. Candidates are encouraged to make efforts towards understanding how double entry works especially when books of prime entry involves VAT.

Overall performance of candidates

Highest mark obtained in this paper: 76 %
Lowest mark obtained in this paper: 20 %
Overall pass rate in this paper: 46.2%

SUBJECT: C4 - DIRECT TAXES

QUESTION ONE

The general performance on this question was fair. 14 out of the 26 candidates who attempted the question achieved a pass (that is a score of at least 10 out of 20 marks), representing a pass rate on the question of 53.8%. The lowest score was 3, whilst the highest was 14 out of 20 marks.

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

In part (a) candidates were required to calculate the capital allowances to be claimed by Machipisa Ltd for the tax year 2021. These allowances encompassed 50% wear and tear on new manufacturing machinery, 25% on furniture, 20%on motor car , 10% initial allowance, 10% investment allowance and 5% wear and tear allowances on industrial building, 25% commercial building allowance and a balancing charge on the disposal of a lorry whose disposal proceeds were restricted to cost.

Most common mistakes made by the candidates:
Candidates failure to calculate balancing charge for the lorry.

In part (b) candidates were required to calculate the tax adjusted business profit of Machipisa Ltd for the tax year 2021 which involved adding back to the net profit all disallowable expenses and deducting all investment income and capital allowances.

Most common mistakes made by the candidates:
This question was fairly answered by most candidates

And in part (c) candidates were required to calculate the income tax payable by Machipisa Ltd for the tax year 2021 which was on business profits and royalties at 35% from which withholding tax on royalties was deducted.

Most common mistakes made by the candidates:
Most candidates had challenges with the treatment of Royalties

QUESTION TWO

The general performance on this question was excellent. 25 out of the 26 candidates who attempted the question achieved a pass (that is a score of at least 10 out of 20 marks), representing a pass rate on the question of 96.1%. The lowest score was 6, whilst the highest was 20 out of 20 marks.

This question had four parts (a), (b), (c) and (d).
In part (a) candidates were required to briefly explain to Thomas Lubilo the factors which should be considered by the tax authorities to establish whether he was an employee or a self-employed individual. Factors which would be considered by tax authorities to determine whether an individual was employed or self-employed would

include tests on type of contract, work performance, control, payment and financial risk, place of work, tools and equipment, correction of work, engagement and dismissal, insurance, and exclusivity.

Most common mistakes made by the candidates:
This question was fairly answered by most candidates

In part (b) candidates were required to explain any four (4) factors which are likely to show that Thomas Lubilo is self-employed and not an employee of Limbikani Limited which would include the fact that Thomas was not entitled to a fixed salary but was paid an agreed contract price based on the amount of work performed in a particular month, he used his own tools to perform his duties shows, he had no work with Limbikani Limited, and that Thomas Lubilo had hired his nephew to help him do his work shows that he

Most common mistakes made by the candidates:
Some candidates could not stick to the scenario when answering this part of the question to extract relevant self-employed status issues.

In part (c) candidates were required to explain whether Thomas Lubilo's nephew was to be required to pay PAYE as an employee.

And in part (d) candidates were required to explain the meaning of emoluments and office in relation to employment. In this respect emoluments are any income derived from employment such as salaries, wages, fees, bonuses, overtime pay, leave pay etc. whereas an office is a position that exists independently of the person presently occupying it. It must be capable of being declared vacant.
Most common mistakes made by the candidates:
Candidates had challenges explaining and identifying emoluments and defining an Office.

QUESTION THREE

The general performance on this question was excellent. 23 out of the 26 candidates who attempted the question achieved a pass (that is a score of at least 10 out of 20 marks), representing a pass rate on the question of 88.5%. The lowest score was 6, whilst the highest was 20 out of 20 marks.

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

In part (a) candidates were required to explain to the Manager of Auto Spares Limited whether the company will be assessed to income tax or turnover tax and compute the amount of tax payable in the tax year 2021, stating how it should be paid and state any five (5) persons who are not liable to turnover tax. In this case, Auto Spares Limited would be subjected to turnover tax in the year ended 31st December 2021 because the annual turnover was less than the K800, 000. And since the annual turnover would be earned evenly throughout the tax year, the monthly

turnover will be computed on that basis be paid on a monthly basis on the 14 day following the end of each month

Persons who would be excluded from turnover tax would include any person carrying on a business where the annual turnover is over K800,000, any individual or partnership carrying on business of public service vehicle for the carriage of persons, any partnership carrying on business irrespective of whether the annual turnover is over or not over K800,000, income of partners arising from the partnership since the partnership producing that profit is excluded from turnover tax, any person whose business earnings are subjected to withholding tax where the withholding tax is the final tax, any person running a business where the annual turnover is not over K800,000 but is voluntarily registered for VAT and any person who is involved in mining operations as provided under the Mines and Minerals Development Act.

Most common mistakes made by the candidates:
Most candidates could not compute monthly turnover tax. The majority applied the 4% rate on the annual turnover figure instead of the monthly amount.

In part (b) candidates were required to calculate the Property transfer tax payable by Lubasi Mwansa for each of the given transactions, to state any three (3) transactions which are exempt from Property Transfer Tax and to explain the tax implications of a transfer of property to member of a group of companies. It is common knowledge that in tax year 2021 PTT is not chargeable on shares in a limited company which is listed on the Lusaka Securities exchange and on sale, but is chargeable on the transfer of a house which is not made to a member of the immediate family.

Exempt transaction to PPT therefore includes transactions as a result of the sale or other disposal of any stock or share listed on the Lusaka Securities Exchange (LuSE), contribution towards the equity for a company. The Commissioner General may treat a transfer of property by a shareholder of a company incorporated under the companies Act, if such transfer is his contribution towards the equity of that company as qualifying for exemption and a transfer is not liable to PTT if it is occasioned by death of the transferor to a member of the immediate family.

In relation to group companies, where a company transfers property to another company (other than a company which is not resident in Zambia) within the same group for the purposes of internal reorganization of the group, the Commissioner General may treat such transfer as having no realized value and no PTT will be charged.
Most common mistakes made by the candidates:
Most candidates did the calculations without explaining the figures.

QUESTION FOUR

The general performance on this question was good. 16 out of the 26 candidates who attempted the question achieved a pass (that is a score of at least 10 out of 20

marks), representing a pass rate on the question of 61.5%. The lowest score was 3, whilst the highest was 20 out of 20 marks.

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

In part (a) of the question candidates were required to state any three (3) circumstances in which the Commissioner General may make an estimated assessment, explain how provisional income tax is assessed and state the due dates when it is payable and to state two (2) advantages of the provisional tax system to both the Government and tax payer.

The Commissioner General may make an estimated assessment when person has not submitted a return as required by the Act., or when the return submitted does not satisfy the Commissioner General or when the Commissioner General has reason to believe that the person is about to leave the Republic of Zambia.

The procedure in the Provisional Income Tax system is such that at the beginning of the year, a tax payer is required to make an estimate of the taxable income for the tax year and compute the estimated amount of income tax payable for that year on that taxable income and then he/she completes completes a return of provisional income. This return should be submitted to the Commissioner General not later than 31 March of the tax year to which it relates. The quarterly advance payment of income tax due and is payable on 31st March in the tax year (10 April), 30th June in the tax year (10, July), 30th September in the tax year (10 October) and 31st December in the tax year (10 January the following year).
The Provisional tax system is of advantage in that it allows inflow of revenue to the government throughout the year and that the burden on the part of the tax payer is reduced.

Most common mistakes made by the candidates:
Most candidates failed to explain provisional tax and had challenges identifying instalment dates.

And in part (b) candidates were required to state six (6) responsibilities of the Zambia Revenue Authority as enshrined in the mission statement and any four (4) powers of the Commissioner General of the Zambia Revenue Authority (ZRA). Which are those of properly assess and collect taxes and duties at the right time without causing undue burden to the public, encouraging the public to voluntarily present themselves forward and pay tax, ensure that all monies collected are properly accounted for and timely banked, properly enforce all relevant statutory provisions, give advice to Ministers on aspects of tax policy and facilitating international trade.

The powers of the Commissioner General includes those powers to request a return to be submitted at any time, request accounts and documents to be submitted for examination, examine any person for the purpose of obtaining information and search and seize money, documents and property.

Most common mistakes made by the candidates:

This question was fairly answered by most candidates.

QUESTION FIVE

The general performance on this question was fair. 14 out of the 26 candidates who attempted the question achieved a pass (that is a score of at least 10 out of 20 marks), representing a pass rate on the question of 53.8%. The lowest score was 2, whilst the highest was 20 out of 20 marks.

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

In part (a) candidates were required to calculate the Tax adjusted business profit for the tax year 2021 involving adding back disallowable expenses and appropriation of profits to the net profit and deducting capital allowances and disallowable income.

Most common mistakes made by the candidates:
A number of candidates faced some challenges in identifying the rates for capital allowance.

In part (b) candidates were required to calculate the profit to be assessed on each partner for the tax year 2021 in accordance with the partnership agreement.
Most common mistakes made by the candidates:
This question was fairly answered by most candidates.

And in part (c) candidates were required to calculate the amount of income tax payable by each partner for the tax year 2021 involving income derived from the partnership.

Most common mistakes made by the candidates:
This question was fairly answered by most candidates

Overall performance of candidates

Highest mark obtained in this paper: 91%
Lowest mark obtained in this paper: 23 %
Overall pass rate in this paper: 84.6%

SUBJECT: C5 - INDIRECT TAXES

QUESTION ONE

The general performance on this question was very excellent. 19 out of the 22 candidates who attempted the question achieved a pass (that is a score of at least 10 out of 20 marks), representing a pass rate on the question of 86.3%. The lowest score was 6, whilst the highest was 17 out of 20 marks.

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

In part (a) candidates were required to advise a company when it would have to register for Value Added Tax (VAT) using the quarterly threshold and to state the date when ZRA would be notified and to explain the reason for this date of notification. In this case registration was to be made when the quarterly threshold of K200, 000 was surpassed and notification of the same made to ZRA.

Most common mistakes made by the candidates:
Most of the candidates were unable to state when the Muzo Ltd. should have registered for VAT and when ZRA should have been notified.

In part (b) candidates were required to candidates were required to explain any three (3) merits and any two (2) demerit of VAT and the difference between standard rated supplies and zero rated supplies. The merits of VAT are that it is easy to administer since it is levied on expenditure, there is less room to evade tax because the supplier of goods and services will charge the tax on the turnover, input tax can be recovered on certain expenses is recoverable by way of credit against output tax if incurred on supplies used to make taxable suppler. And demerits of the same are that only traders that make taxable supplies can register for VAT.

Most common mistakes made by the candidates:
Most of the candidates answered this part of the question well.

And in part (c) candidates were required to explain how VAT paid to Zambia revenue Authority but not received from an insolvent customer can be claimed back as a bad debt relief and any four (4) circumstances under which a registered trader may be deregistered.

Bad debt relief can be claimed on or before 27 January 1996, the receiver or administrator has been appointed to liquidate the assets of the insolvent customer, the debt has been outstanding for 18 months or more, and the debtor has been declared insolvent by a court of law

And a trader may be deregistered if the business is sold or cease to trade

permanently, if the Zambia Revenue Authority is satisfied that the trader is no longer making taxable supplies nor intending to make taxable supplies, if there is a change in the legal status of the business of the trader, if a trader had applied for registration before commencing trading and that the trader fails to commence trading on the expected date, if a trader submits nil returns for twelve (12) consecutive standard periods and if a trader's VAT exclusive turnover of taxable supplies falls below the registration threshold.

Most common mistakes made by the candidates:
Most of the candidates were unable to explain the conditions and how the bad debt relief can be claimed.

QUESTION TWO

The general performance on this question was very excellent. 20 out of the 22 candidates who attempted the question achieved a pass (that is a score of at least 10 out of 20 marks), representing a pass rate on the question of 90.9%. The lowest score was 9, whilst the highest was 19 out of 20 marks.

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

In part (a) candidates were required to calculate the Value for Duty Purposes which would involve translating all importing costs at an exchange rate agreeable by ZRA.

Most common mistakes made by the candidates:
Most of the candidates answered this part of the question well.

In part (b) candidates were required to compute the total import taxes paid Mr. Lwando on the importation of coach which would include customs duty at 15%, excise duty at 0% and VAT at 16%.

Most common mistakes made by the candidates:
Most of the candidates answered this part of the question well.

In part (c) candidates were required to explain any four (4) conditions to be met for the customs officers to use transaction value method in valuing imported goods which would include there being no restriction to the use of the goods, no condition to deter the determination of value for duty purpose, no part of the proceeds of resale would accrue to the seller, unless included in the value and no relationship exists to influence the value.

Most common mistakes made by the candidates:
Most candidates were unable to state the conditions to be met when using transaction value method in valuing imported vehicles.

In part (d) candidates were required to explain the procedure to complete the customs clearance of a motor vehicle which is that of presentation of genuine import documents, revaluation by customs if necessary, payment of customs duty, excise duty, import VAT and processing fee and processing of the declaration form CE20 by customs.

Most common mistakes made by the candidates:
Some candidates were unable to explain the clearance procedure when importing a motor vehicle.

And in part (e) candidates were required to explain the functions of the Customs and Excise Division of Zambia Revenue Authority which are those of collection of revenue on behalf of the central government, prevention of smuggling, providing statistical data to the government on imports and exports and facilitating international trade.

Most common mistakes made by the candidates:
Writing general functions outside those of ZRA.

QUESTON THREE

The general performance on this question was very good. 16 out of the 22 candidates who attempted the question achieved a pass (that is a score of at least 10 out of 20 marks), representing a pass rate on the question of 72.7%. The lowest score was 4, whilst the highest was 20 out of 20 marks.

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

In part(a) candidates were required to explain five (5) origin conferring criteria for the goods to be accepted as originating in a member state which are those of goods wholly produced in a Member State, goods used does not exceed 60% of the total cost of all materials used in the production; or goods produced accounts for at least 35% of the ex-factory cost of the goods; or goods produced are of particular importance to the economic development of the Member State and containing not less than 25% value added and the goods satisfies the change of tariff heading resulting from their process of manufacture where some raw materials are imported.

Most common mistakes made by the candidates:
Some candidates were unable to explain all the five (5) criteria used to determine the goods as coming from originating member state instead they were merely expressing general comments.

In part (b) candidates were required to explain what is meant by overlapping membership which means belonging to more than one regional or international body.

Most common mistakes made by the candidates:

Some candidates failed to explain the different rules relating to tariffs required for countries with dual membership and also failed to state the membership SADC and COMESA .

In part (c) candidates were required to explain four (4) objectives of Preferential Trade Area (PTA) which would include promotion of cooperation and integration raising the standard of living of the people of the region, creation of a common market in order to allow the free movement of goods, capital and labour within the sub-region and contribution to the progress and development of all other African countries.

Most common mistakes made by the candidates:
Some candidates were unable to fully explain the four (4) objectives of PTA

And in part (d) candidates were required to describe the Duty Drawback System is and its purpose which is an export support program by the government that enables local manufacturers to get back any taxes incurred either directly or indirectly on any goods produced for export whose main purpose is to promote exports by avoiding double taxation.

Most common mistakes made by the candidates:
Some candidates failed to define the Duty Draw Back System and to explain the main purpose of the system.

QUESTION FOUR

The general performance on this question was very good. 17 out of the 22 candidates who attempted the question achieved a pass (that is a score of at least 10 out of 20 marks), representing a pass rate on the question of 77.2%. The lowest score was 2, whilst the highest was 20 out of 20 marks.

This question had to parts (a) and (b).

In part (a) candidates were required to explain the obligations of Pachikani Phiri as a VAT registered supplier which would include those of notifying Zambia Revenue Authority when the business starts or circumstances change, co-operate with Zambia Revenue Authority officers by providing information to them, maintain sufficient records for at least 5 years, The VAT returns should be completed accurately and honestly provide tax invoices, display the VAT registration certificate , charge VAT on taxable supplies and complete and submit returns by the due dat20e which is specified by Zambia Revenue Authority and pay promptly by due date

Most common mistakes made by the candidates:
Failed to fully explain the VAT registered supplier's obligations.

And In part (b) candidates were required to calculate the VAT payable/refund by Pachikani Phiri for the year 2021 which involved standard and zero rated sales, standard and zero rated purchases, entertainment expenses, purchase of equipment

and diesel.

Most common mistakes made by the candidates:
Failure by most candidates to correctly calculate both the INPUT and OUTPUT VAT was the cause for the loss of marks.

QUESTION FIVE

The general performance on this question was very good. 17 out of the 22 candidates who attempted the question achieved a pass (that is a score of at least 10 out of 20 marks), representing a pass rate on the question of 77.2%. The lowest score was 5, whilst the highest was 20 out of 20 marks.

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

In part (a) candidates were required to explain any four (4) strategies used by the PTA towards the attainment of their objective which would include reduction and elimination of trade barriers on selected goods,, cooperation in customs through simplification and harmonisation of customs procedures and regulations, introduction of rules of origin to determine which goods will receive preferential treatment, granting of transit rights to all transporters, clearing and payments arrangements to promote trade, cooperation to develop coordinated and complementary policies and systems in transport and communications, cooperation in the field of industrial development in order to promote self-sustained industrialization within the PTA , cooperation in the area of agricultural development so as to raise production and supply of food to coordinate the export of agricultural commodities to harmonise programmes in agricultural production, and interventions to assist the least industrialised member states.

Most common mistakes made by the candidates:
Candidates failed to fully explain the PTA strategies but merely mentioning general strategies.

In part (b) candidates were required to explain what is meant by Tax point and explain its importance for the purposes of VAT, explain how the basic tax point is determined for the supply of goods and the circumstances under which it can be changed and to explain how the tax point in the construction industry is determined in relation to VAT
The Tax point is the time when a supply is deemed to have taken place and this is important because it   helps to determine the tax period in which VAT on a supply is to be accounted for (payable/claimable) and it helps to determine the VAT rate or scheme to be applied to a particular supply in case of a change in the VAT rate or scheme.
The basic tax point is the time when goods are made available to a customer or collected by a customer and can be changed if a tax invoice is issued or payment made before the goods are made available to a customer. If the Tax invoice is issued within 14 days after the basic tax point, the tax point is same as when the invoice is issue.

The basic tax point is determined in the construction industry as when interim certificates are issued and payment on the amount involved, any part payments, including interim or advance payments made and completion of the building services and a compliance certificate issued out

Most common mistakes made by the candidates:
Candidates failed to explain when the tax point is determined in the construction sector.

And in part (c) candidates were required to explain three advantages of a cash accounting scheme which are that VAT is only paid when cash has been received from the customers, and it is easy to prepare the VAT returns as the cash book can be to do so and bad debts relief is obtained automatically.

Most common mistakes made by the candidates:
Candidates failed by merely stating the general advantages of VAT instead of the Cash accounting scheme.

Overall performance of candidates

Highest mark obtained in this paper: 94%
Lowest mark obtained in this paper: 32%
Overall pass rate in this paper: 86.4%

SUBJECT: C6 - LAW FOR TAX PRACTITIONERS

QUESTION ONE

The general performance on this question was excellent. 10 out of the 14 candidates who attempted the question achieved a pass (that is a score of at least 10 out of 20 marks), representing a pass rate on the question of 71.4%. The lowest score was 5, whilst the highest was 14 out of 20 marks.

a, b. This question had four parts. The first part and second part looked at hire purchase. Most candidates answered this question correctly. Most of them were familiar with hire purchase. They were able to bring out the correct answers as expected of them. Future Students are encouraged to study this topic in full. Students are encouraged to read and understand the topics in the manual and do a lot of revision before the examinations.

c., d. 90% of Students were able to appreciate the rights of the principle in the question. They also understood fully extra ordinary general meeting. A few failed to understand it at all and this may be attributed to selective study by students. Future candidates are implored to study the whole module.

QUESTION TWO

The general performance on this question was excellent. 11 out of the 14 candidates who attempted the question achieved a pass (that is a score of at least 10 out of 20 marks), representing a pass rate on the question of 78.5%. The lowest score was 8, whilst the highest was 17 out of 20 marks.

(a) The question focused on agent-principal relationship. Majority of candidates gave correct explanations. Students were able to appreciate the topic in full, future students are encouraged to study the topics as provided for in the manual.

(b) This question needed a student to explain the principle of *res ipsa loquitur*.

Majority of candidates gave correct explanations. Students were able to appreciate the topic in full, future students are encouraged to study the topics as provided for in the manual.

C, d…This questions dealt with sole proprietorship, instalment purchase and financial lease. Students were able to appreciate the topics in full, future students are encouraged to study the topics as provided for in the manual. At least 95 % of the students got the question correctly and gave the right answers. 5% of the candidates who failed must revise the Zica manual as it is straight forward on the subject matter.

QUESTION THREE

The general performance on this question was excellent. 14 out of the 14 candidates who attempted the question achieved a pass (that is a score of at least 10 out of 20 marks), representing a pass rate on the question of 100%. The lowest score was 10, whilst the highest was 17 out of 20 marks.

This question had three parts; however, most students did fairly well in the other two parts. From what the students presented, it was clear they were not properly prepared for this first part of the question. Students should work harder from onset in preparation for exams. It is imperative for accounting students doing a component of law to realize that law is not something they can read to prepare for an exam but something that they always have to do not just for purposes of an exam.

QUESTION FOUR

The general performance on this question was good. 9 out of the 14 candidates who attempted the question achieved a pass (that is a score of at least 10 out of 20 marks), representing a pass rate on the question of 64.2%. The lowest score was 4, whilst the highest was 15 out of 20 marks.

(a) Very few candidates were able to appreciate that the question referred to capacity. The common mistake candidates made was that they did not manage to identify the legal issues presented in the question. It is imperative that students read widely before exams and during exams students should take time to understand and appreciate what the question is about before attempting to answer. All the issues in the question are in fact in the ZICA manual and all they needed was to familiarize themselves with the manual.
(b) Very few candidates managed to give the duties of carriers. The students should read more on agency relationships for them to be able to answer the question effectively. The ZICA manual has all the information on that and all students need to do is read the manual.

QUESTION FIVE

The general performance on this question was not fair. 6 out of the 14 candidates who attempted the question achieved a pass (that is a score of at least 10 out of 20 marks), representing a pass rate on the question of 42.8%. The lowest score was 3, whilst the highest was 18 out of 20 marks.

(a) All candidates managed to define the term 'privity'
(b) Half the candidates managed to identify the exceptions to the doctrine of privity. Those who did not do well showed lack of knowledge on the topic. It is important for candidates to study all topics and know them well.
(c) At least three quarters of the candidates managed to explain the meaning of *ultra vires*. Those who did not explain it correctly showed lack of knowledge on the topic. Candidates are encouraged to study the topic very well.

Overall performance of candidates

Highest mark obtained in this paper: 78%
Lowest mark obtained in this paper: 40%
Overall pass rate in this paper: 78.6%

SUBJECT: D1 – BUSINESS INFORMATION MANAGEMENT

QUESTION ONE

The general performance on this question was fair. 3 out of the 6 candidates that attempted it managed to get at least 13 marks out of 25. The pass rate recorded was 50%. The highest mark scored was 14 out of 25 while the lowest was 3.

The question was about group decision making, distinguishing database and database management system, as well as strategies that a company can adopt before deciding how it can use its information system

The common mistakes were as follows:

a) Students answered positives of individual decision making well but others were explaining advantages of group decision making
b) Some students could not distinguish database and DBMS. They were explaining spreadsheets instead of database
c) Students could not state and explain the strategies that a company can use in its information system

QUESTION TWO

The general performance on this question was excellent. 5 out of the 6 candidates that attempted it managed to get at least 13 marks out of 25. The pass rate recorded was 83.3%. The highest mark scored was 18 out of 25 while the lowest was 12.

The question was about computer security, Data flow diagrams and questioning techniques during interviews.

The common mistakes were as follows:

a) Students answered the threats well, but the five things that could be used to implement access control were not coming out correctly
b) None of the students explained the symbols used in Data Flow Diagrams correctly.

QUESTION THREE

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

The question was about types of outsourcing, feasibility study and types of decisions made at different levels of management

The following were the common mistakes noted in this question:

a) Most students could not explaining the types of outsourcing that can be used in an organisation

b) Most students were confusing structured, semi-structured and unstructured decisions and could not explain them correctly.

QUESTION FOUR

The general performance on this question was excellent. 0 out of the 6 candidates that attempted it managed to get at least 13 marks out of 25. The pass rate recorded was 0%. The highest mark scored was 12 out of 25 while the lowest was 5.

The question was about the importance of privacy in business organisations, principles of Data Protection, HCI and collaboration/communication tools.

The following were the common mistakes noted in this question:

a) Most students could not explain the importance of privacy in business organisations
b) All students could not outline the principles of Data Protection
c) Some students were explaining benefits of having an extranet instead of an intranet
d) Some students were failing to distinguish between collaborative tools and communication tools correctly

Overall performance of candidates

Highest mark obtained in this paper: 52%
Lowest mark obtained in this paper: 36%
Overall pass rate in this paper: 66.7%

SUBJECT: D2 - FINANCIAL MANAGEMENT

QUESTION ONE

The general performance on this question was fair. 5 out of the 9 candidates that attempted it managed to get at least 13 marks out of 25. The pass rate recorded was 55.5%. The highest mark scored was 18 out of 25 while the lowest was 6.

The question asked the candidates the following:

Part (a) Calculate the Net Present Value (NPV) of each component and advise the company which component it should invest in.
Part (b) Assuming that the funds available for investment are restricted to K1.5 million, advise the company which project it should invest in. Assume that the investments are divisible and not mutually exclusive.
Part (c) Assuming there are no fund restrictions and these components are mutually exclusive, advise the company which project it should invest in.
Part (d) Explain five (5) objectives of a not-for-profit organization.

The common mistakes included the following:
Part (a)
   i.   Timing of cash flows- most candidates were including year 4 in their cash flows for NPV computations. This was wrong because the question referred to the replacement of a component at the beginning of year 4 not at the end of year 4. Beginning of a period is the same as end of the previous period as far as timing of cash flows is concerned.
   ii. Inclusion of apportioned overheads as relevant cash flows.

Part (b) and (c)

   i.   Failure to compute profitability index.
   ii. Lack of knowledge of capital rationing was exhibited by almost all the candidates.
   iii. Lack of understanding of the concept of mutually exclusive projects.

 Part (d)

   i.   Some candidates were listing different types of public services provided. But these should all be included under service provision.

QUESTION TWO

The general performance on this question was very poor. 1 out of the 8 candidates that attempted it managed to get at least 13 marks out of 25. The pass rate recorded was 12.5%. The highest mark scored was 14 out of 25 while the lowest was 2.

Part (a) asked candidates to calculate the cost of the current ordering policy and determine whether the economic order quantity would result in saving in inventory costs.

Part (b) required candidates to advise whether DFG Co. should adopt the new credit policy or not. You may assume that the volume of sales will be unaffected by the discount.

Surprisingly, candidates failed to compute correctly the EOQ using the formula provided and this resulted in the wrong number of orders, wrong holding costs and led to total cost of inventory being wrong as well as the wrong net savings cost was wrong. The calculation of receivables was wrongly done by majority of the candidates.

QUESTION THREE

The general performance on this question was very good. 6 out of the 9 candidates that attempted it managed to get at least 13 marks out of 25. The pass rate recorded was 66.6%. The highest mark scored was 22 out of 25 while the lowest was 6.

Part (a) asked candidates to explain the three (3) degrees of stock market efficiency, and how the price of Btel is expected to respond in each case. This question was well attempted.

Part (b) (i) asked candidates to explain four (4) important roles performed by a Finance Manager in order for a corporate body to achieve its objectives. Part (ii) As the Finance Manager, calculate the value of the company based on the present value of expected earnings. Part (b) (iii) asked candidates to explain three (3) problems associated with using the P/E method for valuing firms.

QUESTION FOUR

The general performance on this question was excellent. 0 out of the 9 candidates that attempted it managed to get at least 13 marks out of 25. The pass rate recorded was 0%. The highest mark scored was 10 out of 25 while the lowest was 3.

Part (a) required candidates to describe the circumstances under which a group of companies may claim exemption from preparing group financial statements, in line with IFRS 10, Consolidated Financial Statements. Part (b) asked candidates to prepare the ZCCM - IH Group's consolidated statement of financial position as at 31 December 2020.

Most of the candidates failed to calculate the Good will figure. This was because they failed to calculate the controlling interest figure at acquisition and also the failure to calculate the impairment amount for the subsidiary company.

A few candidates who attempted this part of the question completely ignored the goodwill calculation and as a result omitted this figure from the consolidated statement of affairs.

The group retained earnings i.e the reserves at reporting date of K161.8 Million were not correctly determined by some of the candidates who attempted this part of the question. These candidates failed to adjust for both post-acquisition reserves and for the impairment of goodwill attributable to the parent company.

Overall performance of candidates

Highest mark obtained in this paper: 54%
Lowest mark obtained in this paper: 20%
Overall pass rate in this paper: 55.6%

SUBJECT: D3 - BUSINESS TAXATION

QUESTION ONE

The general performance on this question was fair. 6 out of the 13 candidates that attempted it managed to get at least 13 marks out of 25. The pass rate recorded was 46.1%. The highest mark scored was 17 out of 25 while the lowest was 4.

This question had three parts (a) and (b).

In part (a) candidates were required to explain the meanings of 'nominee of an effective shareholder' and 'loan to an effective shareholder' in the context of company income tax. A nominee is either the spouse of the individual or the child of the individual or person who holds shares in a company directly or indirectly on behalf of the individual or a person who can be required to exercise, or a person who can require the exercise of voting powers in the affairs of a company in accordance with directions of the individual.

And a loan to an effective shareholder is the amount of money advanced or the extent of credit facilities provided or the difference between the cost of providing any benefit or advantage and the amount paid for such benefit or advantage when provided, whether such benefit is convertible into cash or not, or the difference between the open market value, as determined by the Commissioner General, of an asset transferred and the amount paid for that asset at the date of transfer, as the case may be, if an asset is transferred to an effective shareholder.

Most common mistakes made by the candidates:
Some candidates showed lack of knowledge on the meaning of effective shareholder and a loan to an effective shareholder

And in part (b) candidates were required to calculate the tax adjusted mining profit for MCM Plc for the tax year 2021 which involved adding back   non   allowable expenses and taxable car benefit and deducting non allowable income and capital allowances.
Most common mistakes made by the candidates:
Some candidates could not use correct rates when computing capital allowances.

QUESTION TWO

The general performance on this question was very poor. 1 out of the 8 candidates that attempted it managed to get at least 13 marks out of 25. The pass rate recorded was 12.5%. The highest mark scored was 20 out of 25 while the lowest was 9.

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

In part (a) candidates were required to calculate the total amount of import taxes paid by Masauso on the importation of a Toyota Camry Car and a Mitsubishi Canter Truck which involved calculating the value for duty purposes and the relevant duties and VAT

Most common mistakes made by the candidates:
This question was fairly answered.

In part (b) candidates were required to calculate the amount of tax adjusted business profits for the year ended 31 December 2021 which involved adding back non allowable expenses and deduction investment income and capital allowances which were to be separately calculated.

Most common mistakes made by the candidates:
This question was well attempted except that a few students had challenges in computing capital allowances.

And in part (c) candidates were required to calculate the amount of income tax payable by Masauso for the tax year 2021 which involved combining adjusted business profit to gross royalties and then computing the tax in accordance with the tax tables.

Most common mistakes made by the candidates:
Some candidates had problems with how to treat royalties which required to be grossed up.

QUESTION THREE

The general performance on this question was poor. 6 out of the 9 candidates that attempted it managed to get at least 13 marks out of 25. The pass rate recorded was 66.6%. The highest mark scored was 18 out of 25 while the lowest was 2.

This question had three parts (a) and (b).

In part (a) candidates were required to advise the directors of GSL Manufacturing Plc, using appropriate supporting calculations, of the income tax and value added tax implications of each of the given options of the issue of bonds, hire purchase, operarting and finance leases.

Most common mistakes made by the candidates:

Most candidates failed to appropriately calculate and explain income tax and Value added tax implications of the alternatives financing options which were given.

And in part (b) candidates were required to calculate the company income tax payable by RSB Bank Plc for the tax year 2021 which involved calculation of taxable income after adding back to the income before taxes non allowable expenses and deducting non allowable income items and capital allowances.

Most common mistakes made by the candidates:
This question was well attempted except that some students could not use correct capital allowance rates.

QUESTION FOUR

The general performance on this question was fair. 0 out of the 9 candidates that attempted it managed to get at least 13 marks out of 25. The pass rate recorded was 0%. The highest mark scored was 16 out of 25 while the lowest was 10.

This question had five parts (a), (b), (c), (d) and (e).

In part (a) candidates were required to compute the taxable profit from farming operations after capital allowances for the tax year 2021.

Most common mistakes made by the candidates:
Some candidates could not use correct capital allowance rates.

In part (b) candidates were required to explain the circumstances under which income from farming may be averaged which is when income in two consecutive tax years is such that one year's income is substantially greater than the income of the other year or when one year has a loss while the other has a profit.

Most common mistakes made by the candidates:
This part of the question was well attempted by most of the candidates.

In part (c) candidates were required to state, with explanations, the date by which the irrevocable election to average farming income can be made in the circumstances of Mushili Plc. which was not later than 31 December 2022, being the tax year following the tax year 2021.

Most common mistakes made by the candidates:

Some candidates were unable to state when Mushili Plc should make the irrevocable election to average the income

In part (d) candidates were required to compute the final taxable farming profits for each of the tax years 2020 and 2021 and to prepare a computation of the final amount of the total company income tax payable by Mushili Plc for the tax year 2021 which was after averaging profits of 2020 and those of 2021.

Most common mistakes made by the candidates:
Most candidates were failed to compute the final taxable profits and the company income tax payable by Mushili Plc for the tax year 2021 because of not following the normal computation procedure.

And in part (e) candidates were required to discuss five economic benefits to Zambia of being part of the COMESA and SADC regional trade groupings which includes those of providing the country with a more secure access to major export , helping in reducing threats of trade and investment diversion, attracting foreign direct investment, adding credibility, promoting institutional modernizations and broadening of cooperation between Zambia and other countries of differing industrial capacities.

Most common mistakes made by the candidates:
Some of the candidates could not fully explain economic benefits of being part of COMESA and SADC region trade groupings.

Overall performance of candidates

Highest mark obtained in this paper: 61%
Lowest mark obtained in this paper: 30%
Overall pass rate in this paper: 53.8%

SUBEJCT: D4 - PERSONAL TAXATION

QUESTION ONE

The general performance on this question was fair. 5 out of the 9 candidates that attempted it managed to get at least 13 marks out of 25. The pass rate recorded was 55.5%. The highest mark scored was 21 out of 25 while the lowest was 10.

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

In part (a) candidates were required calculate the income tax payable by Frank and Grace for the tax year 2021 in a case where Grace was engaged in the business as a partner. The calculation involved computation of partnership profits after allowing for capital allowances and then appropriating the profits to the partners in accordance with their partnership agreement.

Most common mistakes made by the candidates:
Some candidates failed to apportion the business percentage when computing capital allowances.

In part (b) candidates were required to calculate the income tax payable by Frank and Grace for the tax year 2021 and the income tax payable by FG Limited for the tax year 2021 assuming that the business was incorporated, and Grace was engaged as a shareholder.
Most common mistakes made by the candidates:
Most candidates failed to apportion the salary as income for partnership on a time basis.

And in part (c) candidates were required to advise Frank and Grace whether the business was run as a partnership or as a limited company.

Most common mistakes made by the candidates
Candidates were unable to come up with income generated by FG Limited and partnership
profits.

QUESTION TWO

The general performance on this question was excellent. 9 out of the 9 candidates that attempted it managed to get at least 13 marks out of 25. The pass rate recorded was 100%. The highest mark scored was 23 out of 25 while the lowest was 13.

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

In part (a) candidates were required discuss the criteria the Zambia Revenue Authority was to use to establish whether John Ncube was to be taken as an employee or an independent self-employed contractor in relation to the agreement he entered into with AHI Ltd, on 1 May 2021, and indicating factors supporting these possibilities.

Most common mistakes made by the candidates
The question was fairly answered

And in part (b) candidates were required to compute his final taxable business profit from his business in the tax year 2021 and to calculate his total final income tax payable for the tax year 2021 assuming that John Ncube was held to be self-employed.

Most common mistakes made by the candidates:
Candidates had challenges in time apportionment for the partnership

QUESTION THREE

The general performance on this question was poor. 3 out of the 9 candidates that attempted it managed to get at least 13 marks out of 25. The pass rate recorded was 33.3%. The highest mark scored was 15 out of 25 while the lowest was 5.

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

In part (a) candidates were required to explain the meaning of domicile and to describe how the domicile of an individual would be determined. Domicile refers to an individual's permanent home and there are two types of domicile, that of domicile of original and that of domicile of choice.

Most common mistakes made by the candidates
The question was fairly answered

In part (b) candidates were required to candidates were required to advise Jones as to his domicile status as well as the domicile status of each of the members of his family in a given case study. And as such, Jones and Mary Mulenga were domiciled in Zambia by birth

Most common mistakes made by the candidates
The question was fairly answered

And in part (c) candidates were required to calculate the income tax payable by Jones for the tax year 2021 from employment and investment income from local and foreign sources.

Most common mistakes made by the candidates:
Candidates had challenges computing double taxation relief.

QUESTION FOUR

The general performance on this question was very good. 6 out of the 9 candidates that attempted it managed to get at least 13 marks out of 25. The pass rate recorded was 66.6%. The highest mark scored was 22 out of 25 while the lowest was 6.

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

In part (a) candidates were required to explain the procedure to be followed to have the employee share option scheme approved by the Commissioner General and to explain six (6) conditions to be met for the share option scheme to be approved by the Commissioner General. And also to explain the tax benefits to the employer of administering an approved employee share option scheme.

Most common mistakes made by the candidates:
Some candidates couldn't fully explain share option procedures.

In part (b) candidates were required to advise a Zambian resident individual of the nature and tax implications of each of Whole of life assurance, Term life assurance, Critical illness insurance and permanent health care insurance financial products. In a whole life policy a lump sum payment is made on the death of the life/lives assured to the grantee, in a term life assurance a lump sum is paid when the life of the assured dies, in a critical illness insurance a lump sum is paid on the diagnosis of a threatening illness and in a permanent health care insurance provides income replacement, payable in the event of the inability to perform own or suited or any occupation or activities of daily living following the expiration or a predetermined deferral period due to illness or disability.

Most common mistakes made by the candidates
Most candidates showed lack of knowledge on the financial products and couldn't give give examples

And in part (c) candidates were required to Explain any five (5) persons who are not required to pay turnover tax which includes any person whose annual turnover from business is more than K800,000, any person whose annual turnover is less than K800,000 but has voluntarily registered for VAT, any partnership business regardless of whether the annual turnover is more than K800,000, any person whose income constitutes income from partnership, any person carrying on mining operations in

Zambia regardless of the level of the turnover and any person whose business is public transportation of persons for a reward.

Most common mistakes made by the candidates:
Some candidates couldn't fully explain some persons who are not required to pay turnover tax

Overall performance of candidates

Highest mark obtained in this paper: 71%
Lowest mark obtained in this paper: 42%
Overall pass rate in this paper: 77.8%

SUBJECT: D5 - INTERNATIONAL TAXATION

QUESTION ONE

The general performance on this question was poor. 3 out of the 9 candidates that attempted it managed to get at least 13 marks out of 25. The pass rate recorded was 33.3%. The highest mark scored was 18 out of 25 while the lowest was 5.

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

In part (a) candidates were required to explain what is meant by international trade and give its four (4) advantages and the theory of Comparative advantage and its significance in relation to International trade.

International trade is the purchase of, sale or exchange of goods and services across national borders whose advantages includes of countries that have a surplus of resources to their needs can take advantage to export them, increase in competition amongst suppliers in the world's markets, creation of larger markets for a firm's output and development of political links between countries.

Theory of Comparative Advantage says that is that one country may not be able to produce the good more efficiently than any other country but can provide the good more efficiently than any other good within its own country.

The significance of the law of comparative advantage is that countries can specialize in what they produce and allows International trade is allowed to take place.

Most common mistakes made by the candidates:
Some candidates were unable to define international trade and comparative advantage.
And in part (b) candidates were required to explain six (6) types of counter trade as a means of exchanging goods or services which are paid for, in whole or in part, with other goods or services, rather than with money. These would include counter purchase, barter, offset, switch trading, buyback (Compensation deals) and evidence accounts

Benefits of counter trade are that it facilitates conversion of foreign currency, which is a prime consideration for cash-strapped nations and increases employment.

However counter trade requires complex negotiations and the value proposition of the goods may be uncertain.

Most common mistakes made by the candidates:

Some candidates were unable to fully explain the different types of counter trade arrangements and its benefits.

QUESTION TWO

The general performance on this question was fair. 4 out of the 9 candidates that attempted it managed to get at least 13 marks out of 25. The pass rate recorded was 44.4%. The highest mark scored was 16 out of 25 while the lowest was 4.

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

In part (a) candidates were required to explain the meaning of Border Tax Adjustments (BTAs) and its limitations and also to explain the principles of international origin and destination for indirect taxation.

Border Tax Adjustments (BTAs) are any fiscal measures that put into effect the destination principle in whole or in part. In that certain countries apply a tax to imports after the goods have crossed the border and have been sold to other merchants or consumers.

Origin principle states that internationally traded commodities are taxed at the rates prevailing in the country where goods are produced, and this is the country receiving the tax revenue whereas the destination principle states that internationally traded commodities are taxed at the rates prevailing in the country where final consumption takes place.

Most common mistakes made by the candidates:
A good number of candidates were unable to explain the meaning of Boarder Tax Adjustments and its limitations. Some candidates were unable to explain the international origin and definition principles for indirect taxation.

And in part (b) candidates were required to explain the main motives behind the practice of transfer pricing by multinational companies which are those of allocating profits to different parts of the group in a manner that is tax efficient, protecting government's taxing rights and tax revenues.

Most common mistakes made by the candidates:
Some candidates were unable to explain the main motive of transfer pricing by Multinational companies. On part (ii) a number of candidates failed to explain transfer pricing rules and regulations. In part (iii) some candidates were unable explain the measures to counter the negative effects of transfer pricing on tax revenue.

QUESTION THREE

The general performance on this question was excellent. 9 out of the 9 candidates that attempted it managed to get at least 13 marks out of 25. The pass rate recorded was 100%. The highest mark scored was 23 out of 25 while the lowest was 16.

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

In part (a) candidates were required to explain what is meant by Double Taxation Relief and to describe three (3) methods of giving double taxation relief to Zambian residents receiving income from foreign sources and to explain seven (7) roles and one (1) problem of Double Taxation Treaties.

Double Taxation Relief (DTR) is a relief that is given to eliminate the effects of double taxation in a case where income being charged to tax in a country has already been charged to tax in another country.

The three (3) methods of giving DTR to Zambian residents receiving income from foreign sources are those of treaty relief, unilateral credit relief and unilateral expense relief

Double Taxation Treaties protects against the risk of double taxation where the same income is taxed in two states, provides certainty of treatment for cross border trade and investment, prevents excessive foreign taxation and other forms of discrimination against business interests abroad, protection of the government's taxing rights and protection against attempts to avoid or evade tax, providing for the exchange of information between national taxation authorities, encouraging and maintaining an international consensus on cross-border economic activity and to promote international trade and investment and prevention of firms being taxed twice.

The problem with f Double Taxation Treaties is that they provide opportunities for taxpayers to avoid domestic tax obligations and receive undue benefits under the treaty.

Most common mistakes made by the candidates:
Some candidates could not explain what double taxation is. In part (ii) some candidates could not fully state methods of giving double taxation relief to Zambian resident receiving income from foreign sources. In part (iii) some of the candidates had challenges explaining all the seven (7) roles of double taxation relief.

And in part (b) candidates were required to calculate the final income tax paid by John Musenge in the tax year 2021 assuming double taxation relief, where applicable, was granted by unilateral credit relief against Zambian income tax which involved aggregating all employment income after allowing allowable expenses and

then deducting the double taxation relief which would be the lower of the foreign tax on dividend and the Zambian tax charge.

Most common mistakes made by the candidates:
Some candidates were unable to compute double taxation relief.

QUESTION FOUR

The general performance on this question was good. 6 out of the 9 candidates that attempted it managed to get at least 13 marks out of 25. The pass rate recorded was 66.6%. The highest mark scored was 19 out of 25 while the lowest was 9.

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

In part (a) candidates were required to explain what is meant by a tax haven its features

A tax haven is a country with lenient tax rules or relatively low tax rates which are often designed to attract foreign investment.

Tax heavens are characterized by having nominal taxes or no tax at all, lack of effective exchange of information, lack of transparency and no substantial activities.

Most common mistakes made by the candidates:
Some candidates were unable to explain the concept of tax havens

And in part (b) candidates were required to explain the criteria used to determine whether an individual is resident in Zambia for income tax purposes and to explain the tax treatment of investment income earned from Zambia by non-residents and to calculate the amount of income tax payable by CEL for the tax year 2021 assuming that double taxation relief was given by unilateral credit relief.

Most common mistakes made by the candidates:
Some candidates were unable to compute the correct tax and other candidates were unable to compute the correct Zambian and foreign income earned and hence failed compute double taxation relief by some candidates was evident.

Overall performance of candidates

Highest mark obtained in this paper: 65%
Lowest mark obtained in this paper: 45%
Overall pass rate in this paper: 77.8%

SUBJECT: D6 - INTERNATIONAL TAXATION

QUESTION ONE

The general performance on this question was excellent. 5 out of the 6 candidates that attempted it managed to get at least 13 marks out of 25. The pass rate recorded was 83.3%. The highest mark scored was 18 out of 25 while the lowest was 11.

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

In part (a) candidates were required to explain what is meant by risk assessment and to give the components of tax audit risks.

Risk assessment is a stage in the audit planning process where the auditor determines the likelihood of recording an inappropriate opinion in an audit as a result of a misstatement in the examined financial documents.

Audit risk components includes that likelihood that material misstatement will be made in the financial document;, that misstatement will not be caught by internal controls and that misstatement will not be caught by the auditor/investigator.

Most common mistakes made by the candidates:
Some candidates could not explain properly the concept of risk assessment in comparison to audit risk.

In part (b) candidates were required to explain the nature of the sources of information an investigator may search for regarding hidden income by a taxpayer. The investigator can pursue specific information from many sources regarding hidden income and these sources include tax Returns which have already been submitted , saving accounts and money market funds, Bank Accounts & Money Market Funds, cancelled Cheques, and ATM transactions.
Most common mistakes made by the candidates:
The question was fairly done

In part (c) candidates were required to explain six (6) similarities between Tax Audits and Tax Investigations and five (5) differences between Tax Audits and Tax Investigations.

Similarities are that they both help in enhancing tax compliance, test checks using accounting and auditing procedures, use tax law guidance, provide time for the tax payer to explain the situation, they both allow the tax payer to be represented and consider the tax payer's opinion where necessary.
Differences between tax audit and tax investigations are that tax audits normally covers current year of assessment while tax investigation may extend to previous tax years, Tax audits are conducted by random sample of examination while tax investigation is an in-depth examination, tax audits are conducted without any tax evasion case while tax investigation is normally conducted when there is suspicion of

tax evasion or tax fraud, tax audits outcome is normally a civil case while a tax investigation case is a criminal offence and tax audits are routine checks of the level of taxpayers' compliance while tax investigations are normally triggered by suspicion of tax fraud.

Most common mistakes made by the candidates:
In part c (i) candidates were able to explain the similarities between tax audit and tax investigation but in part (ii) candidates had challenges to explain the differences.

In part (d) candidates were required to explain what is meant by system based approach to tax investigation and tax audits which is a system used mainly for medium and large businesses and is based on the assumption that such businesses have internal control systems which will constitute a reliable base for the preparation of the record and books for the taxpayer.

Most common mistakes made by the candidates:
Some candidates were unable to explain the concept the concept of system based approach.

QUESTION TWO

The general performance on this question was good. 4 out of the 6 candidates that attempted it managed to get at least 13 marks out of 25. The pass rate recorded was 66.6%. The highest mark scored was 21 out of 25 while the lowest was 9.

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

In part (a) candidates were required to explain the six (6) circumstances which may cause ZRA to impose sanctions such as penalties and interest charges to penalize the tax payer which includes understatements of liability resulting from unintended errors, ignorance or misrepresentation of facts and /or law, understatements of liability resulting from careless or reckless acts, understatements of liability resulting from deliberate and /fraudulent acts, failure to keep adequate records and books, failure to supply requested information relevant to the conduct of audit inquiries tax evasion offences, which can result in prosecution under criminal law and in most cases, can lead to terms of imprisonment and/or fines.

Techniques which can be used to examine books and records includes analytical review, investigative approach, examination of records and third party information.

Most common mistakes made by the candidates:
Some candidates found it difficult to explain circumstances which may cause ZRA to impose sanctions such as penalties and interest charges to penalize the tax payer

And in part (b) candidates were required to explain the indirect methods that can used to verify taxable income which would include source and application of funds

method (also known as the T- account method), bank deposit and cash expenditure method, mark-up method, unit and volume method, and the net worth method

Most common mistakes made by the candidates:
Some candidates were able to state the methods in part (i) though they could not explain fully. In part b (ii) was fairly done.

QUESTION THREE

The general performance on this question was excellent. 5 out of the 6 candidates that attempted it managed to get at least 13 marks out of 25. The pass rate recorded was 83.3%. The highest mark scored was 20 out of 25 while the lowest was 9.

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

In part (a) candidates were required to explain the categories of tax audit evidence, the meaning of relevant evidence, reliable evidence, sufficient evidence and valid evidence and the principles that contribute to quality tax audits in audit programmes already in place in accordance with the OECD administrations.
Categories of tax audit evidence includes physical evidence, technical evidence /oral evidence and documentary evidence
Relevant evidence is the evidence that bears clear and logical relationship to audit objectives, audit questions and assessment criteria. And reliable evidence is the evidence that will lead to consistent findings if the same study is carried out repeatedly in the same environment by different auditors who are using the same methods and same data.
And sufficient evidence is the quality of the audit evidence that is needed to support an audit finding. And valid evidence is evidence that describes what it is intended to describe.

The key principles that contribute to quality audits are those of accuracy, efficiency, objectivity, transparency, fairness, completeness, defensibility and consistency.
Most common mistakes made by the candidates:
Candidates were able state and could not explain the categories of tax audit evidence in part a) I. Part a (ii) and (iii) was fairly done.

And in part (b) candidates were required to explain the indirect methods that are used to verify taxable income which are those of administrative assessments and self- assessments.

Most common mistakes made by the candidates:
The question was fairly done.

QUESTION FOUR

The general performance on this question was excellent. 6 out of the 6 candidates that attempted it managed to get at least 13 marks out of 25.   The pass rate recorded was 100%.   The highest mark scored was 18 out of 25 while the lowest was 11.

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

In part (a) candidates were required to explain why a risk based approach could be preferred to a systems based approach, and to state four (4) methods by which a company could obtain a quotation on the stock market and to state four (4) factors to consider when implementing a standard method of analyzing tax liabilities in the telecommunication sector.

A risk based approach refers to the development of auditing techniques which are responsive to risk factors in a tax payer's business environment.

The four methods by which a unquoted company can obtain a quotation on the stock market includes an offer for sale a prospector's issue, a placing and an introduction.
Factors to be considered when implementing a standard method of analysing tax liabilities in the telecommunication sector includes the distributional consequences. The costs of collection, whether it is at least partially assimilated by the purchaser and the degree to which the tax distorts the pattern on consumption, and for this reason impasses an additional cost on the economy (sometimes known as the excess burden)

Most common mistakes made by the candidates:
Some candidates could not explain why risk based approach could be preferred Systems based approach. Part (a) ii) was equally poorly done as some candidates could not list methods by which a unquoted company can obtain quotation on a stock market. Part a iii) some candidates could not state the factors to consider when implementing a standard method of analysing tax liabilities in the telecommunication sector.

And in part (b) candidates were required to calculate the amount of income tax underpaid by Katuba Mining Corporation for the tax year 2021 which involved adding back to the net profit all disallowable expenses and deducting capital allowances.

Most common mistakes made by the candidates:

Some candidates had challenges in computing capital allowances and calculating indexed loss.

Overall performance of candidates

Highest mark obtained in this paper: 67%
Lowest mark obtained in this paper: 50%
Overall pass rate in this paper: 100%