SEPTEMBER 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 62 candidates who attempted the question, only 23 passed (got at least 10 out of the total 20 marks available). The pass rate recorded was 37.1%. 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 excellent with 55 out of the 61 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 90.2%. The lowest score was 4 out of 20 marks, whilst the highest 20 marks.

The question required candidates to prepare a statement of profit or loss and statement of financial position for a company. This question was answered very well. The main mistakes included the following:

i.   Charged depreciation (2%) on both land and building (K600, 000) instead of basing on the building (K500, 000).
ii. Presented investment income (K8,000) under other comprehensive income instead of other income.
iii. Treated interest on long term investment as finance cost instead of finance income.
iv. Expensed interest paid K4,125, which was wrong. The correct interest expense should have been K8,250 (K110, 000 x 7.5%).

QUESTION THREE

The general performance on this question was fair. 16 out of the 33 candidates who attempted the question scoring 10 marks and above out of 20 marks, representing a pass rate on the question of 48.5%. The lowest score was 1, whilst the highest was 19 marks out of 20.

The question had two parts. The part (a) of the question asked candidates to prepare a statement of cash flows and Part (b) asked candidates to distinguish between capital and revenue expenditure.

This question was answered very well and some of the candidates were awarded full marks though few candidates were not able to properly distinguish very well between capital and revenue expenditure.

The under listed were some of the difficulties/common mistakes encountered by candidates:
   i.   Some candidates started with profit after tax (K73, 000), but failed to adjust for the tax expense (K30, 000), in order to come up with profit before tax of K103, 000.
   ii.   Subtracted amortization of development expenditure, the amortization should have been added (reversed) since it was subtracted when profit was determined.
   iii.   Swapped the balances brought forward and balances carried forward for the workings on development expenditure and property, plant and equipment. Further, few candidates indicated balances on a wrong side of the ledger accounts. You are advised to use narrative if you are not comfortable with leger accounts. Take note that both narrative and ledger accounts are acceptable.
   iv.   Omitted profit on disposal.
   v.   Misclassification of cash items. Candidates are advised to be familiar with headings of cash flow.

QUESTION FOUR

The general performance on this question was fair with 28 out of the 49 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 57.1%. The lowest score was 0, whilst the highest scores 17 out of the available 20 marks.

The question was divided into two parts. Part (a) required candidates to prepare a statement of profit or loss and appropriation account while part (b) required them to prepare the partners' current accounts.

The most common mistakes made by the candidates on each part of the question were as follows:
   i.   Lack of knowledge on format of the SPL.
   ii.   Placing opening balances on the wrong side of an account.
   iii.   Wrong postings for interest on drawings and on capital.

iv.   Loan interest omission.

QUESTION FIVE

The general performance on this question was poor. Only 11 out of the 36 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 30.6%. The lowest score was 0, whilst the highest was 16 out of 20.

The question was divided into parts (a), (b) and (c). Part (a) required candidates to calculate the capital of a sole trade by a given date, while part (b) required them to prepare statement of profit or loss for the given year end. Part (c) required them to prepare statement of financial position on the same date as part (b).

The most common mistakes made by the candidates on each part of the question were as follows:
  i.   Lack of knowledge on the topic, Incomplete records.
  ii.   Use of year end balances to compute the opening capital.

QUESTION SIX

The general performance on this question was very poor with only 14 of the 52 candidates who attempted the question achieving a pass (that is a score of at least 10 out of 20 marks), representing a pass rate on the question of 26.9%. The lowest score was 0, whilst the highest 12 out of 20.

The question was divided into two parts (a and b). Part (a) had multiple requirements. In part (a)(i), candidates were required to identify and explain the five (5) elements of financial statements while part (ii) required them to describe three (3) errors that can be detected by the trial balance. Part (a) (iii) required them to state three (3) reasons for having control accounts while (iv) required them to identify three (3) characteristics of reconciling items in a bank reconciliation statement.

Part (b) was based on preparation adjusted cash book as well as preparation of reconciliation of the bank statement balance as at the given date.

The most common mistakes made by the candidates on each part of the question were as follows:
  i.   Discussing qualitative characteristics instead of elements of financial statements.
  ii.   Inability to define elements of financial statements.

iii.   Wrong entries in updating the cashbook.

Overall performance of candidates

    i.   Highest mark obtained in this paper: 71%
   ii.   Lowest mark obtained in this paper: 15%
  iii.   Overall pass rate in this paper: 45.2%

SUBJECT: CA 1.2 BUSINESS STATISTICS

QUESTION ONE

The general performance on this question was very good with 43 of the 56 candidates who attempted the question passing (got at least 10 out of the total 20 marks available). The pass rate recorded was 76.8%. The highest mark scored on this question was 20 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 fair. 31 out of the 56 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 55.4%. The lowest score was 0 out of 20 marks, whilst the highest 20 marks.

This question was a compulsory question attempted by all the candidates with an average pass rate of 10 marks out of 20 marks. It had two parts (a) and part (b) Part a; was a question on regression analysis requiring candidates to fit the regression equation and also calculate the coefficient of correlation. Few of the students got good marks but those who failed were observed to have been making computation errors of sums of squares of data sets which led to the eventual wrong calculations in the questions that followed. It was also noted that some candidates were wrongly placing summed up values in the formulas hence errors were observed in the final solutions.
Part b; displayed a pie chart and candidates were supposed to interpret the sectors split on the pie charts to evaluate area and angles suitable for the scenario that was given. Most student successfully solved this problem as they were able to use ratios correctly. The candidates who failed this question were observed to have been wrongly using the principle of ratios and cross multiplying figures.

QUESTION THREE

The general performance on this question was poor with only 19 of the 51 candidates who attempted the question scoring 10 marks and above out of 20 marks, representing a pass rate on the question of 37.3%. The lowest score was 0, whilst the highest was 18 marks out of 20.

This was an optional question that was answered by 51 out of a total of 56 candidates. The average performance on this question was 8 marks out of 20. Part a; of this question required students to use the given information to formulate a pie

chart. Half of the students managed to formulate the pie chart correctly but those who failed could not use degrees but opted to use percentages which were not correct hence lost marks. Failure to convert categorical figures to degree impacted the correct construction of the chart.

Part b required candidates to use a table of random numbers and their probability to calculate the mean and standard deviation. Few candidates managed to get the mean and standard deviation correctly due to use of wrong formula and an observed use of wrong concept. Some candidates were observed to be using the formula for mean of ungrouped data which was wrong.

QUESTION FOUR

The general performance on this question was fair with 23 out of the 45 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 51.1%. The lowest score was 0, whilst the highest scores 20 out of the available 20 marks.

The entire question focused on regression analysis. Part (a) required candidates to plot the scatter diagram which was successfully done by most of the candidates.

Part (b) required candidates to calculate the coefficient of correlation. Most candidates solved this part correctly. The candidates who failed to solve this question mostly had wrong summations in the data set. The same cause applied to solution on part (c) which required candidates to fit the regression equation. Part d and e required the use of the regression equation in part (c) hence candidates who managed to solve the equation correctly were also able to solve the parts (d) and (e).

QUESTION FIVE

The general performance on this question was fair. 16 out of the 30 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 53.3%. The lowest score was 0, whilst the highest was 14 out of 20.

The question was on time series calculation of seasonal variations and moving averages. Most candidates who attempted this question could not get full marks due to computation errors in the calculation of moving averages hence affecting the other required calculations. It was also observed that the candidates do not have full concept of the topic in question hence most could not get the required solution or presented solutions that did not reflect what the question requires them to calculate.

QUESTION SIX

The general performance on this question was poor. Only 13 of the 41 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 31.7%. The lowest score was 0, whilst the highest 18 out of 20.

The question had three parts. Part (a) of this question required candidates to use the method of basic probability rules particularly the use of conditional probabilities to solve the given scenario. It was observed that most candidates failed to get full marks due to use of wrong formulas and failure to understand the probability concept.

Part (b) required candidates to use the normal distribution to calculate the probabilities and it was observed that most candidates were able to use the normal probability distribution concept correctly.
The last part of this question part (c) had grouped data and required the candidates to calculate the mean, mode and median of the data. Candidates were able to answer this part successfully except for a few who could not correctly use the class for median or mode in their calculations.

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: 44.6%

SUBJECT: CA 1.3-BUSINESS ECONOMICS

QUESTION ONE

The general performance was very poor on this question. Only 7 out of the 35 candidates that attempted it obtained at least 10 marks out of the total available 20. A pass rate of 20% was recorded. The highest score out of the total of 20 marks was 16 while the lowest was 2.

This was a compulsory question made up of 10 multiple choice questions. Candidates were required to write the letter of the correct answer in the answer booklet.

QUESTION TWO

The general performance on the question was fair. 18 out of the 34 candidates that attempted the question managed to obtain at least 10 out of a total of 20 marks available. The pass rate recorded was 52.9%. The highest score out of 20 was 18 while the lowest was 1.

This was another compulsory question under Section B. The question examined candidates' understanding of demand and supply.

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

Part (a) required candidates to draw the demand and supply curves for eggs from the given information. Performance for this part of the question was fair. Some notable weaknesses included poorly labelled diagrams, others putting demand on the Y-axis and supply on the X-axis, others couldn't properly label their graphs. Candidates are reminded that Y-axis is always for the price while the X-axis is for quantity demanded and supplied. Thus, demand and supply curves were supposed to be draw using a single graph, not separate ones as some did.

In part (b), the candidates were required to state the equilibrium price and equilibrium quantity. This was well done, even those some candidates got it wrong. Equilibrium is a point where demand = Supply. This could be seen from the given table that at K1.50, quantity supplied and quantity demand are equal at 78. The answer could also be read from the graph drawn in (a) above.

Part (c) of the question was poorly done. The question required candidates to explain what happens to equilibrium price and quantity when there are changes in the given variables. To answer the question correctly, candidates needed to understand which curve is affected by the given factor and the direction of the shift.

Part (d) required candidates to explain what happens if the price (c) is above equilibrium price as well as if suppliers are given a subsidy, this again will lead to more production of the good leading to a temporary surplus but to be resolved sooner.

QUESTION THREE

The general performance on this question was very good. Only 10 of the 29 candidates that attempted it managed to obtain at least 10 marks out of a total of 20 available marks, resulting in a 34.5% pass rate. The highest score was 16 out of 20 marks while the lowest was 1.

This was optional question under Section B. The question examined candidates' understanding of costs of production. The question was divided into four parts namely (a), (b), (c), and (d). Part (a) required candidates to calculate Average costs (ATC) and marginal costs (MC) from the given table. Performance for this part of the question was fair. However, some couldn't understand what was to be done. What was needed was to use the following equations: ATC = TC/Q and MC = Change in TC/Change in Q.

Part (b) required candidates to explain returns to scale relating to long run average costs. This was poorly performed by many candidates. The key issue was to appreciate the fact that returns to scale compares inputs to output. If inputs increase more than the increase in output, then we have decreasing returns and vice versa. If they change proportionately, we have constant returns

In part (c), the candidates were required to explain the relationship between average costs and marginal costs. This was fairly done, even those some candidates left it blank. Candidates are encouraged to practice drawing these short run cost curves to appreciate their relationships

Part (d) of the question required to explain why the firm may still continue to produce even when it can only sell at a loss. As firm continue as long as it is able to cover its variable costs.

QUESTION FOUR

The general performance on this question was excellent. 21 of the 26 candidates that attempted it managed to obtain at least 10 marks out of a total of 20 available marks, thereby resulting in a 80.8% pass rate. The highest score was 19 out of 20 marks while the lowest was 1.

This was optional question under Section B. The question examined candidates' understanding of National income. It was divided into four (4) parts namely (a), (b), (c), and (d). Part (a) required candidates to state what they know about GDP growth. Performance for this part of the question was fair. However, some candidates merely define what GDP is all about without including growth and could not score the full marks allocated.

Part (b) required them to explain any four factors that can bring about GDP growth in Zambia. All that candidates were required was to explaining how technological advancements, increase in physical capital and human capital, political stability and son on would work to spur GDP growth.

In part (c), candidates were required to state any four(4) benefits of GDP growth in Zambia. This part was also poorly done. The question simply if our GDP is growing, what will be our benefits as a country?

Part (d) required them to state any four (4) disadvantages of GDP growth in Zambia. Similarly, performance was not good.

This question was overall poorly performed suggesting the fact that many candidates skipped it during their preparation for this examination. Candidates are strongly urged to study the entire syllabus.

QUESTION FIVE

The general performance on this question was poor. 5 of the 17 candidates that attempted it managed to obtain at least 10 marks out of a total of 20 available marks, resulting in a 29.4% pass rate. The highest score was 14 out of 20 marks while the lowest was 0.

The question examined candidates' understanding of operations of the financial system. It was divided into three (3) parts namely (a), (b), and (c). Part (a) required candidates to state what they understand by the statement that 'banks create money whenever they grant loans'. Performance on this part of the question was fair. The key to obtaining maximum marks is to understand the use of cheque in creating credit by virtue of the credit multiplier.

Part (b) required candidates to calculate various quantities from the given information namely:
(i)   Value of credit multiplier using D = 1/Cash Ratio
(ii)   Total deposits using Cash deposit/Cash ratio
(iii)   Value of money created in the banking system which is simply the difference between total deposits less the initial deposit.
(iv)   Limitations of credit creation. Why is it that credit creation cannot go on without limit?

Part (c) of the question was fairly done. The question required to explain the monetary policy tools of (i) Open market operations, (ii) required reserve ration and (iii) discount rate to reduce money supply. Some candidates seemed not to know what these tools are all about. Others merely explained monetary policy (albeit wrongly by including taxes and government expenditure which are not part and parcel of monetary policy). Yet others missed the fact that the question required them to explain how the Bank of Zambia can use these tools to REDUCE MONEY SUPPLY. So the answer required selling securities, increasing the required reserve ration and increasing the discount rate. Candidates are urged to read and address the specific requirement of the question.

QUESTION SIX

The general performance on this question was poor. 11 of the 32 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 19 out of 20 marks while the lowest was 0.

This question examined candidates' understanding of price elasticity of demand and market structure. It was divided into two (2) parts namely (a) and (b). Part (a) was further divided into four parts which required candidates to explain how elasticity of demand would increase, decrease or remain the same when the given events occur. Performance was mixed. However, some gave the answers without explaining why as required.

Part (b) required candidates to demonstrate their knowledge of oligopoly by outlining any three strategies that an oligopolistic might adopt as well as to illustrate the use of a kinked demand curve of oligopoly. The major weakness was poor graphs coupled with poor explanation. Candidates are urged to study all topics. 'Market structures' is a core topic that appears in every examination paper.

Overall performance of candidates

  i.   Highest mark obtained in this paper: 79%
  ii.   Lowest mark obtained in this paper: 20%
  iii.   Overall pass rate in this paper: 45.7%

SUBJECT: CA 1.4- COMMERCIAL AND CORPORATE LAW

QUESTION ONE

The general performance on this question was excellent. 59 of the 67 candidates that attempted the question managed to obtain at least 10 marks out of a total of 20 available marks. A pass rate of 88.1% was recorded. The highest score was 16 out of 20 marks while the lowest was 0.

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. 54 of the 67 candidates that attempted the question managed to obtain at least 10 marks out of a total of 20 available marks. A pass rate of 80.6% was recorded. The highest score was 17 out of 20 marks while the lowest was 0.

The question was based on judicial precedent, types of companies and agency relationship. It had three parts, (a), (b) and (c). Part (a) was on why a judicial precedent maybe a bad precedent. Most of the candidates answered it correctly, except a good number of them just gave one reason and explained it. This was probably due to lack of understanding of the questions.

Part (b) was on the main types of companies recognized in Zambia. About 90% of students were able to answer the question exhaustively, only a few could not distinguish that the question was on incorporated businesses and not unincorporated businesses like partnerships, sole trading businesses, etc. In future, students must be able to distinguish between incorporated and non-incorporated businesses.

Part (c) of the question required candidates to give description of an agency relationship.

QUESTION THREE

The general performance on this question was fair. 13 of the 27 candidates that attempted the question managed to obtain at least 10 marks out of a total of 20 available marks. A pass rate of 48.1% was recorded. The highest score was 16 out of 20 marks while the lowest was 4.

This question was divided into two parts. Part (a) required candidates to focus on the most suitable mode of winding up. The answer was to be guided by the facts. Some candidates lost marks on the question due to mixing up of concepts. Future candidates are encouraged to read widely on this topic as there is always a question bordering on winding up of companies.

Part (b) of the question required candidates to demonstrate their understanding of reduction of share capital. Candidates were only supposed to describe the procedure for this reduction as provided for by the companies Act No. 10 of 2017 and the Zica manual. Most candidates managed to bring out this procedure with ease. Those who failed exhibited ignorance of the subject matter, a sign that they were not ready at all for such a question. Future candidates are encouraged to study widely, avoid selective studying and prepare for anything as all questions are highly examinable.

QUESTION FOUR

The general performance on this question was excellent. 40 of the 42 candidates that attempted the question managed to obtain at least 10 marks out of a total of 20 available marks. A pass rate of 95.2% was recorded. The highest score was 18 out of 20 marks while the lowest was 6.

The question was divided into parts (a) to (d). Part (a) required the candidates to explain how liability would accrue on the entities in the given scenario. Most candidates who answered this question performed quite well though others struggled with the concepts in question. This is an indication that the candidates are somehow not quite familiar with negligence as a topic. Future candidates are encouraged to address their mind to this topic. Those that failed to get some marks did so because they struggled with the basic concepts or what exactly the question required of them. Future candidates must apply themselves fully to this cause.

Part (b) of the question was testing student's ability to appreciate business associations in Zambia. This question required students to pick out the best mode of business association from the available ones.

In part (c), candidates were required to explain the difference between suing in contract law and tort law. Most candidates who answered this question performed quite well. Future candidates are encouraged to address their mind to both subject arrears.

Part (d) of the question required the candidates to define employment contract. The performance was good.

QUESTION FIVE

The general performance on this question was excellent too. 58 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 87.9% was recorded. The highest score was 17 out of 20 marks while the lowest was 6.

The question had four parts. The first part was on duties of employers and employees; most students did well. The second part was on the difference between wrongful and unfair dismissal, most students understood wrongful dismissal but only 3 could accurately define unfair dismissal. The third part was on agency by estoppel; students do not seem to understand the concept. The last part was on vicarious liability; most student demonstrated understanding and did well too.

QUESTION SIX

The general performance on this question was excellent. 52 out of the 61 candidates that attempted the question managed to obtain at least 10 marks out of a total of 20 available marks. A pass rate of 85.2% was recorded. The highest score was 18 out of 20 marks while the lowest was 0.

This question was on procedure for winding up a company by the court, discharge of a contract and vicarious liability. Parts (a) was about winding up by the courts while part (b) was on the discharge of contracts. The performance on both parts was good. A few candidates nevertheless lost marks due to failure to understand the question. In future, tutors must emphasize this point.

Part (c) was on vicarious liability. The question was well and answered by the candidates.

Overall performance of candidates

i.   Highest mark obtained in this paper: 84%
ii. Lowest mark obtained in this paper: 18%
iii. Overall pass rate in this paper: 94%

SUBJECT: CA 1.5 –MANAGEMENT THEORY AND PRACTICE

QUESTION ONE

The general performance on this question was excellent. 20 of the 25 candidates that attempted the question managed to obtain at least 10 marks out of a total of 20 marks. The pass rate recorded was 80%. The highest mark scored was 16 while the lowest was 6 out of 20.

QUESTION TWO

The general performance on this question was good. 15 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 60% was recorded. The highest score was 20 out of 20 marks while the lowest was 0.

This was a scenario based compulsory question which had three parts: (a), (b) and (c). Part (a) required the candidates to explain the aspects of managerial authority.

Most candidates did very well on this part.

Part (b) was about describing the stages of group development according to Tuckman.
Majority of candidates answered this part correctly.

Part (c) required candidates to define the term "fiduciary duty" in legal form. Very few candidates got this right while the majority avoided it completely.

QUESTION THREE

The general performance on this question was very poor. Only 4 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 21.1% was recorded. The highest score was 16 out of 20 marks while the lowest was 0.

This question had two parts: (a) and (b). Part (a) required candidates to describe the move made by Trade Kings to open a new shop while part (b) required candidates to state the six (6) key conditions do you suggest will make the move by Trade Kings successful. Most candidates performed very poorly on this question as they did not know decentralization and its key conditions as they just guessed wildly. Hence the very low pass rate.

QUESTION FOUR

The general performance on this question was fair. 5 out of the 9 candidates that attempted the question managed to obtain at least 10 marks out of a total of 20 available marks. A pass rate of 55.6% was recorded. The highest score was 16 out of 20 marks while the lowest was 2.

This question had two parts: (a) and (b). Part (a) was on describing the six (6) characteristics of goal setting suggested by Locke and Lathan that helped a student to achieve her goal.

Part (b) was on stating the two (2) implications of goal setting on the student.
Most candidates attempted this question and answered it very well. Many of the candidates got good marks although only a few tried it.

QUESTION FIVE

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 18 out of 20 marks while the lowest was 6.

This question had three parts (a), (b) and (c). Part (a) required candidates to define the public sector organizations.   This was answered well by most candidates.

Part (b) required candidates to explain the differences between public and private limited companies. This part to confuse the candidates as they just continued explaining public sector organizations and not Public Limited companies. Other students approached the question from a Public Listed Company (PLC).

Part (c) required candidates to state the main objectives of public sector organizations and naturally they got this correct.

Most of the candidates did well on this question which was attempted by all the candidates.

QUESTION SIX

The general performance on this question was good. 16 out of the 23 candidates that attempted the question managed to obtain at least 10 marks out of a total of 20 available marks. A pass rate of 69.6% was recorded. The highest score was 19 out of 20 marks while the lowest was 0.

This question had two parts: (a) and (b). Part (a) required candidates to define Virtual teams Network organizations and Matrix organization structures.

Part (b) required candidates to explain the two (2) advantages and three (3) disadvantages of a matrix structure.

Overall performance of candidates

    i.   Highest mark obtained in this paper: 74%

    ii.   Lowest mark obtained in this paper: 23%

    iii.   Overall pass rate in this paper: 62.5%

SUBJECT: CA 1.6- BUSINESS COMMUNICATION

QUESTION ONE

The general performance on this question was excellent. 48 of the 59 candidates that attempted the question managed to obtain at least 10 marks out of a total of 20 marks. The pass rate recorded was 81.4%. The highest mark scored was 20 while the lowest was 4 out of 20.

This is was a multiple choice question. Most candidates who failed to do well on this question selected on answers that were wrong, some few candidates were close to the best answer options. However most candidates were able to select the best answers, hence the high pass rate on this question.

QUESTION TWO

The general performance on this question was excellent. 56 out of the 59 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 94.9%. The lowest score was 4 out of 20 marks, whilst the highest 19 marks.

This was a compulsory question. It required candidates to write a memo on behalf of the Chief Executive Officer to all members of staff, outlining the non-compliance of the situation on COVID 19 regulations from a scenario that was provided in the question. In the Memo, candidates were required to include any five (5) measures that were put in place in order to resolve the situation.

Part (b) of the question required them to briefly explain any four (4) reasons electronic mail is preferred to hard copies memos.

The common mistakes that were observed were as follows:
  i.   Wrong format or layout used. Information was presented as letter or reports.
  ii.   Failure to include the COVID 19 regulation as required by the question.
  iii.   The opening statement of the memo suggested a notice for a meeting.
  iv.   The information in the main body indicated how the guide lines would be carried out, distorting the whole contents.
  v.   Information in the main body also described what the organization would do, not necessarily as guideline of COVID 19.
  vi.   Wrong content was provided.

QUESTION THREE

The general performance on this question was very good. 40 out 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 71.4% was recorded. The highest score was 19 out of 20 marks while the lowest was 4.

The question was about the internet communication and security issues related to electronic communication, features of the word processing software and factors that contribute to the processing speed of the computer in terms of the clock speed and the cache memory. The following were the common mistakes noted in this question:

   i.   Some candidates think the only mode of electronic communication is e-mail and was the common example given, when they are other means.
   ii. Some candidates could not explain the practical experience the have with editing facilities and spell and grammar check well.
   iii. Others did not write any answer for the factors that contribute to the processing speed of the computer in terms of the clock speed and the cache memory. Those that attempted answering the part of cache memory were mistaking it with the Random Access Memory (RAM).

QUESTION FOUR

The general performance on this question was fair. 7 out of the 17 candidates that attempted the question managed to obtain at least 10 marks out of a total of 20 available marks. A pass rate of 41.2% was recorded. The highest score was 14 out of 20 marks while the lowest was 0.

The question was about explaining the four basic principles important to AIS reliability, using the spread sheet and the four roles of information systems in organizations. The following were the common mistakes noted in this question and it was not a popular question that was picked:

   i.   Some candidates were misunderstanding the principles of AIS to qualities of good information.
   ii. Some candidates could not explain cell referencing correctly and the reason referencing is better than cell contents in formulae.

QUESTION FIVE

The general performance on this question was fair. 33 out of the 84 candidates that attempted the question managed to obtain at least 10 marks out of a total of 20 available marks. A pass rate of 57.9% was recorded. The highest score was 18 out of 20 marks while the lowest was 2.

Question five (a) required candidates to explain the role of the sender and receiver in the communication cycle using a diagram that was presented in the question, while part (b) required them to explain 5 factors that might influence the medium of communication in the process of transmitting. The following mistakes were observed:

i. Some candidates produced irrelevant content.
ii. Mixing up the roles of the receiver and the sender.
iii. Describing the communication cycle without necessarily bringing out the roles of the sender and the receiver.
iv. Some candidates defined terms such as encoding, channel of communication and decoding which was not supposed to be the case.
v. Most candidates draw a diagram of the communication cycle which was not supposed to be case.
vi. The factors that influence the choice of medium were mixed up with the barriers to effective communication. In some cases the factors were not well explained.

QUESTION SIX

The general performance on this question was fair. 25 out of the 46 candidates that attempted the question managed to obtain at least 10 marks out of a total of 20 available marks. A pass rate of 54.3% was recorded. The highest score was 17 out of 20 marks while the lowest was 0.

The candidates were required to write a letter to KMB Company requesting to clear the outstanding balance in two (2) instalments. In the letter they were required to include information on how the pandemic affected the operations of the company from a given scenario. Part (b) of the question required them to state five (5) features of a semi blocked format of a business letter. The common errors that were observed included the following:

i. Failure to include two addresses. In most situations only one address was included.
ii. Failure by candidates to indicate the specific name of the organization as required from the scenario provided in the question.
iii. Wrong opening statements were provided in the answers.
iv. Content in the main body did not match with information provided in the scenario.
v. Omission of some parts of a business letter.
vi. Poor grammar and spellings in the answers provided

Overall performance of candidates

    i.   Highest mark obtained in this paper: 78%
   ii.   Lowest mark obtained in this paper: 21%
  iii.   Overall pass rate in this paper: 84.7%

SUBJECT: CA 2.1 FINANCIAL REPORTING

QUESTION ONE

The general performance on this question was fair. 32 out of the 57 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 56.1%. The lowest score was 1, whilst the highest was 36 out of the available 40 marks.

This was a 40-mark question and was in three (3) parts. Part (a) – for 32 marks - required the preparation of a consolidated statement of financial position for a parent with one subsidiary and one associate. As well as the standard consolidation procedures, the question required candidates to consider a number of accounting issues that primarily related to the financial statements of the parent entity – Peace.

In part (a) most candidates performed well. However, some candidates did not show all the workings for them to score highly on this part. Others 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.
More particularly, most candidates did not perform well in the following areas:

   i.   The initial calculation of goodwill, especially the calculations of fair value adjustments and the deferred tax on them. The goodwill calculation is a fairly typical calculation that should be practised in advance of the exam.

   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. The computation of unrealised profits on intra-group sales, many did not appreciate the implications of the sale being originated by a subsidiary, rather than the parent. Further, unrealised profits in inventory was calculated as 20% (i.e. as a mark-up on cost) rather than 16.67 % (20/120) (a profit margin)

   iv. Many candidates seemed unsure of the treatment of deferred tax liability, brand name and contingent consideration. According to revised IFRS 3, business combinations, all assets, liabilities and contingent liabilities must be recognised at fair value.

   v.   A minority of candidates proportionally consolidated the subsidiaries. This has arisen in a number of past examinations. Candidates and tutors should take note of this issue.

   vi. Most student candidates did not include the loan note as part of investment in an associate.

Part (b) of this question – for 4 marks – required candidates to identify three (3) factors that account for a negative goodwill and to indicate its accounting treatment

when it occurs in the preparation of consolidated financial statements. This part was not generally well answered and a significant number of candidates omitted it altogether. Those that did attempt it often referred to the impairment loss instead of negative goodwill. Only a minority of candidates seemed aware of the negative goodwill.

Part (c) of this question – for 4 marks – required candidates to explain two alternative methods of valuing non-controlling interest, including their impact on the reported amount of goodwill. This part of the question was answered very well by most of the students.

QUESTION TWO

The general performance on this question was poor. Only 20 out of the 53 candidates that attempted the question managed to obtain at least 10 marks out of a total of 20 available marks. A pass rate of 37.7% was recorded. The highest score was 15 out of 20 marks while the lowest was 3.

The question was divided into parts (a), (b) and (c). In part (a), candidates were required to prepare the Statement of Profit or Loss and other Comprehensive Income while part (b) required them to prepare the Statement of Changes in Equity. Part (c) required them to prepare the Statement of Financial Position as at the given date.

The most common mistakes made by the candidates on each part of the question included the following:
   i.   Failure to use correct account formats.
   ii.   Dividends included in finance costs in the SPLOCI.
   iii. Inability to correctly apply accounting standards.

QUESTION THREE

The general performance on this question was poor. Only 16 out of the 41 candidates that attempted the question managed to obtain at least 10 marks out of a total of 20 available marks (representing a 39% pass rate). The highest score was 18 out of 20 marks while the lowest was 1.

The question was divided into parts (a) and (b). Part (a) required candidates to write a report to Directors of assessing the relative financial performance and financial position of the company in the given scenario while part (b) required them to identify and discuss how the two (2) fundamental qualitative characteristics of financial information benefit users of an entity's financial statements.

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

i. Excluding analysis relating to gearing and capital markets performance.
ii. Wrong formulae for some ratios.
iii. Poor analysis.

QUESTION FOUR

The general performance on this question was very poor. Only 3 out of the 14 candidates that attempted the question managed to obtain at least 10 marks out of a total of 20 available marks. A pass rate of 21.4% was recorded. The highest score was 14 out of 20 marks while the lowest was 1.

The question was divided into parts (a) to (c). Part (a) required candidates to explain how lessee must account for leases within the scope of IFRS 16 Leases.

Part (b) required them to explain how the company in the scenario must account for the lease contract in its financial statements for the given year end as well as computing amounts involved and showing financial statement extracts.

In part (c), the candidates were required to explain how developer company must account for the property that had leased out in its Financial Statements for the year, computing amounts involved and showing financial statement extracts.

The most common mistakes made by the candidates on the question:
Were as follows:

i. Lack of knowledge on applicable standards.
ii. Applying the outdated standard (IAS17) on leases.
iii. Inability to compute correct amounts involved.

QUESTION FIVE

The general performance on this question was fair. 32 out of the 54 candidates that attempted the question managed to obtain at least 10 marks out of a total of 20 available marks. A pass rate of 59.2% was recorded. The highest score was 17 out of 20 marks while the lowest was 1.

The question had five (5) parts and the following were the areas/matters which were tested:

(a) Reasons why it is important to have a conceptual framework for financial reporting;

(b) Qualitative characteristics of useful financial information;

(c)   Elements of financial statements;

(d)   Derecognition of assets and liabilities; and

(e)   Historical basis of measurement.

This was a familiar question and the performance was very good. Common mistakes were noted in part (c) where it seemed most candidates did not read the requirement properly. The question required students to identify and explain the elements of financial statements that are related to the Statement of profit or loss and other comprehensive income (i.e. income and expense). On the contrary, most students listed and explained all elements (five) of financial statements.

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: 39.7%

SUBJECT: CA 2.2 – MANAGEMENT ACCOUNTING

QUESTION ONE

The general performance on the question was very poor. Only 13 candidates out of 56 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 34 marks while the lowest was 4.

This question examined the following;
(i)   The role of management accounting in meeting needs of stakeholders and sustainability.
(ii)   Responsibility accounting and types of responsibility centres
(iii)   Purchases budget, cash budget and benefits of cash budgeting.

The question was fairly attempted. Part (i) was generally poorly attempted. Most candidates explained the role of management accounting in control, decision making, co-ordination, communication and evaluation. But the requirement was its role in meeting shareholder needs. Very few candidates referred to sustainability and those who did not know what was meant by sustainability.

In part (ii) the answers ranged from those who understood responsibility accounting and responsibility centres well and those who had no idea at all.

Part (iii) was generally well attempted.

QUESTION TWO

The general performance on this question was poor. Only 17 out of the 50candidates that attempted the question managed to obtain at least 10 marks out of a total of 20 available marks. A pass rate of 34% was recorded. The highest score was 18 out of 20 marks while the lowest was 0.

This is an optional question divided into three parts. Part (a) was based on preparation of an actual profit statement. This part did not pose much challenge as many candidates however a number of the candidates could not account for the total costs.

Part (b) required candidates to prepare a budgeted profit statement. The budgeted profit statement was not well answered as many candidates could not compute the cost of sales well thereby failing to arrive at the final answer requested for.

Part (c) was based on calculation of following variances. The computation of variances appeared to be a challenge to many candidates. The majority could not establish the standard costs.

Part (d) required candidates to prepare a statement reconciling the budgeted profit with the actual profit. Since part (d) was depended on part (c) above, the answering

was interlinked so it was expected that candidates could use the findings in part (c) to answer part (d). A number of the candidates failed to calculate the budgeted profit (Standard profit per unit x actual sales units).

QUESTION THREE

The general performance on this question was very poor. Only 2 of the 35 candidates that attempted the question managed to obtain at least 10 marks out of a total of 20 available marks. A pass rate of 5.7% was recorded. The highest score was 20 out of 20 marks while the lowest was 0.

Question three was divided into three parts. Part (a) was on determination of the total budget production overhead cost for the period. The total budget production overhead cost for the period was generally done well for many candidates except for few who had challenges with the OAR to use. This rate was given in the question. It was disappointing to see some candidates multiplying the labour hours by the machine OAR.

Part (b) was based on calculation of the cost per unit for each product using the conventional method. This part was overwhelmingly well answered and many candidates got the marks. Though some candidates left out the materials cost in computing the cost per unit.

In part (c), candidates were required to calculate cost per unit for each product using Activity Based Costing (ABC) principles
This part recorded the highest failure rate as candidates failed to apply ABC principles to the data given. Most candidates failed to calculate the right rates to use in charging overheads to units.

QUESTION FOUR

The general performance on this question was fair as 17 out of the 42 candidates that attempted the question managed to obtain at least 10 marks out of a total of 20 available marks. A pass rate of 40.5% was recorded. The highest score was 17 out of 20 marks while the lowest was 0.

This question was testing candidates on budgeting. It had three parts. In part (a), the quality of answers was very good though some candidates were repeating the same points.

In part (b), candidates were expected to discuss. However, most candidates were instead listing instead of discussing. In part (c), a number of candidates were able to note the issues but failed to advise on the practical action.

QUESTION FIVE

The general performance on this question was very poor. None of the 26 candidates that attempted the question managed to obtain at least 10 marks out of a total of 20 available marks. A pass rate of 0% was recorded. The highest score was 9 out of 20 marks while the lowest was 0.

This question was the least attempted question. It tested on the solution to problem with multiple limiting factors using linear programming. The performance was pathetic. The majority of the candidates showed no knowledge on the topic tested and those attempted misconstrued it to a single limiting factor analysis.

Overall performance of candidates

    i. Highest mark obtained in this paper: 56%
    ii. Lowest mark obtained in this paper: 8%
    iii. Overall pass rate in this paper: 14.3%

SUBJECT: CA 2.3- AUDITING PRINCIPLES AND PRACTICE

QUESTION ONE

The general performance on this question was fair with 45 out of the 98 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 45.9%. The lowest score was 4, whilst the highest was 30 out of the available 40 marks.

The question was divided into parts (a) to (e). Part (a) required candidates to explain five matters that should be included in bid documents for the offering of audit services. It was observed that there were candidates who discussed the rights or auditors in accordance with the Company's Act which were not required for. Others discussed pre conditions for accepting appointment rather than dealing with matters that should be included in bid documents.
A few candidates explained what should be contained in an engagement letter and matters such as the responsibilities of management and the auditor.

Part (b) of the question required candidates to explain the meaning and use of Internal Control Questionnaires and Internal Control Evaluation Questionnaires using the information in the question. Candidates were also required to explain the use of these questionnaires in an audit.

General answers without using the information in the question to explain did not earn maximum marks. The performance in this part of the question was poor due to the following observations were made:
  i.   A sizeable number of candidates explained the two types of questionnaires without using the information in the scenario and lost marks for not doing so.
  ii. Some candidates did not explain the use of the questionnaires in recording a clients control systems.
  iii. Other candidates explained ICQs and ICEQs in the context of quality standards for testing the quantity and quality of goods.
  iv. Some candidates explained the sales process in the scenario which did not answer the question requirement, while others discussed the ICQ as an assessment tool instead if a documentation tool.

In part (c), candidates were required to identify and explain six internal controls in the sales systems of Twange Ltd. to obtain maximum marks candidates needed to identify and explain, simply identifying without explaining only earned half a mark. Overall the performance in this part of the question was good. Some candidates nevertheless got low marks because they were only explaining less than the required number of internal controls and were awarded marks in proportion to the correct controls explained. Others suggested suitable controls instead of identifying controls in the scenario. Candidates are encouraged to read the question requirements carefully.

Part (d) required candidates to explain the control objectives and the test of control for each of the controls in (c). This part of the question could have been answered together with part (c) in tabular form. The following were observed:

i. Many candidates simply explained control objectives and tests of control disregarding the controls that they identified in part (c) and no marks were awarded.

ii. Some candidates explained substantive audit tests rather than explaining tests of control signifying lack of knowledge of the difference between these two.

iii. There were candidates who simply did not know tests of control and gave clearly wrong answers.

Part (e) of the question required candidates to identify and explain four audit risks using information in the scenario and clearly explaining the related financial statements figures affected by the identified risks.
The following were observed:

i. Some candidates only identified and explained the audit risks without relating them to the figures in the financial statements as required by the question.

ii. There were candidates who failed to identify and explain the required 4 audit risks and obtained marks in proportion to the correct number of risks identified and explained.

QUESTION TWO

The general performance on this question was very poor. Only 13 out of the 64 candidates that attempted the question managed to obtain at least 10 marks out of a total of 20 available marks. A pass rate of 20.3% was recorded. The highest score was 16 out of 20 marks while the lowest was 0.

The question was divided into pasts (a), (b) and (c). Part (a) was a knowledge based question requiring candidates to explain the forms of modifications of the auditor's opinion and to explain why the auditor may wish to modify the audit opinion. The following observations were made:

i. Majority of the candidates did not refer to the relevant guidance on modified audit opinions in ISA 705 therefore losing easy marks.

ii. Many simply did not know the forms of modification of the opinion of the auditor by bringing in the emphasis of matter which does not result in a modified opinion.

iii. Others discussed 'lack of sufficient evidence opinion' which does not exist and 'other matter opinion' which too does not exist.

Audit reports is a major and important part of the syllabus and candidates are reminded to ensure they understand this topic well and it is likely to feature in future examinations.

Part (b) had two sub requirements. The first required candidates to explain the quality and reliability of written representations as audit evidence. Majority of the candidates explained the meaning of written representations instead of discussing the quality and reliability of the written representations.

The second part of (b) required candidates to discuss the audit team should take in view of the refusal by management to give the required written representations. Most candidates discussed the ultimate action which is that of modifying the opinion. For four marks this is not sufficient and candidates should be familiar with the action that should be taken in such circumstances including discussing with management and those charged with governance and the possibility of obtaining evidence from other means before considering the impact of refusal on the audit opinion.

Part (c) of the question required candidates to show their understanding of audit reports and opinion using information in the given four situations. It was observed that most candidates could not evaluate each of the cases and gave general answers. Despite key figures of profit before tax and total assets candidates failed to use this information to calculate materiality which is important in assessing the appropriateness of the suggested opinion.

QUESTION THREE

The general performance on this question was also fair. 39 out of the 84 candidates that attempted the question managed to obtain at least 10 marks out of a total of 20 available marks. A pass rate of 46.4% was recorded. The highest score was 19 out of 20 marks while the lowest was 1.

Part (a) was a multi requirement question requiring candidates to explain the fundamental principle of confidentiality and to suggest suitable action the audit team should take in the light of the findings of the audit assistant in the scenario. Generally, candidates explained the fundamental principle of confidentiality. Those who lost marks did not address the last part of the question which required candidates to suggest suitable action in view of the information in the scenario.

Part (b) had three sub questions. Part (b)(i) was a knowledge based question requiring candidates to explain any four methods that auditors use in assessing risk and gaining an understanding the client company. Candidates needed to understand the provisions of ISA 315 to be able to answer this question and these methods are well explained in the study manual. The majority of the candidates were able to explain the methods used in assessing risk and gain an understanding of the entity and scored maximum marks.

Part (b) (ii) required candidates to explain two methods that can be used to records the accounting and controls systems of Bronze Ltd and to give disadvantages for

each of the two methods. Most of the candidates managed to explain two methods of recording the system nut many could not give the two disadvantages of each of the methods. A few candidates gave tow advantages rather than disadvantages are required in the question.

Part (iii) of (b) required candidates to explain the meaning of professional skepticism and professional judgement and to give one example of when these will be used in an audit of financial statements. Most candidates explained the two terms correctly but failed to give an example each of when they can be used. Candidates are reminded once gain to address all part of the questions.

QUESTION FOUR

The general performance on this question was good. Only 28 out of the 74 candidates that attempted the question managed to obtain at least 10 marks out of a total of 20 available marks. A pass rate of 37.8% was recorded. The highest score was 16 out of 20 marks while the lowest was 0.

The question had multiple requirements. Part (a)(i) required candidates to explain the meaning and use of walk through tests carried out by auditors. Most candidates confused tests of control with tests of controls and lost the easy marks. A number of candidates explained the meaning of walk through tests but failed to the use of walk through tests.

Part (a)(ii) required candidates to explain the meaning and use of tests of control performed by the auditors. Most of the candidates explained the meaning of tests of control but did not address the part that required an explanation of the purpose of performing tests of control.

In part (iii) of (a), candidates were required to state two tests of control over the petty cash system of Builders Ltd. Most of the candidates simply mentioned the controls give without stating the test of control and so lost easy marks. Candidates should be clear on the meaning of controls, control objectives and tests of controls.

Part (b) (i) of the question required candidates to explain the responsibility of the receivables confirmation in an audit. Most candidates scored poorly in this part of the question. The following were observed:
   i.   Some candidates misunderstood the question and explained the procedure for receivables confirmation which was required in part (iii).
   ii.   Others explained positive and negative forms of confirmation which were not required for.

Part (b) (ii) required candidates to explain any four financial statements assertions that are tested through the receivables confirmation. Most of the candidates scored maximum marks in this part of the question.
Part (b)(iii) was a knowledge based question requiring candidates to describe the procedure for receivables confirmation from sample selection to follow up. Most of

the candidates explained substantive procedures for receivables which were not required for. The question is clear and asks for the procedure from samples selection of receivables to confirm to follow up of responses. Candidates should ensure they understand the question requirements before starting to answer a question.

QUESTION FIVE

The general performance on this question was very poor. Only 14 candidates out the 68 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 13 out of 20 marks while the lowest was 0.

The question was divided into parts (a) and (b). Part (a)(i) required candidates to explain the meaning of audit sampling. A majority of the candidates scored maximum marks in this question.

The second part of (a) required candidates to suggest two criterion which can be used to select items for testing during the inventory count of Mwembe Ltd. Majority of the candidates got this part of the question wrong. Most of the candidates explained various sampling method which were not required for. Others explained assertions related to the figure of inventory.

Part (b) of the question was based on Computer Assisted Audit Techniques (CAATs) and required candidates to explain four uses of audit software in the audit of payables in Mwembe Ltd. Generally candidates scored more than half the available marks in this question. The following was nevertheless observed with the candidates who got poor marks:
  i.   Candidates explained audit procedures for payables which did not answer the question on the use of audit software in auditing payables. Candidates should have related the audit procedures to the use of audit software.
  ii.   A few candidates explained the benefits of using audit software which was not the question requirement.
  iii. Other candidates considered software from the point of view of the client company. Candidates should note that audit software are a audit tool for use by the auditor and not the client.

Part (c) of the question required candidates to identify and explain four audit risks in the audit of the financial statements of Mwembe Ltd and to suggest suitable responses to the risks identified. Most candidates got this question right. There were candidates who gave less than the four audit risks while others gave business risks clearly showing that they do not understand the difference between business risks and audit risks.

Overall performance of candidates

   i.   Highest mark obtained in this paper: 71%
   ii. Lowest mark obtained in this paper: 12%
   iii. Overall pass rate   :   29.6%

SUBJECT: CA 2.4 -TAXATION

QUESTION ONE

The general performance on this question was poor. Only 29 out of the 74 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 39.2%. The lowest score was 0, whilst the highest was 29 out of the available 40 marks.

This question examined taxation of partnerships. Part (a) required candidates to explain the tax treatment of trading tax losses suffered by partners and was reasonably well answered. However, a few candidates demonstrated a lack of knowledge of the tax treatment of partnership losses and therefore failed to provide the required explanations.

In part (b) candidates were required to calculate the partnership's tax adjusted business profit for the year before division between the partners. The performance of candidates on this part of the question was below average as most candidates failed to identify the relevant disallowed expenses to be added back in the computation of the taxable profits.

Part (c) required candidates to calculate the amount of business profits on which each partner was to be assessed for the year ended 31 December 2021. The most common challenges faced by candidates included:
  i.   Failure to split the period into the correct number of months before the change in terms of the partnership agreement and after the change.
  ii. Forgetting to deduct capital allowances on the personal vehicles of the partners from each partner's total allocation of profits when computing the final taxable profit for each partner.
  iii. Failing to deduct the unrelieved losses brought forward from each partner's final allocation of the profits to arrive at each partner's final taxable profit.

Part (d) required candidates were required to calculate the final Income tax payable by each of the three partners and was generally answered well.

QUESTION TWO

The general performance on this question was also poor. Only 18 out of the 57 candidates that attempted the question managed to obtain at least 10 marks out of a total of 20 available marks. A pass rate of 31.6% was recorded. The highest score was 17 out of 20 marks while the lowest was 1.

This question which covered tax principles & purpose and international aspects of taxation was divided into three parts. In part (a) candidates were required to prepare notes to be used in a training workshop explaining any (4) four functions of the ZRA and how the provision of taxation services may pose some ethical threats.

Most candidates managed to explain the functions of the ZRA but however failed to explain how the provision of taxation services may create self-review and advocacy threats.

In part (b) candidates were required to explain why foreign employee who was awarded a three-year contract in a Zambian resident company would be regarded as being resident in Zambia. Only a few candidates managed to explain that the employee will be regarded as resident in Zambia because he had intention of staying in Zambia for more than 12 months by virtue of being awarded the three-year contract.

Part (c) required to candidates to compute the tax payable by the foreign employee. Most candidates scored poor marks on this part of the question as they failed to compute the correct amount of double taxation relief arising on the income generated by the tax payer from foreign sources.

QUESTION THREE

The general performance on this question was fair. 33 out 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 58.9% was recorded. The highest score was 17 out of 20 marks while the lowest was 2.

This question examined taxation of farming operations for individuals. In part (a) candidates were required to calculate the amount of provisional income tax paid by a sole trader for the tax year 2021 clearly stating the due date when the provisional income tax was to be paid. The performance of candidates on this part of the question was good, only a few candidates failed to tax the non-farming income separately using the graduated income tax bands for individuals and then tax the farming income separately at the rate of 10%.

Part (b) which required candidates to calculate the amount of income tax payable by the sole trader for the tax year 2021 from a farming and retail trade venture was also fairly well answered. However, a few candidates used the wrong rates when computing capital allowances on implements plant and machinery and therefore failed to compute the correct amount of the final taxable profits.

QUESTION FOUR

The general performance on this question was very poor. Only 1 of the 39 candidates that attempted the question managed to obtain 11 marks out of a total of 20 available marks. A pass rate of 2.6% was recorded. The highest score was 11 out of 20 marks while the lowest was 1.

This question which examined Value Added Tax. In part (a) candidates were required to calculate the Value Added Tax payable by the company for the month of November 2021. This computation was poorly done by most of the candidates because they failed to include all items where VAT was either applicable or not

applicable as per the question requirements. The most common weaknesses included:

i. Failing to distinguish between exempt, zero rate and taxable supplies.
ii. Claiming input VAT on expenditure on which input VAT is irrecoverable.
iii. Failing to compute the correct amount of VAT arising on each transaction.
iv. Failing to apply the partial exemption rules to compute the amount of input VAT recoverable on the general overheads

In part (b) candidates were required to explain the meaning of the Tax Point and why it is important for VAT purposes. It was sad to note that some candidates demonstrated a lack of knowledge of what the tax point is and therefore failed to give appropriate explanations.

In part (c) candidates failed to describe the two (2) circumstances in which the basic tax point could be amended.

QUESTION FIVE

The general performance on this question was also good. 35 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 60.3% was recorded. The highest score was 20 out of 20 marks while the lowest was 4.

Question five covered Customs & Excise duty and property transfer. In part (a) candidates were required to explain conditions to be met for customs officers to use the transaction value method and to calculate import taxes. The performance of candidates on this part of the question was generally good. Only a few candidates failed to determine the correct amount of the specific customs and excise duty arising.

Part (b) which required candidates to furnish the property transfer implications of the disposal of various assets by a tax payer. This part of the question was well answered by most of the candidates except for a few candidates who failed to determine the correct realised values on the various disposals and therefore failed to compute the correct amount of property transfer tax arising.

Overall performance of candidates

i. Highest mark obtained in this paper: 73%
ii. Lowest mark obtained in this paper: 1%
iii. Overall pass rate in this paper: 46.7%

SUBJECT: CA 2.5-FINANCIAL MANAGEMENT

QUESTION ONE

The general performance on this question was fair. 65 out of the 123 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 3, whilst the highest was 39 out of the available 40 marks.

Question one of the paper was divided into three parts. Part (a) required candidates to calculate the NPV of the proposed investment in the new machine and advise KaKa Plc as to whether or not the investment should be accepted. Surprisingly, some candidates failed to notice that the material and labour costs were given at current prices and needed to be inflated from the first year. Others failed to calculate the capital allowances.

Part (b) required candidates to evaluate how often JOL Ltd should replace the machine. Candidates demonstrated lack of knowledge of equivalent annual costs and others were not appropriately including the disposal value in the evaluation.
Part (c) required candidates to explain the pecking order theory and discuss the reasons for following it. Majority of candidates did not know pecking order theory and others could only list the order of preference and failed to explain.

QUESTION TWO

The general performance on this question was good. 81 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 65.9% was recorded. The highest score was 17 out of 20 marks while the lowest was 2.

The question was divided into parts (a), (b) and (c). Part (a) required candidates to compute the project's Weighted Average Cost of Capital (WACC). One of the common mistakes was omitting the weighting for the Zero coupon bonds. In this case, the WACC was shown as 14% instead of 16%. Surprisingly, some candidates failed to calculate the WACC despite the all information provided and others omitted this calculation completely. This implies that they did not understand what was requested, maybe due to inadequate preparations.

Part (b) required them to explain the four (4) merits and demerits of using venture capital to finance the project. Some candidates failed to state and explain clearly the merits and demerits of venture capital. These were unable to define and explain what is meant by Venture Capital Financing and hence not being able to state the merits and demerits of this type of financing.

In part (c), candidates were to discuss four (4) financial objectives that the Managers of the start-up business could set to manage its performance once it

becomes operational. Though the performance was above average, some candidates failed to provide answers in the context of a start-up business as the question required.

QUESTION THREE

The general performance on this question was very good. 89 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 72.4% was recorded. The highest score was 17 out of 20 marks while the lowest was 1.

Part (a) of the question required candidates to explain three (3) factors that affect the length of the cash operating cycle and compute the expected values for inventory, receivables, payables and working capital? Assume there are 365 days in a year. Some candidates failed to explain the factors clearly and others could not even compute the inventory, receivables, payables and working capital despite the data provided. Candidates failed to deduct the Trade Payables from the sum of Inventory and Receivables. They may not have understood the concept of current assets and current labilities. This part of the question, the current assets was only the Inventory and Receivables amounts, so the working capital was the netting off the Trade Payables figure.

Part (b) required them to determine the company's Economic Order Quantity (EOQ). While they correctly applied the EOQ formula correctly, the candidate's mistake was to convert the Ordering and Transport cost which was given per box of 100. This meant therefore that they should have determined the number of boxes by dividing the total cost which was given as K500 by 100 i.e K500/K100 giving the number of 5.

Part (c) required candidate to explain four (4) objectives of Just–In-Time (JIT) techniques and how they may be achieved. Part (d) required candidates to discuss two (2) demerits of making sales on credit by Mega Pharma Stores Ltd. Part (c) and (d) were well attempted.

QUESTION FOUR

The general performance on this question was very poor. None 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 0% was recorded. The highest score was 8 out of 20 marks while the lowest was 1.

Part (a) of the question required candidates to estimate the value of the 20% share capital of HG limited as on 31 December 2019 using each of the following method: (i) Net asset (replacement) basis; (ii) The price earnings ratio and; (iii) Net operating income approach based on the Modigliani and Miller theory. Most candidates were

using the assets values to compute the Net Asset figure. However, it was not possible to derive the Net Asset figure in this manner due to insufficient information. Candidates needed to use the Ordinary share capital and accumulated profits as these represents the assets and then adjust these for replacement cost(difference between the original cost and replacement cost) in order to arrive at the replacement cost value. This is the figure to be used to compute the value per share.

Some candidates were using original values instead of replacement cost values. Candidates provided their own number of shares instead of the 100,000 given in the scenario. This is in spite of the fact that the HG Limited and Alexir Limited had a similar capital structure except that Alexir had debentures of K16m.This was clearly stated in the scenario.

Part (b) required candidates to explain the challenges of using the PE ratio method of Alexir Plc. a quoted company to value the shares of HG Limited, an unquoted company. The common mistake was to generalize the response. For example, that the quoted companies are different from the unquoted companies in their operations.

QUESTION FIVE

The general performance on this question was also very poor. Only 12 out of the 67 candidates that attempted the question managed to obtain at least 10 marks out of a total of 20 available marks. A pass rate of 17.9% was recorded. The highest score was 16 out of 20 marks while the lowest was 0.

Part (a) required candidates to explain the meaning of the following terms as used by the Managing Director with reference to dividends: (i) Clientele effect ;(ii) Signaling effect;(iii) Agency considerations. Some candidates misunderstood Clientele effect as to mean customers and suppliers of goods and services. Some candidates assumed that Agency considerations were only a relationship between managers and the board of directors. These mistakes were made due to insufficient knowledge of the subject matter.

Part (b) required candidates to evaluate the company's dividend policy for the last four (4) years. Some candidates misunderstood the term "evaluate" as to mean "a simple comment" on the company's dividend policy. This error earned them very few marks on this part. Candidates needed to do more than merely provide a simple observation. They needed to use the figures in the table to explain whether the policy was a constant dividend policy or dividend as a percentage of profits.

Overall performance of candidates

    i. Highest mark obtained in this paper: 71%
    ii. Lowest mark obtained in this paper: 19%
    iii. Overall pass rate in this paper: 54.9%

SUBJECT: CA 3.3 -STRATEGIC BUSINESS ANALYSIS

QUESTION ONE

The general performance on this question was good. 83 out of the 127 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 65.4%. The lowest score was 2, whilst the highest was 36 out of the available 40 marks.

This was a case study-based compulsory question with five parts: (a), (b) and (c). Part (a) required the candidates to discuss the 'SWOT' analysis for Coca Cola .

Most candidates got this answer right as it was straight forward. Some 98% got it right.

Part (b) required candidates to use a correct model to develop a clear understanding of the external environment in which Coca cola operates. Most candidates used Porter's Five forces model and not the PESTEL to answer this part of the question hence they got it wrong.

Part (c) required candidates to discuss some of the strategies adopted by Coca Cola to address some of its challenges. Again very few candidates got this answer right while those who tried just mentioned the generic business strategies without relating them to the case.

QUESTION TWO

The general performance on this question was also fair. Only 32 out of the 69 candidates that attempted the question managed to obtain at least 10 marks out of a total of 20 available marks. A pass rate of 46.4% was recorded. The highest score was 20 out of 20 marks while the lowest was 0.

This question had two parts: (a) and (b). This was a scenario-based question on the corporate strategy of a company. It had a total of up to 20 marks. Some 68 candidates out of 134 attempted this question, hence it was not very popular like a compulsory one. The sentence 'five orders of 100 eggs' should have been ' five orders of 100 trays'.

Part (a) was a quantitative question that required candidates to show which of two relationships was the most profitable for a retailer called Nosiku. Almost half of the candidates got the answer wrong because it involved calculations and those who got the answer right did not give any explanations.

Part (b) required candidates to discuss how Nosiku can use marketing matrix strategies, which was erroneous, to achieve corporate strategy. The wrong

terminology used instead of the portfolio planning matrix confused the students who ended up using the 4Ps of marketing.

The majority of the candidates did not understand the question and the concepts used, hence a large number of them performed poorly.

QUESTION THREE

The general performance on this question was good. 64 out 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 62.1% was recorded. The highest score was 20 out of 20 marks while the lowest was 2.

This scenario based question had three parts (a), (b) and (c). It was attempted by 102 candidates, hence almost all candidates attempted it. Part (a) required candidates to explain how the environmental protection policy of ZEMA would affect a company in terms of pressure on it. Many candidates gave the correct answers to this part.

Part (b) required candidates to indicate what would increase the bargaining power of the suppliers of this company. Most candidates responded well to the question.

Part (c) required the candidates to calculate the cash operating cycle of the company.

The pass rate of 62 % showed that candidates performed very well on this question. But a few candidates failed to calculate the figure correctly.

QUESTION FOUR

The general performance on this question was poor. Only 38 of the 108 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 35.2%. The highest candidate scored 14 out of 20 marks while the lowest scored 0.

This question was in two parts: (a) and (b). This question was on the strategic and business plans and it was also popular since many of the candidates attempted it.

Part (a) required candidates to describe any four (4) uses and purposes for each, that is, a Strategic Plan and the Business Plan in one's brief to the Board. Most candidates scored very well on this part.

Part (b) asked candidates to demonstrate any four (4) considerations that they would take in preparing the Business Plan document that will attract fund managers to pay attention to it. Many candidates got this answer wrong.

The pass rate on this question was very low. This question was a very simple one but the challenge was the failure to distinguish between the two plans.

QUESTION FIVE

The general performance on this question was very good. 93 out of the 119 candidates that attempted the question managed to obtain at least 10 marks out of a total of 20 available marks. A pass rate of 78.2% was recorded. The highest score was 19 out of 20 marks while the lowest was 0.

This was a three-part question concerned with industry competitiveness in a Zambian context.

The majority of the candidates failed to draw Porter's Five Forces model but just rushed to give an explanation, thus losing marks. As such many candidates faired very badly on this question.

Overall performance of candidates

    i.   Highest mark obtained in this paper: 71%
   ii.   Lowest mark obtained in this paper: 19%
  iii.   Overall pass rate in this paper: 62.4%

SUBJECT: CA 3.1 ADVANCED FINANCIAL REPORTING.

QUESTION ONE

The general performance on this question was excellent. 103 of the 135 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 81.1%. The lowest score was 8, whilst the highest was 40 out of the available 40 marks.

The question required candidates to prepare the consolidated statement of profit or loss and other comprehensive for the year ended 31st December 2020 and the statement of financial position as at 31st December 2020. The question had one parent entity and two subsidiaries.

The main technical issues about the question, were on translation of the results of Ruth Plc from foreign currency to the presentation currency of the parent and also involved the disposal of 10% of a subsidiary (Hanna Plc) during the year (i.e. movement in equity, control was not lost). These were generally seemed difficult concepts for candidates to grasp. Candidates demonstrated a lack of understanding of both concepts. A few number of the candidates were not able to solve this question and scored low marks. The following were the common mistakes noted:

i.   Dividing the exchange rates instead of multiplying.
ii.   Consolidating the results of both subsidiaries, without translating the results of Ruth Plc.
iii.   Computing goodwill of a foreign subsidiary (Ruth Plc) in the Zambian kwacha (K), instead of the South African Rand (SAR).
iv.   Showing 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. First up, don't do calculations in your head. You may think this is a good way to save time, but doing this can trip you up.
v.   Some candidates wrongly valued non-controlling interests in Ruth Plc at fair value (full method), instead of share of the fair value of Ruth's identifiable net assets at acquisition (proportionated method) as required by note (ii) of the question.
vi.   Getting parent's share (proportionate) of subsidiary's assets and liabilities for consolidation. This is very disappointing at advisory level, candidates should take note that 100% of subsidiary's assets and liabilities should be consolidated (full consolidation).
vii.   Lastly candidates failed to compute correctly movement in equity arising from disposal of 10% equity shareholding in Hanna Plc. The movement should have been calculated by comparing increase in non – controlling interest figure and consideration received by parent entity.

QUESTION TWO

The general performance on this question was fair. 43 out of the 90 candidates that attempted the question managed to obtain at least 10 marks out of a total of 20 available marks. A pass rate of 47.8% was recorded. The highest score was 18 out of 20 marks while the lowest was 1.

The question required candidates to resolved four technical queries raised by the executive Director in the provided scenario with reference to relevant provisions of International Financial Reporting Standards.

The most common mistakes made by the candidates on the question the following:

   i.   Student not being able to properly explain how tax on items that are recorded under the 'comprehensive income section' of the statement of profit or loss and other comprehensive income is treated.
   ii. Students not being able to explain the use of the cost model and the revaluation model under IAS 16.
   iii. The treatment of investment properties under IAS 40 as compared to other non-current assets covered under IAS 16.
   iv. Measurement and treatment of provisions, contingent liabilities and contingent assets under IAS 37.
   v.   The recognition of internally generated intangible assets as opposed to acquired intangible assets in business combination situations under IFRS 2-business combinations.

QUESTION THREE

The general performance on this question was fair. 20 out of the 46 candidates that attempted the question managed to obtain at least 10 marks out of a total of 20 available marks. A pass rate of 43.5% was recorded. The highest score was 17 out of 20 marks while the lowest was 1.

The question was divided into parts (a) and (b). Part (a)(i) required candidates to discuss the key practical considerations and Financial Statement implications that an entity must consider when implementing a new IFRS Standard. Many candidates did not pay attention to the question and provided answers that did not respond to the question at all. Rather the candidates gave a general response covering the application of standards.

Part (a) (ii) required them to briefly explain the principles outlined in IFRS 1 First Time Adoption of IFRS that must be applied when an entity adopts full standards for the first time. Many candidates simply didn't attempt this part of the question and

those who did showed little knowledge of this syllabus area. This shows that candidates do not expect this area of the syllabus to be examined. Candidates at this level should not disregard any area of the syllabus as they can easily get exposed as proved in this question.

Part (b) required the candidates to discuss the principles and key components of the IIRC's Framework, and any concerns which could question the Framework's suitability for assessing the prospects of an entity. Many candidates were clueless on this area of the syllabus and it showed in the poor performance on this part of the question.

In part (c), the candidates were required to discuss why it is important to ensure the optimal level of disclosure in annual reports, describing the reasons why users of annual reports may have found disclosure to be excessive in recent years. Candidates who attempted this question tended to engage in a general discussion of disclosure requirements. Very little attempt was made to show explain the circumstances that could lead to excessive disclosures.

Part (d) required them to discuss the extent to which each of the Directors' comments is valid in the given scenario. This part of the question was also very poorly answered. Performance on this question was generally below average. Another example of students, even at this highest level, ignoring the theoretical parts of the syllabus.

QUESTION FOUR

The general performance on this question was very poor. Only 25 out 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 24.3% was recorded. The highest score was 19 out of 20 marks while the lowest was 1.

The question was equally a multi-requirement one. Part (a) was on leases and required candidates explain the accounting treatment of leases under IFRS 16'Leases' in the financial statements of the lessor. Most candidates explained accounting treatment from lessee's point of view. A few that explained from lessor's point of view could not adequately cover finance and operating lease treatment, in few cases swapping treatment for finance lease with that of operating lease.

Part (b) required them to explain how the contract in the provided scenario would be accounted by the company on the given date. Very few candidates that attempted the question were able to separate the lease and non lease components. A lot could not separate and discounted the entire K120,000 instead of only K40,000 (K120,000-K80,000).

Part (c) required them to explain accounting treatment for the sale and lease back in the books of the seller in accordance with applicable accounting standards. This was the least tackled part and poorly explained by most candidates.

Part (d) required them to explain how the given transaction would be accounted on the date given in the scenario. The question was fairly attempted especially on computation of profit and ROUA although most candidates ended on calculation of total profit instead of profit that relates to rights transferred.

QUESTION FIVE

The general performance on this question was very good. 87 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 77.7% was recorded. The highest score was 20 out of 20 marks while the lowest was 1.

The question was divided into parts (a) and (b). Part (a) required the candidates to prepare the equivalent ratios for the given year end while part (b) required them to write a report to the Directors that Analyses the financial performance and liquidity of the company in the given scenario for the year ended 30 September 2020, making specific reference to any concerns or expectations regarding future periods.

There was generally good performance from part (a) and reasonable performance from part (b).
  i.   Most candidates struggled with computation of ROCE.
  ii. Interpretation was not scenario based.
  iii. Few candidates could not present their answer in report format.
  iv. A selected number opted to calculate all the ratios unlike the equivalent of the ones provided.

Overall performance of candidates

  i.   Highest mark obtained in this paper: 77%
  ii. Lowest mark obtained in this paper: 15%
  iii. Overall pass rate in this paper: 69.9%

SUBJECT: CA 3.2-ADAVNCED AUDIT AND ASSURANCE

QUESTION ONE

The general performance on this question was very poor. Only 12 out of the 166 candidates that attempted the question managed to score at least 20 out of 40 available marks. The recorded pass rate on the question was 7.2%. The lowest score was 1, whilst the highest was 24 out of the available 40 marks.

The performance in the compulsory question in this examination diet was much lower than it has ever been in the recent examinations and observations are made in the evaluation of the question below.

Part (a) of the question required candidates to explain the meaning of significant components in the context of group audits for 3 marks. A majority of the candidates lost these easy marks and the following were observed:
  i. Some candidates explained significant component from the point of view of the shareholding of the parent in the subsidiary particularly owning more than 50% of the shares.
  ii. Others simply did not know what a significant component is and gave answers such as being a component of the financial statement assertions put in the financial statements or omitted.

Candidates should have used the guidance in ISA 600 which defines significant components in the context of group audits.

Part (b) (i) required candidates to advise the Group Finance Director regarding the subsidiary in South Sudan which did not prepare financial statements in accordance with IFRSs. The following were observed:
  i. Some candidates explained the problem of consolidating the financial statements of the South Sudanese subsidiary instead of advising the action that should be taken and so lost marks.
  ii. Some candidates explained the quality and competences of the auditors who should be assigned to audit the South Sudanese subsidiary instead of advising on the restatement of the financial statements to meet the requirements of International Financial Reporting Standards.

In part (b)(ii), candidates were required to explain the action of the group auditors after consolidation of the financial statements of the South Sudan subsidiary. Some candidates lost marks because:
  i. Failure to explain the need for the auditors to perform audit procedures on the re-stated financial statements and instead stated that the auditors should 'proceed and merely express their opinion'.
  ii. Discussing assertions that require to be considered when auditing the South Sudan subsidiary which clearly was not addressing the requirements of the question.

Part (c) required candidates to explain how the auditors would deal with fraud relating to revenue in the audit of the group financial statements. Candidates needed to notice that this was in relation to revenue and general answers on fraud responsibilities did not earn maximum marks. Candidates simply needed to explain the requirements of ISA 240 in relation to the risk of fraud on revenue.

A majority of the candidates scored poorly in this part largely because:
i. Many candidates discussed general audit procedures in auditing revenue without considering the element of fraud in relation to revenue. It was clear that candidates did not understand the provisions of ISA 240 in relation to fraud related to revenue.
ii. Other candidates explained the recognition criteria for revenue in accordance with OFRS 15 which did not address the question requirement and no marks were awarded for doing so.
iii. A sizeable number of candidates discussed money laundering and the appointment of a Money laundering reporting Officer which was not relevant in answering this part of the question.

Part (d) of the question required candidates to describe the audit procedures in relation to un-realized profits contained in the inventory figure. It was disappointing to note that a majority of the candidates scored very low marks in this part of the question as has been observed in the past on questions requiring a description of audit procedures.

Candidates who knew what unrealized profit and its accounting in a group situation should have had no problem designing suitable audit procedures. Further, candidates needed to think of assertions contained in this figure and then suggest suitable audit procedures to test those assertions. The following observations were made:
i. Many simply did not know the suitable audit procedures for unrealized profit and simply stated that there is need to obtain evidence from invoices, delivery notes and non-controlling interests. Candidates who know what unrealized profit is had no trouble designing suitable audit procedures.
ii. Other candidates gave general audit procedures not related to unrealized profit such as observing inventory count and recalculating of the inventory value.
iii. A few candidates explained the procedures for conducting an inventory count with no reference to unrealized profit.

In part (e)(i) of the question, candidates were required to discuss six reasons why social and environmental audits may be required by client companies. A majority of the candidates scored less than half the available marks. Those candidates who studied and understood the topic on other assurance engagements should have had no trouble answering this question. The following were observed:

i. Some candidates gave less than the required number of reasons and were awarded marks in proportion to the correct reasons given.
ii. Some candidates defined environmental and social audits instead of answering the question requirement of why such audits may be required. This is indicative of the fact that candidates did not fully understand the content of the manual on the relevant topic.

Part (ii) of (e) required candidates to discuss matters that should be considered when reviewing the environmental matters in the Zimbabwe subsidiary. Candidates were expected to comment on the capital expenditure in accordance with IAS 16 and also the possible provisions considering the provisions of IAS 37. The following were observed:
i. Most candidates discussed in general the four points under the Zimbabwe subsidiary without addressing the question requirement and considering the initial capital expenditure and the likely provisions in line with the provisions of IAS 37.
ii. Other candidates discussed what the government needs to do in order to reverse the conditions in the four points under Zimbabwe.

Part (f) of the question required candidates to evaluate the proposal that Group Internal Auditors should carry out the review of the social and environmental report of the Kaleni Mining Corporation. The performance was poor. It was observed that candidates simply explaining independence without discussing matters of competence and possible conflict of interest without making any recommendations. Other candidates considered the positive aspects of using the internal auditors but ignored the ethical problem that may arise.

QUESTION TWO

The general performance on this question was excellent. 138 out of the 155 candidates that attempted the question managed to obtain at least 10 marks out of a total of 20 available marks. A pass rate of 89% was recorded. The highest score was 18 out of 20 marks while the lowest was 5.

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) (i) of the question required candidates to distinguish between the risk assessment carried out by the auditors at the planning stage of the audit and engagement that auditors can enter with clients to provide assurance on risk assessment systems of the client company.

In doing so candidates were expected to describe the risks assessment at the planning stage and stating the objective and then discuss the engagement to provide assurance on the risks assessment systems of Mbanji Ltd which is one of the other assurance engagements that auditors can get into with clients.

There were good answers to this part of the question but a sizeable number of candidates lost marks because:

i.   They explained risk assessment at the planning stage of audits but did not explain an engagement to provide assurance on a client company risk assessment systems covered under other assurance engagements of the syllabus.

ii. A number of candidates defined audit risk and its components which was not required and not addressing the requirements of the question.

Part (a)(ii) required candidates to discuss three classes of stakeholders who may be interested in assurance on the risk management system of a client company. These are clearly explained in the other assurance engagement section of the study manual. Candidates who simply stated the stakeholders with no explanation of their interest did not get maximum marks. Overall, this was well answered and a majority obtained maximum marks.

Part (b) of the question examined on ethics, requiring candidates to describe the ethical issues in each of the four client companies.

Candidates needed to explain the relevant ethical matters and suggest suitable safeguards that should be taken by the firm. A majority of the candidates scored more than half the available marks.

The following observations were made on those who performed poorly in this part of the question:

i.   Candidates gave decline as the possible safeguard and yet the engagement is already in place and so the appropriate safeguard could be considering resignation. Auditors can only decline an appointment at the stage of being appointed and usually decline or resignation are the safeguards of last resort when there is no other suitable safeguard.

ii. A few candidates simply repeated the information in the cases without describing the ethical matters contained there.

QUESTION THREE

The general performance on this question was poor. Only 46 out of the 133 candidates that attempted the question managed to obtain at least 10 marks out of a total of 20 available marks. A pass rate of 34.6% was recorded. The highest score was 19 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.

Part (a) (i) of the question required candidates to distinguish between an assurance engagement and a review engagement. To score maximum marks candidates required to give two valid distinctions for each of assurance engagements and review engagements. The following were observed:

i. Many simply stated that assurance engagement results in a positive form of assurance and review a negative form of assurance and not earning maximum marks.

ii. To earn maximum marks candidates were expected to give examples when an assurance engagement is appropriate and when a review engagement is appropriate.

In part (a)(ii) candidates were required to explain the level of assurance given in a review and a reasonable assurance engagements. Most candidates failed to observe that a reasonable assurance engagement is a high level of assurance arising from a substantial amount of work while a review gives rise to a lower level of assurance resulting from lesser amount of audit work being carried out by the auditor.

Part (b) equally had two requirements. The first required candidates to identify and explain four audit risks in the audit of the financial statements of Machipisa Ltd. Simply explaining the audit risks without relating them to what could go wrong in the financial statements did not attract maximum marks. Audit risks should be related to the relevant financial statement assertions. Candidates lost easy marks because of the following:

i. Some gave less than the required four audit risks and so were awarded marks in proportion to the correct risks identified and explained.

ii. Some candidates could not relate the audit risks identified to what could go wrong in the financial statements. Audit risk has the potential to give rise to a material misstatements of figures in the financial statements and candidates should always explain the related assertions when explaining audit risks.

The second part of (b) required candidates to demonstrate their understanding of subsequent events and the related accounting for them.

Candidates required to use the information in the scenario relating to the destroyed inventory. In this case the matter related to a non-adjusting event and audit procedures should be from that point of view. The following were observed:

i. Some candidates gave less than the expected number of points to attract maximum marks.

ii. Others did not realize that this was an event subsequent to the period end and that management should be requested to treat it as such and if management refuses the impact on the audit report should be considered.

QUESTION FOUR

The general performance on this question was very poor. Only 24 out of the 94 candidates that attempted the question managed to obtain at least 10 marks out of a total of 20 available marks. A pass rate of 25.5% was recorded. The highest score was 17 out of 20 marks while the lowest was 0.

The question was divided into parts (a) to (d). Part (a) of the question required candidates to identify four operating indicators that may cast doubt on the ability of Chiwala Ltd as a going concern. Simply identifying without explaining earned less than the maximum marks and the following observations were made:
   i.   Some candidates gave less than the required four operating indicators of going concern problems.
   ii. Some candidates explained indicators that are not in the scenario and although correct no marks were awarded because candidates were required to use the information in the scenario.
   iii. A few candidates gave and explained financial indictors when the question specifically required operating indicators.

Part (b) of the question required candidates to discuss the reliability of the representations from the management of Chiwala Ltd.

Candidates were expected to use the information in the scenario.
Most of the candidates did not address the second part of the question requiring candidates to state the action that should be taken by the audit firm thereby losing marks attributed for doing so.

In part (c) of the question, candidates were required to recommend five audit procedures that should be carried out on the business plan by Chiwala Ltd. the performance in this part of the question was poor with many candidates scoring much less than half the available marks and the following were observed:
   i.   Candidates gave less than the five audit procedures required by the question.
   ii. Some candidates mistook the question to be on audit procedures for financial instruments which clearly was not the case. Knowledge of a business plan should have made it easy for candidates to suggest suitable audit procedures.

Part (d) of the question required candidates to evaluate the email form the Managing Director. Candidates simply needed to comment on the matters contained in the email namely the urgency of the issue of the audit report and the endorsing of the business plan. Majority of the candidates failed to evaluate the short email and so lost easy marks. All that candidates needed to do is to deal with the key issues of the urgency of issuing a clean report as well as endorsing the business plan. Any valid comments on these three matters and the response of the auditors would have earned maximum marks.

QUESTION FIVE

The general performance on this question was fair. 46 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 41.1% was recorded. The highest score was 17 out of 20 marks while the lowest was 0.

Question five was equally divided into four parts (a to d). Part (a) of the question required candidates to advise a litigant on the chances of succeeding in suing the auditors. Most candidates failed to show understanding of the rules with regards who can sue the auditors and the conditions that must be met. The following observations were made:

  i.   Most candidates gave general answers and explained the three conditions that must be met to succeed in suing the auditors without using the information in the scenario and so lost marks.
  ii. Others discussed the responsibilities of management for fraud and concluding that Christine will not succeed in suing the auditors.

Part (b) was a knowledge based question requiring candidates to explain the forms of insurance that auditors should take in accordance with the Accountants Act 2008.

Candidates lost marks because instead of discussing the forms of insurance that audit firms should take they discussed way in which the auditors may avoid being sued for negligence which did not address the requirements of the question.

Part (c) required candidates to identify and explain six fraud risk factors in Njamba Ltd. This part of the question was generally well answered. Some candidates lost marks because they identified less than the required number of fraud risk factors. Others were able to identify but failed to explain why they are considered fraud risk factors.

Part (d)
This part of the question required candidates to recommend audit procedures that should be performed if it is concluded that there is a high risk of fraudulent financial reporting in the audit of Njamba Ltd.

The majority of candidates lost all marks because their answers did not address the question requirements. Most of the candidates discussed procedures that should be taken when fraud has been discovered.

Overall performance of candidates

  i.   Highest mark obtained in this paper: 68%
  ii.   Lowest mark obtained in this paper: 20%
  iii. Overall pass rate in this paper: 23.4%

SUBJECT CA 3.4 ADVANCED TAXATION

QUESTION ONE

The performance on this question was very poor. Only 15 out of the 68 candidates that attempted the question passed it, representing a pass rate of 22.1%. The highest score was 26 out of 40 while the lowest was 4.

Question one examined tax planning for group of companies and foreign aspects of taxation. It was divided into parts (a) to (d). In part (a) (i) candidates were required to explain the taxation implications arising from obtaining a loan from a foreign based subsidiary. The following are the challenges faced by the candidates who scored poor marks on this part of the question:

i. Failing to explain the transfer pricing rules relating to loans obtained from related companies resident in a foreign countries.
ii. Failure to calculate the amount of interest to be disallowed in the computation of taxable business profits

In part (a) (ii) candidates were required to explain the taxation implications arising from sale of goods to a foreign resident subsidiary. Most candidates failed to explain the transfer pricing rules relating to sale of goods to a foreign resident subsidiary and failed to calculate the transfer pricing adjustment required in relation to sale.

Part (b) required candidates to explain the tax issues arising from the acquisition of a subsidiary and to compute the income tax payable by the new subsidiary. Candidates generally demonstrated a lack of the knowledge of the tax treatment of group entries and therefore failed to provide the required explanations and make the relevant computations.

In part (c) candidates were required to calculate the amount of income tax payable by the parent company. The following were the most common challenges faced by the candidates who performed poorly on this part of the question:

i. Failing to make the appropriate transfer pricing adjustments in relation to the intragroup transactions
ii. Failing to include the correct amount dividends received from foreign sources in the computation.
iii. Not taxing the non-income separately at 35% and then taxing the income from farming activities at the lower rate of 10%.
iv. Forgetting to adjust the income tax rate by 5% given that the company had issued more than one-third (1/3) of its shares to indigenous Zambians.
v. Failing to calculate the amount of double taxation relief arising on foreign income.

Part (d) candidates were required to calculate the amount of income tax payable by the Chief Finance Officer of the group and was also poorly answered. The most common weaknesses demonstrated by candidates included:

i. Not including the correct amount of the taxable income from foreign sources.
ii. Failing to calculate the correct amount of capital allowances and allowable motor car running expenses.
iii. Using the wrong rates in computing the income tax payable. A good number of candidates used the company income tax rate instead of using the income tax bands for individuals.
iv. Failing to calculate the correct the amount of double taxation relief on foreign income.

QUESTION TWO

The general performance on this question was good. 40 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 64.5% was recorded. The highest score was 20 out of 20 marks while the lowest was 1.

The question examined taxation of income from mining operations. Part (a) required candidates to compute the taxable mining profits and explain the tax treatment of the interest expense incurred by the company.
The most common mistakes made by candidates who performed poorly on this part of the question included:

i. Failure to calculate the correct amount of mineral royalty tax payable on copper and precious metals.
ii. Failing to identify the disallowed expenditure to be added back in computing the taxable profits.
iii. Using the wrong rates of wear and tear allowance in computing the capital allowances claimable.
iv. Failing to explain the tax treatment of interest expenses

In part (b) candidates were required to calculate the amount of income tax payable by the mining company. Most candidates used the wrong rates to compute the income tax arising and in most cases, forgot to tax mining income separately at the rate of 30% and then taxing the non-mining income at the normal company income tax rate of 35%.

QUESTION THREE

The general performance on this question was good. 35 out 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 62.5% was recorded. The highest score was 20 out of 20 marks while the lowest was 2.

This question covered taxation incentives for manufacturing companies, tax audits and penalties for late payment of taxes. Part (a) which required candidates to explain the tax incentives available to manufacturing companies was fairly well answered as candidates managed to explain the relevant incentives.

In part (b) candidates were required to advise on the main types of tax defaults which may be uncovered during a tax audit. This part of the question was answered well by most candidates with the exception of a few of them who demonstrated a lack of knowledge of the tax defaults and therefore failed to provide the relevant explanations.

Part (c) required to calculate the amount of provisional income tax paid and the amount of penalties and interest arising on late payment of taxes and on late submission of returns. This part of the question was poorly answered. The most common challenges faced by candidates included:
  i.   Failure to identify the due dates when the tax should have been paid during the tax year 2021
  ii.   Failure to calculate the correct amount of penalties on overdue tax
  iii. Failure to calculate the correct amount of interest on overdue tax.

QUESTION FOUR

The general performance on this question was fair. 19 out of the 33 candidates that attempted the question managed to obtain at least 10 marks out of a total of 20 available marks. A pass rate of 57.6% was recorded. The highest score was 19 out of 20 marks while the lowest was 1.

Question four examined financial and investment planning for both individuals and companies. Part (a) which required candidates to explain the nature and income tax implications of whole of life assurance, term assurance and critical illness was fairly well answered. Only a few candidates failed to provide the required explanations.

In part (b) (i) candidates were required to explain the nature and income tax implications of collective investments. Most candidates demonstrated a lack of knowledge of collective investment schemes and therefore failed to provide the required explanations.

Parts (b) (ii) and (iii) which required candidates to explain the income tax implications of investing in equity shares of companies listed on the LuSE and in a company which is not listed was reasonably well answered. Only a few candidates failed to provide the required explanations.

In part (c) candidates were required to advise the directors on the income tax and VAT implications of acquiring the car outright using borrowed money or under a hire purchase agreement. The following are the challenges faced by the candidates:

i.   Failing to explain the income tax treatment of interest incurred on the borrowed money and under the hire purchase agreement

ii. Failure to explain the tax treatment of input Value Added Tax (VAT) incurred on the purchase of the car.

iii. Using the wrong rates of wear & tear allowances to compute capital allowances claimable on the motor car under each option.

iv. Failing to explain the income tax treatment of personal-to-holder cars provided to directors.

QUESTION FIVE

The general performance on this question was very poor. Only 9 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 18.4% was recorded. The highest score was 15 out of 20 marks while the lowest was 3.

The question examined tax planning involving evaluation of alternative remuneration package. In part (a) candidates were required to calculate the income tax that will arise under each offer.

The following were the most common challenges faced by the candidates:

i.   Failing to identify the taxable income from each employment offer, resulting in the candidates including exempt income in the computation

ii. Deducting expenses which are not allowable when computing the taxable employment income

iii. Using the wrong rates to compute the income tax payable. Some candidates used the company income tax rate of 35% instead of the personal income tax bands for individuals.

Part (b) which required candidates were required to advise on which of the two offers was beneficial from a taxation point of view was also poorly answered as candidates failed to calculate the correct amount NAPSA contributions to be deducted to arrive at the net income.

Overall performance of candidates

i.   Highest mark obtained in this paper: 73%
ii. Lowest mark obtained in this paper: 17%
iii. Overall pass rate in this paper: 45.6%

SUBJECT: CA 3.5 -ADVANCED MANAGEMENT ACCOUNTING

QUESTION ONE

The performance on this question was very poor None of the 17 candidates that attempted the question passed it, representing a pass rate of 0%. The highest score was 18 out of 40 while the lowest was 0.

This question examined the following;
(i)   The role of management accounting in meeting needs of stakeholders and sustainability.
(ii)   Responsibility accounting and types of responsibility centres
(iii)   Purchases budget, cash budget and benefits of cash budgeting.

The question was fairly attempted. Part(i) was generally poorly attempted. Most candidates explained the role of management accounting in control, decision making, co-ordination, communication and evaluation. But the requirement was its role in meeting shareholder needs. Very few candidates referred to sustainability and those who did not know what was meant by sustainability.

In part (ii) the answers ranged from those who understood responsibility accounting and responsibility centres well and those who had no idea at all. Part (iii) was generally well attempted.

QUESTION TWO

The general performance on this question was very poor. None of the 4 candidates that attempted the question managed to obtain at least 10 marks out of a total of 20 available marks. A pass rate of 0% was recorded. The highest score was 8 out of 20 marks while the lowest was 2.

Part (a) of the question was on preparation of an actual profit statement. This part did not pose much challenge as many candidates however a number of the candidates could not account for the total costs.

Part (b) was on preparation of a budgeted profit statement. This part was not well answered as many candidates could not compute the cost of sales well thereby failing to arrive at the final answer requested for.

In part (c) of the question, candidates were required to carry out calculation of following variances:
(i)   Sales price and sales volume variance
(ii)   Direct material price, mix and yield variances
(iii)   Direct labour rate and efficiency variance
(iv)   Variable overhead expenditure and efficiency variances
(v)   Fixed overhead expenditure, efficiency and capacity variances

The computation of variances seems to always pose a challenge to many candidates. The majority could not establish the standard costs.

Part (d) was on preparation of a statement reconciling the budgeted profit with the actual profit. Since part (d) was dependent on part (c), the answering was interlinked so it was expected that candidates could use the findings in part (c) to answer part (d). A number of the candidates failed to calculate the budgeted profit (Standard profit per unit x actual sales units).

QUESTION THREE

The general performance on this question was fair. 8 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 53.3% was recorded. The highest score was 16 out of 20 marks while the lowest was 3.

The question was dived into parts (a) to (c). Part (a) was based on determination of the total budget production overhead cost for the period. The total budget production overhead cost for the period was generally done well for many candidates except for few who had challenges with the OAR to use. This rate was given in the question. It was disappointing to see some candidates multiplying the labour hours by the machine OAR.

Part (b) was on calculation of the cost per unit for each product using the conventional method. This part was overwhelmingly well answered and many candidates got the marks. Though some candidates left out the materials cost in computing the cost per unit.

In part (c), candidates were required to calculate cost per unit for each product using Activity Based Costing (ABC) principles. This part recorded the highest failure rate as candidates failed to apply ABC principles to the data given. Most candidates failed to calculate the right rates to use in charging overheads to units.

QUESTION FOUR

The general performance on this question was also fair. 8 of the 16 candidates that attempted the question managed to obtain at least 10 marks out of a total of 20 available marks, resulting in a 50% pass rate. The highest score was 19 out of 20 marks while the lowest was 7.

This question was testing candidates on budgeting. It had three parts. In part (a), the quality of answers was very good though some candidates were repeating the same points. In part (b), candidates were expected to discuss. However, most candidates were instead listing instead of discussing. In part (c), a number of candidates were able to note the issues but failed to advise on the practical action.

QUESTION FIVE

The general performance on this question was good. 9 candidates out of the 15 that attempted the question managed to obtain at least 10 marks out of a total of 20 available marks. A pass rate of 60% was recorded. The highest score was 16 out of 20 marks while the lowest was 2.

The question had three parts (3). In part (a), the explanations were generally good except for a few candidates who could not identify the weaknesses hence failed to explain them. In most cases the candidates were unable to suggest an improvement to the system.

In part (b), most the non-financial performance measures were not convincing enough. Most of the candidates failed to back the choices of performance measures. In part (c), most of the explanations did not relate to the scenario hence scored less marks.

Overall performance of candidates

i.   Highest mark obtained in this paper: 60%
ii.   Lowest mark obtained in this paper: 19%
iii.   Overall pass rate in this paper: 35.3%

SUBJECT: CA 3.6- ADVANCED FINANCIAL MANAGEMENT

QUESTION ONE

The general performance on this question was fair. 8 out of the 18 candidates that attempted the question managed to score at least 20 out of 40 available marks. The recorded pass rate on the question was 44.4%. The lowest score was 10, whilst the highest was 32 out of the available 40 marks.

Part (a) required candidates to prepare a report that evaluates whether ZCM should agree to the proposed joint venture or not. Relevant calculations must form part of your report as an appendix. Common mistakes included wrong timing of cash flows. For instance when dealing with inflation, the term "current inflation in Zambia" was misunderstood that inflation would apply from year one instead of year Zero.

Another common mistake included wrong exchange rate conversions. This could be due to insufficient knowledge of the Purchasing Power Parity which implies that the country with the higher inflation rate should experience a depreciation of its currency. E.g. ZMW/USD – The Kwacha rate should depreciate as the inflation rate for Zambia was 9% while the inflation rate for United States was 2%. Some candidates were using the global market inflation rate of copper prices of 10% even though the question had explained clearly that the salaries for technical staff would rise in line with inflation in Zambia.

Part (b) required candidates to discuss the ways which ZCM might use in an attempt to repatriate possible blocked funds from DRC. Some candidates assumed that legal action was the solution to blocked funds.

QUESTION TWO

The general performance on this question was very poor. None of the 3 candidates that attempted the question managed to obtain at least 10 marks out of a total of 20 available marks. A pass rate of 0% was recorded. The highest score was 7 out of 20 marks while the lowest was 4.

Parts (a) required candidates to State what the Forward Rate Agreement (FRA) is required by VGATE Holdings Plc and calculate the result of the FRA and the effective interest rate if the actual interest rate for nine (9) month loans on 15 November is: (i) 14% and; (ii)   9%.

Part (b) required them to Show how the options can be used to hedge against the interest rate risk by GYP Ltd while part (c) required candidates to show the outcome of the hedge if the loan is negotiated on 20 September and LIBOR is 7.5% on that date and calculate the effective interest rate. This question was not popular and candidates exhibited lack of knowledge of the forward rate agreement and interest rate options.

QUESTION THREE

The general performance on this question was excellent. All 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 100% was recorded. The highest score was 20 out of 20 marks while the lowest was 14.

The question was divided into two parts. Part (a) required candidates to discuss the merits and demerits of making a take-over bid for HP Inc. by G-SING Ltd while part (b) required candidates to evaluate the appropriateness of G-SING's current financial objective and of the new objectives suggested by the directors. The question was well attempted but some candidates instead of evaluating the current and new objectives they were merely explaining.

QUESTION FOUR

The general performance on this question was very poor. None of the 12 candidates that attempted the question managed to obtain at least 10 marks out of a total of 20 available marks. A pass rate of 0% was recorded. The highest score was 9 out of 20 marks while the lowest was 1.

Question four was divided into three parts. Part (a) required candidates to determine the maximum price that Bradly Ltd should pay for the entire share capital of Mallo Limited and (ii) The minimum price that the ordinary shareholders in Mallo Ltd should accept for their shares from information provided.

Part (b) required them to assume that the takeover price is agreed at the figure calculated in (a) (ii) above, and that the purchase consideration will be settled by an exchange of ordinary shares in Mallo Ltd for the ordinary shares of Bradly Ltd, to show how the entire benefit from the takeover will accrue the present shareholders of Bradly Ltd.
Part (c) required candidates to discuss any other factors that the Directors and Shareholders of both companies should consider in evaluating whether the proposed takeover will benefit them.

Most of those that attempted the question especially part (a) failed to first calculate the Value of Bradley Ltd after acquisition. This calculation was important in determining the profits (dividends) so that the present values of these future earnings were to be calculated. In order to determine the Maximum Price that Bradly ltd was to pay in order to acquire Mallo Ltd, Cash flows from the disposition of the machine, Total Value of Bradly acquisition and the Market value of Bradly Ltd before acquisition was not be netted- off.

Some candidates were unable to calculate maybe due to not understanding what the question required them to do or inadequate knowledge of this part of the syllabus.

QUESTION FIVE

The general performance on this question was excellent. 17 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 94.4% was recorded. The highest score was 18 out of 20 marks while the lowest was 9.

The question was divided into three parts. Part (a) required candidates to explain the strategic reasons why the Board of Directors of TRUNK Plc is planning to open up manufacturing bases in Africa while part (b) required them to discuss the advantages and disadvantages of the proposal to open manufacturing bases in Africa from the point of view of TRUNK Plc.

Part (c) required candidates to advise on the potential risks that TRUNK Plc would face as a result of opening up manufacturing bases in Africa and how these risks may be mitigated.

Some candidate failed to clearly state the reasons as to why companies undertake foreign direct investment, hence not stating the advantages and disadvantages as required by the question. Those students who did not respond fully to this question could be due to inadequate knowledge regarding the concept of foreign direct investment.

Overall performance of candidates

    i.   Highest mark obtained in this paper: 66%
    ii.   Lowest mark obtained in this paper: 38%
    iii.   Overall pass rate in this paper: 83.3%

SUBJECT: CA 3.7-PUBLIC SECTOR AUDITS AND ASSURANCE

QUESTION ONE

The general performance on the question was very poor. Only 6 out of the 83 candidates attempted it managed to score at least 20 marks out of the available 40, representing a pass rate of 7.2%. The highest score was 35 marks out of 40 while the lowest was 9.

This was a compulsory question divided into parts (a) to (e). Part (a) required candidates to identify and explain five fraud risk factors from the given scenario. While the performance was generally good some candidates scored less marks than expected largely because of the following:

  i.   Some candidates explained actual fraud rather than fraud risk factors which may not necessarily mean that fraud has taken place. Candidates should know the distinction between fraud and fraud risk factors which are usually present in cases where fraud has actually taken place.
  ii. A few candidates mistook fraud risk factors for audit risks for which no marks were given.
  iii. Some candidates identified fraud risk factors but could not explain correctly why the identified are fraud risk factors.

Part (b) had two sub requirements. The first one was a knowledge based question requiring candidates to contrast transparency and accountability in the use of public funds and transparency and accountability in the Supreme Audit Institution. The general performance in this part was good but there were a few candidates who score low marks for which the following observations were made:

  i.   Some candidates explained the principles of ISSAI 20 Principles of Transparency and Accountability without addressing the requirement of the question to explain the two terms as they relate to the Supreme Audit Institution. The principles of transparency and accountability were required in the answer to part (ii) of the question.
  ii. A few candidates left this part of the question not answered showing that they do not understand these principles.
  iii. A few candidates discussed transparency and accountability from the point of view of Chikanta City Council instead of the Office of the Auditor General as per question requirement.

The second part (b) required candidates to discuss principles of transparency and accountability in accordance with the provisions of the ISSAI 20 Principles of Transparency and Accountability. Most candidates were not able to apply the theory on transparency and accountability to the scenario as required and so lost some

marks. Application skills were poor and candidates should note that at this level of the examinations they will be required to apply theory to situations given in the questions.

Part (c) of the question required candidates to evaluate the quality control system of Office of the Auditor General in the given scenario and suggest improvements where necessary.

The performance in this part was generally good with most candidates scoring more than half the available marks. The following were observed for candidates who performed below average:

    i.   A number of candidates did not answer the second part of the question to suggest improvements where necessary and they lost the marks attributed to doing so.

    ii.   Some candidates simply repeated the information in the scenario without evaluating and comparing with the provisions of ISSAI 40 Quality Control.

Part (d) of the question required candidates to discuss the suggestion that the audit cannot proceed unless audit risk is reduced to acceptable levels. The following were observed:

    i.   Some candidates who identified audit risks failed to explain why they are audit risks.

    ii.   There were candidates who simply defined audit risk and its components without relating the same to the information in the scenario.

Part (e) required candidates to discuss the suggestion that the public sector audit should not go ahead in view of the fact that audit risk is considered to be above tolerable levels. The performance was poor in this question. The majority of the candidates failed to observe that the lack of preconditions necessary in the audit of the private sector will not result in the public sector auditors declining to carry out an audit. They are mandated to carry out audits of all public institutions regardless of the level of risk.

QUESTION TWO

The general performance on the question was fair. 33 out of the 72 candidates attempted it managed to score at least 10 marks out of the available 20, representing a pass rate of 45.8%. The highest score was 18 marks out of 20 while the lowest was 2.

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

Part (a) of the question required candidates to explain regularity and propriety audits using information in the scenario. The performance was generally good but the following observations were made on the candidates who scored less marks.

i. Many candidates simply did not know what these terms mean stating for example that propriety is the audit of individuals working in the public sector. Others defined regularity as a process of responding to audit queries arising from poor record keeping.

ii. A number of candidates did not use the information in the scenario in explaining these terms as required by the question.

Part (b) was a knowledge and application based question requiring candidates to distinguish direct reporting engagements from attestation engagements in a compliance audit of the Ministry of Health user fees. The performance in answering this question was generally good but the following were observed for candidates who performed poorly:

i. There were candidates who simply did not know these two types of engagements stating for example associating direct reporting engagements to reporting to parliament or directly to the public.

ii. Others described attestation engagements as a type of audit conducted when fraud is suspected.

iii. Many lost easy marks for simply explaining direct reporting engagements and attestation engagements without relating their answers to the information in the scenario as required in the question.

iv. Other candidates explained these terms in terms of the levels of assurance given rather than explaining each one of them. The levels of assurance were relevant in answering part (c) of the question.

Part (c) required candidates to distinguish reasonable assurance from limited assurance in the context of compliance audits performed by the public sector auditors. Most of the candidates scored maximum marks in answering this question. Few candidates lost marks because they explained compliance audits without distinguishing reasonable assurance from limited assurance.

In part (d), candidates were required to explain three matter that should be considered in a compliance audit of user fees and to suggest a suitable compliance audit procedures for each matter.

The majority of the candidates explained adequately the three matters and gave suitable audit procedures for each of the matters. There were a few candidates who scored low marks largely because:

i. Some candidates gave general audit procedures not related to the matters identified and explained.

ii. There were candidates who explained the three matters without suggesting suitable audit procedures as required by the question.

iii. There were candidates who explained the matters and instead of suggesting suitable audit procedures tried to give safeguards not required by the question.

QUESTION THREE

The general performance on the question was very poor. Only 7 out of the 56 candidates attempted it managed to score at least 10 marks out of the available 20, representing a pass rate of 12.5%. The highest score was 15 marks out of 20 while the lowest was 0.

The following observations were made:

Part (a) was a knowledge based question requiring candidates to explain the objectives of the Principles of Public Sector auditing contained in ISSAI 100.

The performance in this part of the question was generally good with most candidates scoring maximum marks.

Part (b) of the question required candidates to evaluate the findings in a performance audit of the Ministry of Defence. The performance in this part of the question was not satisfactory and many candidates could not evaluate adequately each of the four matters in the scenario in eh context of the performance audit.

In part (c) of the question, candidates were required to explain Key Audit Matters and advise whether the use of this paragraph in the scenario was appropriate. Candidates needed to have knowledge of the provisions of ISSAI 1701 to answer this question well.

Most of the candidates explained the meaning of Key Audit matters but failed to advise on whether it was appropriate to report the security issue and so lost marks. Further, candidates gave less than the expected number of points for the marks on offer an d the candidates are reminded to be guided by the marks to determine the points that should be made.

QUESTION FOUR

The general performance on the question was also very poor. Only 14 out of the 61 candidates attempted it managed to score at least 10 marks out of the available 20, representing a pass rate of 23%. The highest score was 16 marks out of 20 while the lowest was 2.

The question was divided into two parts. Part (a) required candidates to discuss the three forms of modification of the auditor's opinion and also to suggest a suitable form of opinion using information for Zambezi Ltd. Most candidates did not answer the part of the question that required them to form of modification using the information in the scenario and lost three easy marks.

Candidates are reminded that financial audits form a major part of the CA 3.7 syllabus and so should ensure they familiarize themselves with all the relevant auditing standards.

Part (b) had three sub requirements. The first part required candidates to discuss the need for an engagement letter before the commencement of the audit. Candidates lost marks for not giving enough points to warrant maximum marks. Some candidates did not refer to ISSAI 1210 in answering the question as expected.

The second part of (b) required candidates to explain the preconditions for the audit of the National Registration Agency and to also explain the impact on the audit if they do not exist. Some candidates erroneously stated that the audit should not go ahead which could be appropriate in the audit of the private sector and not in public sector audits. Some candidates lost marks for simply explaining the preconditions without dealing with the part that required an explanation of the impact on the audit when the pre-conditions do not exist.

A majority of the candidates did not discuss the provisions of ISSAI 1210 but instead discussed this from the point of view of ISA 210. Candidates should have discussed the provisions of the practice note relating to ISSAI 1210 which provides that the terms of the engagement in the public sector are mandated by law and are not subject to agreement with management.

The third part was a knowledge based question requiring candidates to simply state six matter that should be included in an engagement letter. It was generally answered well with candidates scoring more than half the available marks. There were a few candidates who stated less than the six matters required and obtained marks in proportion to the correct matters stated.

QUESTION FIVE

The general performance on this question was also very poor. Only 16 out 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 28.6% was recorded. The highest score was 15 out of 20 marks while the lowest was 1.

The question was divided into two parts, each with multiple requirements. Part (a)(i) required candidates to discuss the need for risk assessment at the planning stage of a public sector audit.

Some candidates did not show knowledge of the requirements of the relevant auditing standard ISSAI 1315 in answering the question and did not clearly explain why risk assessment is carried out at the planning stage of the audit. Some candidates discussed audit risk and its component without relating this to the question requirement and earned no marks.

In (a)(ii), candidates were required to discuss three inherent risks in the audit of the financial statements of Precious Mining. The following were observed:
  i.   In most cases candidates did not explain the audit responses as required by the question.

ii. A few candidates gave management responses in answering the second part of the question instead of responses from the point of view of the auditor.

The first part of (b) required candidates to describe the type of fraud involving the loss of products at the National Oil Company. A majority of the candidates were able to recognize misappropriation of assets in the scenario and failed to identify fraudulent financial reporting. Others erroneously described the falsification of financial records as misappropriation of assets.

Part (b)(ii) examined on forensic investigations, requiring candidates to explain the work that should be carried out during the stage of understanding the fraud and safeguarding the information necessary in the investigation at the National Oil Company.

Most of the candidates discussed all the stages in a forensic investigation instead of only the two required in the question which was a clear waste of time as no marks were awarded for what was not required for. Some candidates did not describe in eh required detail the work that should be done in each of the two stages required but simply talked about what was needed such as the need to understand the fraud and need to protect the documents without explaining how this will be achieved.

Overall performance of candidates

i. Highest mark obtained in this paper: 64%
ii. Lowest mark obtained in this paper: 25%
iii. Overall pass rate in this paper: 38.6%

SUBJECT: CA 3.8-PUBLIC SECTOR FINANCIAL MANAGEMENT

QUESTION ONE

The general performance on the question was fair. 2 of the 5 candidates that attempted it managed to score at least 20 marks out of the available 40, representing a pass rate of 40%. The highest score was 28 marks out of 40 while the lowest was 12.

The question was divided into seven parts. Part (a) required candidates to evaluate the Net Present Value of the Road Transport Safety Board investment in the new line of vehicles explaining the decision that you have recommended.

Part (b) required them to explain six (6) advantages and three (3) disadvantages of using Net Present Value as opposed to using Pay Back Period or Accounting Rate of Return while part (c) required them to explain the financial factors that must be considered when making an investment decision in the public sector.

Part (d) required candidates to identify the key programs and Output indicators that are critical for the Ministry of Community Development while part (e) required them to explain the difference between budget control and management control.

Part (f) required them to explain how the Ministry would determine whether or not the public is getting value for its money while part (g) Explain the mechanism, strategies and approaches that could encourage ethical conduct in the public service.

Some candidates could not properly the advantages and disadvantages of using Net Present Value and also to Identify the key programs and Output indicators that are critical for the Ministry of Community Development.

QUESTION TWO

The general performance on the question was also fair. 2 out of the 4 candidates that 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 8.

Part (a) required candidates to assume the role of Director of Finance in the Ministry of Tourism and explain how you would assist Senior Management approach its risk attitude towards this investment.

Part (b) required candidates to explain ways of determining probability for a situation or event. Part (c) required candidates to state the difference between Private Sector Financial Risk Management and Public Sector Financial Risk Management. Candidates failed to explain how Senior Management would approach its risk attitude towards this investment.

QUESTION THREE

The general performance on the question was very poor. None of the 2 candidates that attempted it managed to score at least 10 marks out of the available 20, representing a pass rate of 0%. The highest score was 7 marks out of 20 while the lowest was 4.

Part (a) required candidates to identify areas where cash flow forecasting can be applied in the public sector to improve decision making while part (b) required candidates to suggest other techniques in the public sector that could be used to improve decision making.

Part (c) required candidates to state the advantages and disadvantages of investing in Government securities.

Some candidates assumed that the term 'areas' meant 'institutions' like Parastatals while others candidates failed to separate programmed decisions from non-programmed decisions.

Some candidates were providing very few advantages and disadvantages. Since the question did not state the number of advantages and disadvantages it is safer to provide as many as you can in order to earn maximum marks.

QUESTION FOUR

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 19 marks out of 20 while the lowest was 11.

Part (a) (i) of the question required candidates to describe three (3) fundamental differences between public sector and private sector entities that the Municipality should take into consideration as it pursues its public financial management strategy while part (ii) required them to explain the term 'outsourcing' in public sector context and advance two (2) arguments for the use of outsourcing by the Municipality in its operations.

Part (a) (iii) required candidates to explain three (3) factors that the Management of the Municipality should consider in making the decision to outsource some of its functions.

In part (b) (i) required candidates to explain to the Councilors three (3) differences between accrual accounting and cash accounting as Financial Advisers.

Part (b) (ii) required candidates to identify three (3) justifications for adopting accrual accounting in the public sector.

Part (b) (iii) required them to explain the term commitment accounting and illustrate how it could strengthen public financial management.

The question was well attempted although candidates lacked detailed knowledge about the syllabus area. This implies that candidates did not adequately prepare.

QUESTION FIVE

The general performance on the question was fair. 2 of the 5 candidates that attempted it managed to score at least 10 marks out of the available 20, representing a pass rate of 40%. The highest score was 14 marks out of 20 while the lowest was 4.

Part (a) required candidates to identify four (4) stakeholders who use public sector financial information and their information needs. Candidates provided very Brief responses- which made them not to earn full marks

In part (b), candidates were required to briefly explain four (4) objectives of cash management in the public financial management. Candidates provided general responses applicable in the private sector - candidates were required to refer to cash management in public financial management (in the public sector).

Part (c) (i) required candidates to identify four (4) benefits Zambia stands to gain by adopting an Integrated Financial Management Information Systems (IFMIS) in the Management of Public funds. Part (c)(ii) required candidates to explain two (2) preconditions required for the successful implementation of Government business through the IFMIS. For part (i) candidates provided insufficient knowledge of the operations of Integrated Financial Management System (IFMIS). Part (ii) most candidates Ignored this question.

Part (d) required candidates to explain four (4) mechanisms established by Government to ensure that public organizations practice value for money in public financial management. Candidates provided very brief responses- which made them not to earn full marks.

Overall performance of candidates

i.   Highest mark obtained in this paper: 68%
ii.   Lowest mark obtained in this paper: 32%
iii. Overall pass rate in this paper: 60%