



DECEMBER 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 48 candidates that attempted the question, only 13 passed (got at least 10 out of the total 20 marks available). The pass rate recorded was 27.1%. The highest mark scored on this question was 16 out of 20 and the lowest was 2 out of 20.

The poor performance on the question has been attributed to inadequate preparation for examinations by the students.

QUESTION TWO

The general performance on this question was also poor as only 10 out of the 43 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 23.3%. The lowest score was 1 out of 20 marks, whilst the highest 15 marks.

Part "a" required candidates to prepare a statement of Cash flows using the Indirect method and in accordance with IAS 7. It is disappointing to find answers where even the cash flow format cannot be drawn. Candidates cannot show the first item of cash flow statement i.e. Profit before tax of K14 600 000. Basic adjustments required could not be made. Candidates are encouraged to prepare adequately before attempting a serious examination such as CA 1.1.

Part "b" required candidates to define PPE as per IAS 16 and the recognition criteria. Candidates could not answer this part.

QUESTION THREE

The general performance on this question was very good. 35 out of the 47 candidates who attempted the question scoring 10 marks and above out of 20 marks, representing a pass rate on the question of 74.5%. The lowest score was 1, whilst the highest was 20 marks out of 20.

Part "a" required candidates to prepare a statement of Profit or Loss account for a company. It was observed that many candidates did not include this item under expenses. Others lost marks because they failed to calculate correct charges for each item of PPE. Candidates are encouraged to practice by doing as many past papers as possible on this topic (IAS 16).

Part (b) of the question required candidates to prepare a statement of Financial position for a company. Many candidates failed to apportion the total amount as required.

QUESTION FOUR

The general performance on this question was poor as only 9 out of the 40 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 22.5%. The lowest score was 1, whilst the highest scores 16 out of the available 20 marks.

Part (a) required candidates to explain the importance of carrying out a bank reconciliation. Candidates seem to concentrate on how to reconcile but not why they are doing the reconciliation. Suggested answers are clear enough.

Part (b) required candidates to prepare an amended Cash book. The combination of correcting and updating the cash book proved a challenge for many candidates yet at knowledge level, this knowledge is critical. Candidates are encouraged to do a lot of practice on past papers to be able to handle this type of question. Candidates needed to answer part "c" before answering part "b".

Part (c) required candidates to prepare a statement that reconciles a bank statement balance to the amended cash book balance. The errors by the bank made this part challenging on getting the cash book closing balance.

QUESTION FIVE

The general performance on this question was very poor. Only 2 out of the 37 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 5.4%. The lowest score was 1, whilst the highest was 11 out of 20.

Part (a) (i) required candidates to prepare journal entries to correct the given errors. The answers given showed that candidates lacked understanding the basic double entry system to enable them carry out correction of errors.

Part (a) (ii) required candidates to prepare a suspense account. The common mistakes noted included the following:

- i. Interpreting opening balance. Since the credits exceeded the debits, the suspense account should open with a debit entry.
- ii. Transposing entries – the entries which have been posted to the credit were posted to the debit by many candidates who attempted the question.

Part (b) (i) required candidates to explain the main objective of general purpose financial reporting. The candidates who attempted this part gave answers which were not related to the requirement.

Part (b) (ii) required candidates to state and explain the two fundamental qualitative characteristics. This part was well done.

Part (b) (iii) required candidates to distinguish between equity and liability. This part was well done.

QUESTION SIX

The general performance on this question was very poor with only 1 of the 15 candidates who attempted the question achieving a pass (that is a score of at least 10 out of 20 marks), representing a pass rate on the question of 6.7%. The lowest score was 1, whilst the highest 10 out of 20.

Part (a) (i) required candidates to differentiate between an accounting concept and an accounting policy. These basic fundamental terms are not given due attention by candidates. Candidates need to pay attention to such terms in order for them to develop the knowledge in the subject.

Part (a) (ii) required candidates to identify and explain, the basic accounting principle which requires prepayments to be included in final accounts. This was answered well.

Part (a) (iii) required candidates to explain the purpose of depreciation charge in the statement of profit or loss. This was well done.

Part (b) required candidates to make year-end adjustments and thereafter show the adjustment by revising the given statement of financial position as at 30th September 2021. This part was not attempted by the candidates. Candidates need to practice on similar past question papers in order to understand how to adjust the given figures in the statement of financial position.

Overall performance of candidates

- i. Highest mark obtained in this paper: 77%
- ii. Lowest mark obtained in this paper: 9%
- iii. Overall pass rate in this paper: 13.7%

SUBJECT: CA 1.2 BUSINESS STATISTICS

QUESTION ONE

The general performance on this question was good with 60 of the 93 candidates who attempted the question passing (got at least 10 out of the total 20 marks available). The pass rate recorded was 64.5%. The highest mark scored on this question was 18 out of 20 and the lowest was 2 out of 20.

This was a multiple choice compulsory question that covered the entire syllabus hence students had a wide range of questions to answer. In most cases, candidates lost marks for using wrong formulae when computing the required tasks.

QUESTION TWO

The general performance on this question was poor. 36 out of the 93 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 38.7%. The lowest score was 1 out of 20 marks, whilst the highest 20 marks.

Part (a) required candidates to group the given data by constructing a frequency distribution table and then find the mean, median, mode and standard deviation. Most candidates managed to solve the question correctly but the ones who failed made errors in the construction of the frequency distribution hence could not get correct summations and eventually solutions.

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. However, some candidates could not arrive at the correct probabilities due to wrong use of the z-probability table.

QUESTION THREE

The general performance on this question was excellent. 67 out of the 83 candidates that attempted the question scoring 10 marks and above out of 20 marks, representing a pass rate on the question of 80.7%. The lowest score was 3, whilst the highest was 20 marks out of 20.

This question required candidates to use the given data to calculate statistical measures such as correlation coefficient, and the least squares regression line. Out of the total of 93 candidates, 83 attempted the question with an average performance of 15 marks out of 20 marks. It was observed that some candidates made minor errors

when computing the correlation coefficient. Others lost marks due to use wrong formulae for computing the parameters β_0 and β_1 .

QUESTION FOUR

The general performance on this question was fair with 33 out of the 60 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 55%. The lowest score was 2, whilst the highest scores 20 out of the available 20 marks.

Part (a) of the question was on time series analysis. Candidates were required to apply the knowledge of time series to find moving quarterly averages, and seasonal movements using the multiplicative model.

Part (b) required candidates to plot the actual series and the sales collected for seasonal movements on a single graph. It was observed that almost all the candidates did not manage to correctly plot the graph, as a result, part (c) of the question proved difficult for them.

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 50.8%. The lowest score was 1, whilst the highest was 20 out of 20.

Part (a) of the question required candidates to use probability rules, the Union, intersection and conditional probability method. Candidate did not perform well on this question due to use of wrong probability formula.

Part (b) required candidates to compute the skewness of the given ungrouped data and late comment on the result obtained. Most candidates did well on this part of the question, accept a few who lost marks due to use of wrong formula.

QUESTION SIX

The general performance on this question was poor. Only 24 of the 69 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 34.8%. The lowest score was 0, whilst the highest 17 out of 20.

Part (a) of the question required candidates to compute binomial probabilities from the given scenario. It was observed that most of the candidates did not understand the meaning of "at least in the question, hence ended up with wrong inequalities when computing the probabilities.

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. However, some candidates could not arrive at the correct probabilities due to wrong use of the z-probability table.

Overall performance of candidates

- i. Highest mark obtained in this paper: 90%
- ii. Lowest mark obtained in this paper: 9%
- iii. Overall pass rate in this paper: 53.8%

SUBJECT: CA 1.3-BUSINESS ECONOMICS

QUESTION ONE

The general performance was fair on this question. 53 out of the 92 candidates that attempted it obtained at least 10 marks out of the total available 20. A pass rate of 57.6% was recorded. The highest score out of the total of 20 marks was 18 while the lowest was 0.

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 poor. Only 29 out of the 92 candidates that attempted the question managed to obtain at least 10 out of a total of 20 marks available. The pass rate recorded was 31.5%. The highest score out of 20 was 20 while the lowest was 1.

This was another compulsory question under Section B. The question examined This was another compulsory question. The question tested the candidates understanding of market structures and government intervention in the market. The question was divided into three (3) parts namely (a), (b) and (c).

Part (a) of the question required candidates to explain with the aid of diagrams for a firm operating under a perfectly competitive market structure (i) a firm earning supernormal profits, (ii) a firm incurring an economic loss and (iii) a firm making normal profits. Overall performance was very poor. The common mistakes are (i) poor diagrams and (ii) missing or wrong explanation. The mark distribution for each part was 2 marks for the correct diagram and 2 marks for the correct explanation. Candidates are strongly urged to learn the graphs in Economics.

Part (b) required candidates to distinguish using well labelled diagrams between the demand and supply facing the individual firm and the demand and supply facing the industry under perfectly competitive market structure. Overall performance was above average. However, some candidates interchanged the two. An individual firm faces a perfectly elastic demand with the Marginal cost curve above the average total cost curve representing the supply curve.

In part (c), candidates were required to explain any two (2) reasons why the Zambian government put price floor on some agriculture products. Performance was largely poor. Many candidates misunderstood price floor to mean lower prices for buyers to benefit. However, price floors are always aimed at protecting producers against lower prices.

QUESTION THREE

The general performance on this question was excellent. 69 of the 84 candidates that attempted it managed to obtain at least 10 marks out of a total of 20 available marks, resulting in a 82.1% pass rate. The highest score was 20 out of 20 marks while the lowest was 2.

The question was divided into four parts namely (a) to (d). Part (a) required candidates to draw supply and demand curves showing equilibrium price and quantity while part (d) required them to explain the terms excess demand and excess supply.

In part (c), candidates were required to show the effect on equilibrium point that consumer's income increase for a normal good and the price of a substitute good rising have. Majority of the candidates failed this part of the question. The common mistake being failure to draw the graphs correctly.

Part (d) required candidates to outline any three(3) reasons for government intervention in the economy. Answers were of mixed grill.

The general performance on the entire question was good though it was noted that some candidates provided general answers to requirements of economics by nature.

QUESTION FOUR

The general performance on this question was fair. 41 of the 80 candidates that attempted it managed to obtain at least 10 marks out of a total of 20 available marks, thereby resulting in a 51.3% pass rate. The highest score was 20 out of 20 marks while the lowest was 2.

The question was divided into four parts namely (a) to (d). In part (a), candidates were required to define economic growth. This was fairly done, though some definitions were poor.

Part (b) required candidates to outline any four (4) sources of economic growth for a nation. Performance was poor. Some candidates merely listed the four factors of production. Others correctly listed natural resources, human resources, physical capital and technological change but without outlining or explain them.

In part (c), the candidates were required candidates to explain any two (2) economic problems experienced as a result of the Covid -19 pandemic.

The final part of the question required candidates to explain the state in which Zambia's economy would be if there were a continued decline in economic growth.

QUESTION FIVE

The general performance on this question was fair. 24 of the 47 candidates that attempted it managed to obtain at least 10 marks out of a total of 20 available marks, resulting in a 51.1% pass rate. The highest score was 19 out of 20 marks while the lowest was 0.

Question five was also a multiple requirement question. In part (a), it required candidates to complete the given table for Marginal Product of Labour and Average Product of Labour while part (b) required them to sketch the TP, MP, and AP curves using the given range of axes. Some candidates interchanged the axes and ended up drawing wrong curves.

Part (c) required candidates to explain the relationship between MP and AP of labour from the graph in part (d) required them to state the workers required to maximize productivity.

Part (d) required candidates to explain the Law of Diminishing Marginal Product. This was fairly done.

QUESTION SIX

The general performance on this question was good. 43 of the 65 candidates that attempted the question managed to obtain at least 10 marks out of a total of 20 available marks. A pass rate of 66.2% was recorded. The highest score was 20 out of 20 marks while the lowest was 4.

The question was divided into four parts, (a) to (d). Part (a) required candidates to list any four (4) benefits that Zambia enjoys by being open to foreign trade. This was simply asking candidates about the benefits of foreign trade. This was perfectly answered.

Part (b) required candidates to outline any three (3) benefits for members of COMESA. This was fairly answered. However, some candidates seemed lost completely on this. Candidates are urged to study the entire syllabus.

In part (c), candidates were required to explain any two (2) reasons why certain products are exempted from import duties. This was correctly answered.

Part (d) required candidates to explain any three (3) points to that justify the use of trade protection. This was not correctly answered by many candidates. The question was simply asking about the arguments for protectionism or in support of protectionism.

Overall performance of candidates

- i. Highest mark obtained in this paper: 87%
- ii. Lowest mark obtained in this paper: 22%
- iii. Overall pass rate in this paper: 66.3%

SUBJECT: CA 1.4- COMMERCIAL AND CORPORATE LAW

QUESTION ONE

The general performance on this question was good. 88 of the 138 candidates that attempted the question managed to obtain at least 10 marks out of a total of 20 available marks. A pass rate of 63.8% was recorded. The highest score was 16 out of 20 marks while the lowest was 4.

This was compulsory and consisted of multiple choice questions selected from across the syllabus.

QUESTION TWO

The general performance on this question was very good. 57 of the 132 candidates that attempted the question managed to obtain at least 10 marks out of a total of 20 available marks. A pass rate of 43.1% was recorded. The highest score was 19 out of 20 marks while the lowest was 0.

The question was divided into three parts. Part (a) required candidates to explain what pre-incorporation contract is while part (b) a build up from part (a), requiring candidates to explain the consequences of pre-incorporation contracts. The performance was average on this part. Candidates that did not understand part (a) did could not do better on part (b) as well. Future candidates are urged to take interest in topics on corporate law as it is from there that such questions arise and anyone who would have read on the topic would find it easy to address such questions.

Part (c) required candidates to explain the position of the law regarding pre-incorporation contracts. The question was similar to part (b) above but different in principle. Reliance was to be placed on the statute and case law for full address of the question. A good number of the candidates got this question correct.

QUESTION THREE

The general performance on this question was excellent. 106 of the 121 candidates that attempted the question managed to obtain at least 10 marks out of a total of 20 available marks. A pass rate of 87.6% was recorded. The highest score was 19 out of 20 marks while the lowest was 4.

This question had three parts. (a), (b) and (c). Part (a) required candidates to discuss the procedure for winding-up of a company by the court. A good number of candidates could not properly explain the procedure for winding up by the court.

Part (b) examined ways in which a general contract can be discharged part (c) explain to the Directors the concept of vicarious liability. A good number of the candidates

QUESTION FOUR

The general performance on this question was excellent. 52 of the 86 candidates that attempted the question managed to obtain at least 10 marks out of a total of 20

available marks. A pass rate of 60.5% was recorded. The highest score was 18 out of 20 marks while the lowest was 5.

This question was a multiple requirement question. On the first part (a) few candidates were able to distinguish between statutory laws and by laws. The common mistake they made was that they were instead giving the characteristics of the sources of law in Zambia. Under part (b) the performance was not that good and they were making reference to other courts instead of just talking about the Supreme Court. For part (c) three quarters managed to explain the use of premiums except a few who showed no knowledge on premiums. All candidates managed to define a floating charge for part (d) and were able to give examples. Those who failed showed little knowledge on the subject. Part (e) was well answered with candidate giving the functions of the company secretary.

QUESTION FIVE

The general performance on this question was very good. 90 of the 116 candidates that attempted the question managed to obtain at least 10 marks out of a total of 20 available marks. A pass rate of 77.6% was recorded. The highest score was 19 out of 20 marks while the lowest was 1.

The question had two parts (a) and (b). In part (a), candidates did fairly well in this question with an 80% about, who attempted the question. Some candidates however, seemed not quite familiar with negligence as a topic hence failed to give the elements of negligence. For the future students should focus their attention so much on the topic of negligence in the Zica manual as it is almost a must, that questions would be asked about on the subject of negligence. About 70% of the candidates got the question correct. Those that failed struggled understanding the basic concepts or what exactly the question required of them.

Part (b) required candidates to explain the terms General Partner, Salaried Partner, Partner by holding out and Dormant Partner. They seemed to have grasped the four types of partners and performed very well in this question.

QUESTION SIX

The general performance on this question was very good. 67 out of the 89 candidates that attempted the question managed to obtain at least 10 marks out of a total of 20 available marks. A pass rate of 75.3% was recorded. The highest score was 18 out of 20 marks while the lowest was 0.

Part (a) required candidates to distinguish between a partnership and an incorporated company while part (b) required them to explain bankruptcy. Part (c) required them to discuss the circumstances that would give rise to a court order bankruptcy.

Part (d) required an explanation on a receiver and their power in bankruptcy while part (e) required an explanation of what 'statement of affairs' in bankruptcy mean.

Overall performance of candidates

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|------|--------------------------------------|-------|
| i. | Highest mark obtained in this paper: | 79% |
| ii. | Lowest mark obtained in this paper: | 8% |
| iii. | Overall pass rate in this paper: | 66.3% |

SUBJECT: CA 1.5 –MANAGEMENT THEORY AND PRACTICE

QUESTION ONE

The general performance on this question was good. 25 of the 55 candidates that attempted the question managed to obtain at least 10 marks out of a total of 20 marks. The pass rate recorded was 45.5%. The highest mark scored was 16 while the lowest was 2 out of 20.

This was compulsory and consisted of multiple choice questions selected from across the syllabus.

QUESTION TWO

The general performance on this question was very good. 43 out of the 55 candidates that attempted the question managed to obtain at least 10 marks out of a total of 20 available marks. A pass rate of 78.2% was recorded. The highest score was 18 out of 20 marks while the lowest was 3.

This was a scenario based compulsory question which had three parts: (a), (b) and (c). It was answered by all the candidates who scored highly as shown by the high pass rate. Part (a) required the candidates to explain any three (3) functions of personal manager. Most candidates did very well on this part.

Part (b) required the candidates to explain the three (3) main stages of job recruitment and selection process while part (c) asked candidates to define the term "Job description". Majority of candidates answered this part correctly.

QUESTION THREE

The general performance on this question was fair. 11 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 47.8% was recorded. The highest score was 20 out of 20 marks while the lowest was 0.

This question had three parts: (a), (b) and (c). It was attempted by about 70 % of the candidates. Part (a) required candidates to define perception while part (b) required them to describe the determinants of perception.

Part (c) asked candidates to remind managers about the five (5) benefits of the informal organizations. Most candidates performed very poorly on this question as they did not know the concepts and they just guessed wildly. As such very few candidates answered the three parts.

QUESTION FOUR

The general performance on this question was excellent. 45 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 83.3% was recorded. The highest score was 18 out of 20 marks while the lowest was 4.

This question had two parts: (a) and (b). Part (a) was on explaining the following terms in leadership: authority, responsibility, accountability while part (b) was on defining empowerment.

In part (c), candidates were required to explain the three (3) things that go with empowerment. Almost all the candidates attempted this question and answered it very well. Many of the candidates got good marks too.

QUESTION FIVE

The general performance on this question was poor. 14 out of the 44 candidates that attempted the question managed to obtain at least 10 marks out of a total of 20 available marks. A pass rate of 31.8% was recorded. The highest score was 19 out of 20 marks while the lowest was 1.

This question had two parts (a) and (b). Part (a) required candidates to define job enrichment, Job enlargement, Job rotation and Job optimization.

Part (b) required candidates to describe the four (4) key factors that will help in job enrichment. 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) asked candidates to state the main objectives of public sector organizations. The performance was general good on the entire question.

QUESTION SIX

The general performance on this question was good. 12 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 28.6% was recorded. The highest score was 20 out of 20 marks while the lowest was 2.

This question had two parts: (a) and (b). Part (a) asked candidates to explain two (2) types of communication process in an organization. Part (b) required candidates to list five (5) barriers of communication. Most of the candidates got this question wrong and the performance on this question was poor.

Overall performance of candidates

- i. Highest mark obtained in this paper: 81%

- ii. Lowest mark obtained in this paper: 12%
- iii. Overall pass rate in this paper: 63.6%

SUBJECT: CA 1.6- BUSINESS COMMUNICATION

QUESTION ONE

The general performance on this question was excellent. 74 of the 83 candidates that attempted the question managed to obtain at least 10 marks out of a total of 20 marks. The pass rate recorded was 89.2%. The highest mark scored was 18 while the lowest was 4 out of 20.

This 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 also excellent. 79 out of the 83 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 95.2%. The lowest score was 5 out of 20 marks, whilst the highest 20 marks.

This question required candidates to explain the importance of the parts of a business letter as well as write one addressed to Zambezi Financial Aid requesting to defer the payment of the loan amounting to K200,000 from a given scenario in the question .

Some of the common mistakes that were observed were as follows:

- i. Content presented was all wrong such as gender and name of the organisation
- ii. Providing unnecessary details in the main body.
- iii. Wrong content, un related to the scenario provided in the question.
- iv. Inappropriate subject line.
- v. In Mismatching of the letter elements, i.e salutation not matching with the complementary close.
- vi. Wrong format used.
- vii. Inadequate information in the main body.

QUESTION THREE

The general performance on this question was very poor. 8 out of the 59 candidates that attempted the question managed to obtain at least 10 marks out of a total of 20 available marks. A pass rate of 13.6% was recorded. The highest score was 15 out of 20 marks while the lowest was 1.

The question required candidates to explain the area of business use and any advantages of a PDA and Mini computer as well as outline any two advantages of cloud storage. It further required candidates to write an excel spreadsheet formula for calculations and identifying customers getting a BONUS or NO BONUS

The following were the common mistakes noted in this question:

- i. Students were mistaking the explanation of microcomputers and mini computers.
- ii. Some students could not give a correct explanation of a PDA with its advantages of its use in business.
- iv. Most students did not do the spreadsheet question well. They were failing to write the correct formula for Absolute referencing.
- v. Some students could not write the correct IF function formula correctly to identify customers getting BONUS or NO BONUS.

QUESTION FOUR

The general performance on this question was good. 53 out of the 81 candidates that attempted the question managed to obtain at least 10 marks out of a total of 20 available marks. A pass rate of 65.4% was recorded. The highest score was 16 out of 20 marks while the lowest was 2.

The question was about distinguishing a password and a username, four functions of Windows explorer, explaining how encryption is used in computer security and how information is sent and received on typical email systems. The following were the common mistakes noted in this question:

- i. Most students explained the password correctly but had challenges on explaining the username. They also seemed not to know how the two work together.
- ii. Most students were confusing the functions of Windows Explorer with Windows operating system.
- iii. Most students were explaining on how to send an email but the question required them to explain how information is sent and received on typical email systems. As a result, most of them performed badly.

QUESTION FIVE

The general performance on this question was also good. 53 out of the 81 candidates that attempted the question managed to obtain at least 10 marks out of a total of 20 available marks. A pass rate of 65.4% was recorded. The highest score was 14 out of 20 marks while the lowest was 2.

In this question, candidates were required to Write a notice informing members about the postponement of a meeting and the second part required them to explain two (2) major differences between a notice and memo, while part (c) Explain any three (3)

strict conventions that govern formal meetings such as Annual General Meetings and Board meetings. The common errors that were observed were as follows:

- i. Omission of details such as rescheduled time and venue were left out.
- ii. Wrong format used.
- iii. Indicating un realistic dates which already passed. ie a date for last year.
- iv. Reasons for postponement were left out in the notice.
- v. Some candidates stated wrong differences.
- vi. Others lost marks because they provided purposes for a meeting.
- vii. Lack of clarity in the answer.

QUESTION SIX

The general performance on this question was very poor. 6 out 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 22.2% was recorded. The highest score was 14 out of 20 marks while the lowest was 2.

Candidates were required to explain the two (2) examples of in- house conferences in the first part of the question. In part (b) they were required to explain two (2) types of conferences other than in house conference and state six (6) factors that must be considered when designing and administering an appropriate training programme as part (c). the last part (d) required them to outline the four (4) steps that are involved when conducting on the job training. Some of the observed errors were as follows:

- i. Examples of in-house conferences were indicated as on and off the job training.
- ii. Failed to indicate types of in – house conferences, instead indicated reasons for holding conferences or the importance of holding conferences.
- iii. Types of conferences were mixed up with the importance of conferences.
- iv. In some cases, Video and tele conferences or electronic forms of channels of communications were included in most answers.
- v. Failure to produce correct content.

Overall performance of candidates

- i. Highest mark obtained in this paper: 72.3%
- ii. Lowest mark obtained in this paper: 22%
- iii. Overall pass rate in this paper: 84.7%

SUBJECT: CA 2.1 FINANCIAL REPORTING

QUESTION ONE

The general performance on this question was very good. 66 out of the 84 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 78.5%. The lowest score was 5, whilst the highest was 40 out of the available 40 marks.

The question required candidates to prepare a consolidated statement of Profit or Loss and Other Comprehensive Income in part (a), and a consolidated statement of financial position as at 31 December 2021 in part (b). Performance was average on this question. Majority scored above average and there were marks at both extreme ends. The question had obvious calculations such as prorating amounts for 9 months for the figures in the subsidiary's SPL, calculation of goodwill and unrealized profit.

The most common mistakes made by the candidates included:

- i. Failing to discount the deferred consideration. Some candidates who calculated the unwinding of interest added to the consideration instead of charging it as an expenses in the SPL.
- ii. A number of candidates did not know how to split the Profit for the year and the Total Comprehensive Income into amounts attributable to NCI and to owners of the parent.
- iii. Candidates added the cash in transit to the cash balance of the subsidiary instead of deducting it from the bank overdraft of the parent company, even though the question specified in whose books the adjustment was to be done as a matter of policy.
- iv. Failing to calculate the carrying amounts for NCI and the investment in the associate in the SFP. Most of the candidates did not take into account the NCI share of the post acquisition fair value adjustment.

Candidates deducted K2400 from both trade receivables and trade payables in respect of inter-company balances. Only K1600 was to be deducted from trade payables because the K800 had already been deducted when the subsidiary made the payment for the cash-in transit.

QUESTION TWO

The general performance on this question was very poor. Only 5 out of the 30 candidates that attempted the question managed to obtain at least 10 marks out of a total of 20 available marks. A pass rate of 16.7% was recorded. The highest score was 16 out of 20 marks while the lowest was 1.

This question had four (4) parts. Part (a) required candidates to state the provisions of IAS 41: Agriculture, regarding recognition and measurement of biological assets and agricultural produce in the preparation and presentation of financial statements.

Part (b) required candidates to describe the general requirements of IFRS 13 relating to the determination of fair value and fair value hierarchy.

Part (c) required candidates to explain the Initial recognition, measurements and classifications which IFRS 9 identifies for financial assets and the basis of measurement which is appropriate for each classification. They were also required to identify any exceptions to the normal classifications which may apply in specific circumstances.

Part (d) required candidates to distinguish between adjusting and non-adjusting events as well as state the accounting treatment for an adjusting event and non-adjusting. They were further required to give two examples for an adjusting event.

Overall, the question was less popular and was poorly performed. It appeared that many candidates had little or no knowledge of financial instruments, Agriculture and Fair value (IFRS 9, IAS 41 and IFRS 13). The Financial Reporting examination requires a deep understanding and knowledge of the Conceptual Framework and IFRSs. Questions at application level will challenge the candidate to show this knowledge and then to apply it to a particular scenario, and this requires extensive preparation.

QUESTION THREE

The general performance on this question was fair. 29 out of the 66 candidates that attempted the question managed to obtain at least 10 marks out of a total of 20 available marks (representing a 43.9% pass rate). The highest score was 15 out of 20 marks while the lowest was 1.

The question required candidates to in part in part (a) to analyse performance and position of a company, given the SPL and the SFP , and in part (b) to summarise in outline form areas which required investigation.

Performance on this question was good average. Candidates were well prepared to calculate the basic ratios and explain performance in terms of profitability, liquidity efficiency and long-term solvency. The discussions were reasonably well constructed to reflect what the ratios meant.

Part (b) was poorly handled in as much as candidates discussed individual figures such as receivables collection period and payables payment period. They were to bring out real underlying activities that cause the ratios to increase or reduce. For example, they would mention accounting policies and their effect on the reported figured, questioning the dividend policy and breaking down into figures into individual components such as RW, WIP and FG in respect of inventories. A discussion of a number of related activities would lead to a summary conclusion in terms of profitability, liquidity, efficiency or solvency.

QUESTION FOUR

The general performance on this question was very good. 52 out of the 70 candidates that attempted the question managed to obtain at least 10 marks out of a total of 20

available marks. A pass rate of 74.3% was recorded. The highest score was 20 out of 20 marks while the lowest was 1.

This question had two (2) parts. Part (a) required candidates to prepare a statement of cash flows, using the indirect method (18 marks).

Part (b) required candidates to explain why it is important for companies to identify cash generated from operations when assessing future liquidity.

The most common mistakes made by the candidates were as follows:

- i. Picking profit before tax for 2020 (K14,000,000), instead of K7,800, 000 for 2021.
- ii. Not knowing the format for the statement of cash flow. Knowing the format helps in earning free marks related to treatment of depreciation charge for the year, working capital changes, profit or loss on disposal of property, plant and equipment, proceeds from issue of shares, cash paid to acquire property, plant and equipment, tax paid and dividends paid just to mention but a few.
- iii. Subtracting a loss on disposal of plant K500, 000 (K16, 200, 000 – 8,000, 000), instead of adding (reversing).
- iv. Ignoring deferred tax balances in calculating tax paid. Tax paid is computed by taking into account current and deferred tax balances, income tax expense in the profit or loss account.
- v. Not subtracting depreciation charge for the year and carrying value of plant disposed of in computing cash paid to acquire property, plant and equipment.
- vi. Showing a increase in warranty provisions as cash flow items under financing activities.
- vii. Included proposed dividends (K144,000) as a cash outflow, this was a distractor in the examination.
- viii. Misclassification of cash items. Candidates are advised to be familiar with headings of cash flow.

QUESTION FIVE

The general performance on this question was fair. 31 out of the 63 candidates that attempted the question managed to obtain at least 10 marks out of a total of 20 available marks. A pass rate of 49.2% was recorded. The highest score was 20 out of 20 marks while the lowest was 1.

The question, split in several parts, examined the contents of the conceptual framework for financial reporting. It required candidates to prepare, for a single entity, SPLOCI (part a. for 8 marks), SOCIE (part b. for 4 marks) and a SFP (part c. for 8 marks).

Despite single entity financial statements being among the core areas of the FR syllabus, performance on this question was surprisingly poor as reflected in the pass rate on the question of only 49%. The most common mistakes made by the candidates on each part of the question:

Common mistakes included the following:

- i. Wrong account formats
- ii. Failure to adjust revenue and include in liabilities deferred revenue
- iii. Failure to account for the revaluation of property
- iv. Failure to compute amounts relating to and adjust for the disposal of an item of plant.
- v. Failure to compute opening balances for share capital and share premium in the SOCIE.
- vi. Wrong computation of income tax expense in PL and presenting wrong amounts in SFP.

Overall performance of candidates

- i. Highest mark obtained in this paper: 86%
- ii. Lowest mark obtained in this paper: 14%
- iii. Overall pass rate in this paper: 65.1%

SUBJECT: CA 2.2 – MANAGEMENT ACCOUNTING

QUESTION ONE

The general performance on the question was good. 48 candidates out of 78 that attempted it managed to obtain at least 20 out of the total available 40 marks, representing a 61.5% pass rate. The highest score out of 40 was 37 marks while the lowest was 1.

This was a multi-requirement question. Part (a) a good number of candidates managed to calculate the unit selling price. However, the following were the challenges:

- i. Some candidates failed to calculate the materials unit cost. Instead of multiplying 0.5 metres by K20/metre, they were taking K20/metre literally.
- ii. Some candidates failed to convert 45 minutes into hours.

Part (b) (i) was the easiest question by the candidates. The majority got the maximum as they were able to calculate the sales budget.

In Part (b) (ii) of the question, candidates had challenges calculating the closing inventory figures from the information given.

Part (b) (iii) was fairly answered by the candidates. Some had challenges of using the sales units instead of the production units to calculate the raw material usage budget. With Part (c), candidates were able to prepare to prepare a cash budget in the correct format, however, among the noted challenges, some candidates did their workings in the actual cash budget rather than showing workings separately.

Part (d), (e) and (f) were fairly answered by the candidates and they were easy marks by candidates.

QUESTION TWO

The general performance on this question was very poor. Only 15 out of the 55 candidates that attempted the question managed to obtain at least 10 marks out of a total of 20 available marks. A pass rate of 27.3% was recorded. The highest score was 17 out of 20 marks while the lowest was 1.

This was a question on Activity-Based Costing system verses traditional accounting (absorption costing). Part (a) required candidates to calculate the profit for a football while (ii) required to calculate the Activity-Based costing figures for both netball and football. A good number were able to calculate it but students did not realize the need to calculate the overhead (30% of the sales value) and subsequently failed to get the profit margin for the netball. Half the candidates were able to make the calculations with many not applying the figures and much of the work looking very disorderly. This lost them valuable marks.

Part (c) on why profits differed realized when ABC and Absorption costing methods were used, candidates were in most cases only able to come up with one, when the question was asking for three.

Part (d) of the question required a discussion three possible challenges SEL would encounter if they were to switch to ABC costing.

QUESTION THREE

The general performance on this question was fair. 38 of the 73 candidates that attempted the question managed to obtain at least 10 marks out of a total of 20 available marks. A pass rate of 52.1% was recorded. The highest score was 17 out of 20 marks while the lowest was 2.

This examined the breakeven analysis topic requiring candidates to calculate the breakeven point, the margin of safety, target profit sales, CVP graph and CVP assumptions. The question was relatively popular and was very well attempted. Poorer candidates included fixed costs in the calculation of the total contribution rendering the rest of the calculations to be wrong. A good number of candidates struggled to come up with a good breakeven graph drawn to scale. Although the question directed candidates to use the graph at the back of the answer booklet, some chose to draw sketches, thereby losing precious marks because the sketches were not done to scale.

QUESTION FOUR

The general performance on this question was fair as 27 out of the 59 candidates that attempted the question managed to obtain at least 10 marks out of a total of 20 available marks. A pass rate of 45.8% was recorded. The highest score was 17 out of 20 marks while the lowest was 1.

This question was fairly answered candidates obtaining average marks most of them. The question had four parts (a),(b),(c) and (d). Part (a) required candidates to explain features of marginal costing. Very few candidates were able to elaborate clearly distinct features of marginal cost. It was clear that majority of candidates were merely using common knowledge to answer this part of the question. The majority were repeating the answers. Others went ahead to talk about features of absorption costing which was not asked.

Part (b) required candidates to calculate the net profit/loss using absorption costing. This was poorly answered as most calculations were wrong due to the treatment of inventory and the absorption of overheads.

Part (c) required candidates to calculate the net profit/loss using marginal costing. This was poorly answered as most calculations were wrong due to the use of wrong variable cost per unit which was being re calculated by candidates.

Part (d) this part was well attempted as many candidates were able to explain the cause of the difference between the two methods. However some candidates were just using sweeping statement that marginal costing will always give less profit than marginal which is never the case.

QUESTION FIVE

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 13 out of 20 marks while the lowest was 2.

This was one of the optional questions which examined contract costing mechanism. Part (a) required candidates to calculate the number of batches SCL should produce and sell and finally to explain why one chose a certain level of batches as well as explain the term "relevant cost" in decision making situation. The first part was poorly answered as candidates failed to interpret the table and apply it accordingly despite the table being book lifted from the ZICA manual. Only few candidates scored well but the rest obtained below par. The second part was generally well answered though to some extents candidates either defined future costs or historical costs while others even talked about sunk costs instead.

Part (b) required candidates to prepare a contract account for SCL for the year as well as compute the attributed profit for the year – the profit was not done well owing to part (a). The performance was generally poor.
To.

Overall performance of candidates

- i. Highest mark obtained in this paper: 76%
- ii. Lowest mark obtained in this paper: 1%
- iii. Overall pass rate in this paper: 47.4%

SUBJECT: CA 2.3- AUDITING PRINCIPLES AND PRACTICE

QUESTION ONE

The general performance on this question was fair with 66 out of the 143 candidates who attempted the question achieving a pass (that is a score of at least 20 out of 40 marks), representing a pass rate on the question of 46.2%. The lowest score was 2, whilst the highest was 36 out of the available 40 marks.

The question was divided into parts (a) to (d). In part (a), the question required candidates define control activities as well as give an example. It also required them to identify six control activities in the given scenario. Part of the question further required candidates to explain the control objectives of the six controls identified as well as suggest one test of control for each of them. The following were some of the common mistakes noted:

- i. Defining control activities without giving any example.
- ii. Explaining the control environments instead of control activities as required by question.
- iii. Some identified less controls than the required number.
- iv. A few candidates explained their perceived difficulties face by Sekelela Ltd without addressing the question requirement.
- v. Poor presentation of answers for parts (ii), (iii) and (iv) resulted in candidates losing marks.
- vi. Some of the candidates seem not to understand what tests of controls are and mistook them for substantive tests.

Part (b) required candidates to evaluate the statement made by the Junior Auditor regarding the audit strategy. This required candidates to fully understand the audit strategy and its contents.

The performance in this question was poor with many candidates demonstrating their lack of understanding of the audit strategy. Most did not evaluate the statement made but rather simply explained the audit strategy in general. Others discussed the audit plan which was not the question requirement.

Candidates should have among other points observed that what is included in the statement by the Audit Junior should instead be contained in the audit plan.

Part (c) of the question required candidates to identify and explain 8 audit risks in the scenario. A majority of the candidates scored well and obtained more than half the available marks.

The following were observed from the candidates who scored lower marks:

- i. A few candidates explained deficiencies in the scenario which were not necessarily audit risks.
- ii. Others identified audit risks but failed to satisfactorily explain why they were considered audit risks. Basically this required to relate the risk identified to what could be misstated in the financial statements.

In part (d), candidates were to explain the elements of an assurance engagement using the information in the scenario for Sekelela Ltd.

A majority of the candidates scored well in this part of the question although in a few cases no examples were given using the information in the scenario as per question requirement.

A few candidates seem not to know the elements of an assurance engagement and discussed the importance of the agreement between the auditors and management and went on to explain the responsibilities of the auditor and management.

QUESTION TWO

The general performance on this question was very poor. Only 24 out of the 105 candidates that attempted the question managed to obtain at least 10 marks out of a total of 20 available marks. A pass rate of 22.9% was recorded. The highest score was 15 out of 20 marks while the lowest was 1.

The question was divided Question two also had multiple requirements under parts (a) and (b). In the first requirement under (a), candidates were required to explain the procedure auditors should follow in the planned cash count at the three locations. Most candidates misunderstood the clear question and explained irrelevant points such as checking that the cash is banked and further to trace the cash to the bank statements.

Part (a) (ii) was a knowledge based question requiring candidates to explain the procedure for sending bank confirmations that should be followed by the auditors in the audit balances in the audit of the financial statements of Nshimbi Hardware. Some candidates misunderstood the question and gave substantive procedures in the audit of bank balances and yet the question simply requests for the procedure to be followed from deciding which balances to confirm and the actual sending out of the bank letter.

The third part of the question required candidates to explain the reliability of evidence obtained from the bank through direct confirmation.

Part (b)

This part of the question required candidates to explain matters that should be considered before accepting appointment as auditors of Victoria Plc. Candidates needed to use the simple information in the scenario in answering this part.

A majority of the candidates simply discussed the communication with the outgoing auditors which is only part of the matters to be considered. Candidates should have considered whether the firm has the other resources to carry out the audit including suitable manpower and the time considering other clients with the same period end.

For 4 marks simply dealing with the aspect of communicating with the outgoing auditors is not sufficient to gain maximum marks. Candidates could have used their general knowledge in answering this largely knowledge based question.

This part of the question required candidates to describe the procedure that should be followed in the communication with the outgoing auditors before accepting appointment. This is knowledge based and candidates simply to exhibit that they understand the procedure of communication starting from seeking the permission of the client company.

Candidates lost marks for not suggesting the action that should be taken in case of refusal by the management of Victoria Plc. to allow the proposed auditors to communicate with the outgoing auditors or refusing the outgoing auditors to respond to the letter from the nominee auditors.

QUESTION THREE

The general performance on this question was also very poor. Only 23 out of the 77 candidates that attempted the question managed to obtain at least 10 marks out of a total of 20 available marks. A pass rate of 29.9% was recorded. The highest score was 14 out of 20 marks while the lowest was 1.

Part (a) of the question required candidates to explain audit work that can be performed at the interim stage of an audit. The interim stage of the audit is that which is performed before the year end. The main objective of performing an internal audit is to reduce the extent of work that will be done at the final audit stage.

A majority of the candidates showed lack of knowledge of the interim audit stage and the work that can be done at this stage. Most of the candidates discussed matters that are performed at the final audit stage such as attendance of the inventory count.

Candidates are reminded that the figures that they will be forming an opinion on are those in the financial statements at the period end. In this regard most of the work on figures contained in the statement of financial position will be done at the period end. Only limited work such as on additions and disposals to the date of the interim audit can be done at this stage of the audit.

With regards the profit or loss figures the auditors require to obtain sufficient appropriate evidence on the cumulative figures from the beginning of the financial period to the period end. Substantive procedures to the date of the interim audit could be performed at this stage including some planning work.

Part (b) (i) was a knowledge based question requiring candidates to explain three financial statements assertions for accounts payables. A majority of the candidates did this correctly and scored maximum marks. There were candidates who simply listed the three assertions with no explanation as required. These scored half the available marks and candidates are reminded to consider the verb used in the question in answering questions.

In part (ii) of (b), candidates were required to describe three audit procedures other than confirmations for the figure of accounts payables in the financial statements of Derby Ltd.

Candidates failed to explain in detail the audit procedures that should be performed and others simply listed financial statement assertions related to accounts payables. The audit procedures that should be performed will be responsive to the assertions being tested. Candidates should be familiar with the information that the audit client

will provide the audit team and from this develop suitable audit procedures. For instance the client will give the audit team a schedule giving a breakdown of the total payables and using this procedures to test for accuracy and completeness can be designed.

Candidates should ensure that they understand the relationship between financial statement assertions and audit procedures for all the specific areas covered in this syllabus. This is an important topic which is most likely to feature in all future examinations.

In (b)(iii), candidates were required to describe the audit procedures for the figure of provisions and accruals in the financial statements of Derby Ltd.

To answer this question satisfactorily candidates need to understand the provisions of ISA 37 and the accounting for accruals. Audit procedures will be designed to test whether the accounting for provisions and accruals has been done in accordance with relevant standards.

Many candidates scored poorly because they simply listed the assertions such as cut off without explaining the audit procedures.

QUESTION FOUR

The general performance on this question was good. 87 out of the 137 candidates that attempted the question managed to obtain at least 10 marks out of a total of 20 available marks. A pass rate of 63.5% was recorded. The highest score was 19 out of 20 marks while the lowest was 1.

The question had multiple requirements. Part (a) required candidates to define internal auditing. A majority of the candidates answered this question satisfactorily and scored more than half the available marks. Only a few explained the internal audit department and the role it plays in an organization without explaining what is involved in internal auditing.

Part (b) of the question required candidates to explain separation of authority using information in the given scenario. Most candidates scored high marks but a sizeable number lost marks because they did not use the information in the scenario as required by the question.

In part (c), candidates were required to identify and explain four deficiencies in corporate governance of Lukulu Ltd and to make recommendations as necessary. Most of the candidates scored more than half the available marks. Some candidates lost marks because they discussed business risks in Lukulu Ltd which were not part of question requirement. Others did not address the second part of the question which required candidates to make suitable recommendations. Candidates should ensure that they address all the requirements of the questions especially for multiple requirement questions.

Part (d) required candidates to evaluate the assertion that external auditors have a leading role in fraud prevention and detection in a client company.

To answer this question satisfactorily, candidates needed to show understanding of the provisions of ISA 240 The auditor's responsibilities relating to fraud in an audit of financial statements. Majority of the candidates scored well in this part.

QUESTION FIVE

The general performance on this question was very poor. Only 8 candidates out the 94 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 15 out of 20 marks while the lowest was 1.

The question was divided into parts (a) to (d). Part (a) This part of the question required candidates to define an audit of financial statements for 2 marks. This part of the question was well answered with most candidates scoring maximum marks.

Part (b) of the question required candidates to explain the request by the ZRA to seek an explanation in figures contained in audited financial statements from the auditors. Many candidates simply agreed or disagreed that the ZRA is justified in requesting for information without giving any explanations. This implied that the candidates do not fully understand the ethical guidelines.

Part (c) required candidates to explain whether the firm should provide the information requested by the ZRA investigation team. This part of the question was poorly answered with many candidates scoring less than half the available marks. The following common mistakes were noted:

- i. Candidates wrote very little to warrant 8 marks.
- ii. Candidates seemed not to know the provisions of the ethical guidelines when a firm is requested to provide information to third parties such as investigating authorities. The exceptions to the principle that no information should be disclosed to third parties without the permission of the client company. These are explained clearly in the study manual and so candidates should ensure that they fully understand the provisions of ethical guidelines.

In part (d) of the question, candidates were required to suggest 6 audit procedures to confirm receivables in the financial statements. This part of the question was poorly done with most candidates scoring less than half the available marks.

Most candidates failed to give the required number of audit procedures with the majority simply mentioning confirmations. Candidates should note that there are other procedures that can be undertaken particularly because there could be non-responses to the confirmation letters.

Overall performance of candidates

- i. Highest mark obtained in this paper: 74%
- ii. Lowest mark obtained in this paper: 4%
- iii. Overall pass rate : 27.3%

SUBJECT: CA 2.4 -TAXATION

QUESTION ONE

The general performance on this question was poor. Only 57 out of the 146 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%. The lowest score was 1, whilst the highest was 36 out of the available 40 marks.

This question covered taxation of companies. In part (a) candidates were required to explain the circumstances under which a company may be given discounts to its applicable company income tax rate. A good number of candidates demonstrated a lack of knowledge of the circumstances in which such discounts are available and therefore failed to provide the appropriate answers.

Part (b) which required candidates to calculate the maximum capital allowances available implements, plant and machinery and buildings was poorly answered. The most common mistakes made by candidates included:

- i. Not using the VAT exclusive costs to compute capital allowances on assets given that the assets were stated at their VAT inclusive values in the question.
- ii. Using the VAT exclusive cost when computing capital allowances on motor cars instead of the VAT inclusive values given that input VAT on motor cars is irrecoverable.
- iii. Using the wrong rates to compute the wear and allowances claimable.
- iv. Forgetting to restrict the disposal proceed to the original cost when computing the balancing charge arising on the disposal of the lorry, given that it was disposed of for proceeds which exceeded the original cost of the asset.
- v. Failing apply the 10% test when dealing with the buildings to determine the part qualifying as industrial buildings and the non-qualifying part.

Part (c) which required candidates to calculate the taxable business profit for the company was fairly well answered, with the exception of a few candidates, who failed to identify the relevant disallowed items to be added back in the computation of the taxable profits.

In part (d) candidates were required to calculate the final amount of company income tax payable by the company. The common mistakes made by candidates who scored poor marks on this part of the question included;

- i. Including investment income on which WHT in the company income tax computation. Accordingly, only the bank interest should have been included in the computation, as WHT on interest income is not a final tax.
- ii. Using the personal income tax rates for individuals to compute the income tax payable instead of using the standard company income tax rate of 35%.
- iii. Not deducting WHT on the bank interest income from the company income tax liability as a tax credit when computing the final income tax payable.

Part (e) candidates which required candidates to state the due date for the payment of the income tax and to explain the consequences of paying the tax late was generally well answered, with the exception of few candidates who failed to provide the required answers.

QUESTION TWO

The general performance on this question was also 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 19 out of 20 marks while the lowest was 1.

The question covered taxation of mining operations. In part (a) candidates were required to explain the meaning of the norm value and the gross value. Most candidates demonstrated a lack of knowledge of the meaning of these terms as they apply to mining operations and therefore failed to provide the required explanations.

Part (b) which required candidates to calculate the mineral royalty tax (MRT) paid in the first quarter of the tax year and was reasonably answered well. However, a few candidates failed to use the correct rates based on the norm price provided in the tax tables to compute the correct amount of MRT paid and also failed to state the correct due dates.

Part (c) which required candidates to calculate the penalties payable by the company for the late submission of mineral royalty tax returns, was poorly answered. Most candidates demonstrated a lack of knowledge of the appropriate penalties arising on the late payment of MRT and therefore failed to calculate the correct amount of penalties.

QUESTION THREE

The general performance on this question was fair. 60 out of the 131 candidates that attempted the question managed to obtain at least 10 marks out of a total of 20 available marks. A pass rate of 45.8% was recorded. The highest score was 20 out of 20 marks while the lowest was 1.

The question examined the taxation of farming operations. In part (a) candidates were required to calculate the final taxable profit from farming for the company. The most common weakness by candidates who performed poorly on this part of the question included:

- i. Failure to identify the relevant disallowable expenses to be added back when computing the taxable profit.
- ii. Using the wrong rates to compute capital allowances on qualifying farming expenditure.
- iii. Not restricting expenditure qualifying for capital allowances on the dwelling houses to K20,000 when computing the allowances on the farm dwellings.
- iv. Failing to make the appropriate adjustment in relation to the premium paid for the right to use the trade marks.

Part (b) required candidates to compute the amount of company income tax payable by the company. The most common mistakes made by candidates who scored poor marks on this part of the question included:

- i. Not grossing up investment income before including it in the company income computation.
- ii. Failure to tax the farming income separately at the rate at 10% and the non-farming income at the rate of 35%.

Part (c) which required candidates to explain the circumstances under which a farmer can average profits was reasonably well answered with the exception of a few candidates who failed to provide the required solutions.

QUESTION FOUR

The general performance on this question was fair. 67 of the 115 candidates that attempted the question managed to obtain 11 marks out of a total of 20 available marks. A pass rate of 58.3% was recorded. The highest score was 20 out of 20 marks while the lowest was 1.

The question covered customs and excise duty and taxation of companies. Part (a) which required candidates to calculate the import taxes paid on the importation of a Truck and a Canter was reasonably well answered. However, a few candidates used the wrong rates in computing and determining the import taxes arising.

A number of candidates faced challenges in part (b) candidates which required the calculation of the amount of the company income tax payable by the business. The most common weaknesses included:

- i. Failure to correctly identify the number of months the business was in operation during the charge year.
- ii. Failure to calculate the allowable deductions from the gross income such as employer' NAPSA and other operating expenses. Failing to determine how the business was to be assessed to income tax.

QUESTION FIVE

The general performance on this question was very poor. 26 out of the 110 candidates that attempted the question managed to obtain at least 10 marks out of a total of 20 available marks. A pass rate of 23.6% was recorded. The highest score was 15 out of 20 marks while the lowest was 1.

Question covered VAT and company income tax. In Part (a) candidates were required to explain the reasons why the company was required to register for VAT in the charge year 2021. Only a few failed to explain the company was required to register for VAT because the income during the charge year was in excess of K800,000 per annum.

Part (b) which required candidates to compute the VAT payable for the year ended 31 December 2021 was poorly answered. The most common weaknesses demonstrated by candidates included the following:

- i. Claiming input VAT on exempt supplies and on expenditure on which VAT is irrecoverable
- ii. Failing to compute the correct amount of input VAT on items of expenditure which were stated at their VAT inclusive amounts.
- iii. Not indicating using a zero those items which were not taxable as per requirement of the question.
- iv. Failure to calculate the recoverable non-attributable input VAT on overheads given that the business was making both taxable and exempt supplies.

Part (c) required candidates to compute the amount of income tax payable by the company and was equally poorly answered. Most candidates failed to make the appropriate adjustment for the personal to holder cars provided to the directors and also failed to compute the correct amounts of capital allowances as they used the VAT inclusive costs instead of the VAT exclusive costs in their computations.

Overall performance of candidates

- i. Highest mark obtained in this paper: 88%
- ii. Lowest mark obtained in this paper: 6%
- iii. Overall pass rate in this paper: 37.4%

SUBJECT: CA 2.5-FINANCIAL MANAGEMENT

QUESTION ONE

The general performance on this question was very poor. Only 41 out of the 161 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 25.5%. The lowest score was 1, whilst the highest was 36 out of the available 40 marks.

Question one of the paper was divided into multiple parts. Some of the Common errors students made included:

- i. In part (a) direct material costs and other variable costs: These were already given as total amounts in kwacha, but students mistakenly multiplied the given amounts with the sales and production units, resulting in incorrect answers for the total contribution, and consequently the project NPV.

- ii. The cost of debt for the project for computation of the Weighted Average Cost (WACC) should have been derived from the Internal Rate of Return (IRR) ,but most students used the after tax cost of debt of the bond.
- iii. A few students made obvious mistakes, such as not providing the required advice, after evaluating the financial viability of the project by computing its project NPV in part (b) of the question.
- iv. Logically, computation of the IRR in part (c) of the question required usage of a discount factor, which is higher than the Weighted Average Cost of Capital of 15%, which was used in part(b) of the appraisal – and gave a marginally positive NPV of K1.23 million. However, some students erroneously utilized lower rates – and therefore, obtained incorrect answers, apart from wasting their valuable time experimenting with different discount factors.
- v. A few correct student answers omitted to conclude that, since the IRR in part (c) was higher than the WACC in part (b), the project should be undertaken based on IRR.
- vi. The financial evaluation was in some cases incorrect, because of applying the inflation rate relating to fixed costs to the revenue and variable costs.

QUESTION TWO

The general performance on this question was also very poor. 40 of the 109 candidates that attempted the question managed to obtain at least 10 marks out of a total of 20 available marks. A pass rate of 36.7% was recorded. The highest score was 18 out of 20 marks while the lowest was 1.

The question was divided into parts (a), (b) and (c). In part (a), most of the Students who attempted Question 2 (a) regarding computation of the equivalent ratios for ZTE Ltd for the year ended 31st December, 2020 did not correctly compute the Return on Capital Employed (ROCE), Price/EBITDA, P/E ratio and the Current Ratio. They also failed to determine the Gearing (debt/equity). When Calculating the ROCE, some students used K49,300 of the Total equity and liabilities figure instead of using the K42,100 which is the net of the Other current liabilities from current liabilities as denominator (the K7,200 which is the other current liabilities amount should have been disregarded).

Some candidates removed the figure of Finance lease obligations (the component of current liabilities) when calculating the current ratio. Instead only the figure of other current liabilities was used as the denominator in the calculation of the current ratio. This implied that these candidates did not fully prepare to understand what constitutes a current ratio.

Part (b) was poorly attempted. Most of the candidates that attempted Question 2 (b) failed to calculate the price of ZTE using Price Earnings Ratio (P/E) and using EBITDA. The implication was that they did not remember the Ratios or were not prepared for this question and avoided answering this part of the altogether. For those that

attempted, they failed to identify the Earnings Per Share (EPS) figure from the Statement of Profit or Loss for the Year Ended 31.12.2020. (The figure derived after deducting K2,100 from the Profit for the Year. Some failed to identify the Earnings before interest, Taxation, Depreciation and Amortization (EBITDA) whose figure was used as a basis to calculate the Price of ZTEs shares even after the figure (K8,100) was provided as a note in the question.

In part (c), candidates were required to clearly interpret the ratios calculated under part 2(a) above in terms of profitability, liquidity and solvency. The key Performance indicators for the industry were provided in the question and there it required both vertical and horizontal ratio analysis. The common observation for those that attempted this section of the question was that they did not carry out a comprehensive analysis; they merely stated that the particular ratio calculated as compared to the industry was either more or less without given a detailed explanation as to why this was so. A detailed explanation was expected from the candidates in order to maximize the marks to be obtained as per mark allocation. The implication was that they did not fully study this part of the syllabus and thus fully prepare for the examination on ratio analysis.

Some candidates failed to prepare an appropriate format of the Report as required by the examiner. They merely failed to provide adequate detailed largely because they did not calculate the ratios for some and for others, the ratios were incorrect and hence the report was based on incorrect ratios.

QUESTION THREE

The general performance on this question was also very poor. Only 19 of the 109 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 18 out of 20 marks while the lowest was 0.

The question was divided into parts (a) to (c). Part (a) required candidates to distinguish between maximization of shareholders wealth and maximization of profits as financial objectives and most candidates who attempted the question performed poorly. Most candidates failed to bring out the fact that wealth maximization comes from dividends received and capital gains from increases in the market value of shares and they also failed to bring out that profits can be manipulated in the short run. This poor performance by candidates was as a result of not preparing adequately for exams.

Part (b) (i) required candidates to determine the valuation of the asset in present value terms and candidates who attempted the question failed to discount the K4 million as it was a future value in 20 years' time before adding it to K10 million to get the value of mining asset of K10.146 million. Most candidates were discounting the K10 million which was already stated in present value terms.

Part (b) (ii) required candidates to determine the future value of dismantling of the mine asset in two years' time and equally here the performance was poor as most

candidates compounded the K4 million given in 20 years' time instead of the K146,022 calculated in part (i).

Part (c) (i) required candidates to calculate how long it will take the company to repay the bank loan. Most candidates managed to get the maximum marks though using a long cut which consumed much of their time.

Part (c) (ii) required candidates to calculate the market price of each K1 million par value and most candidates performed poorly. Candidates who attempted the question failed calculate the interest of K50, 000 in five years. The most challenge that was faced by candidates was failure to recognize that interest was semi- annually and not yearly.

QUESTION FOUR

The general performance on this question was also very poor. 31 of the 129 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% was recorded. The highest score was 16 out of 20 marks while the lowest was 0.

Question four was divided into two parts (a and b). Part (a) (i) required candidates to explain values for money concepts and candidates performed poorly. Candidates had challenges in explaining economy, efficiency and effectiveness and this was just lack of adequate preparation.

Part (a) (ii) required candidates to compare and contrast value for money and corporate value maximization. Candidates performed poorly as they did not even understand the meaning of the terms they were asked to compare and contrast.

Part (b) required candidates to explain the meaning of the term financial markets and the differences between different financial markets and equally here the performance was poor. Candidates had little knowledge on financial markets which again is lack of preparation. Candidates failed to bring out the characteristics of financial markets.

QUESTION FIVE

The general performance on this question was also very poor. Only 12 out of the 132 candidates that attempted the question managed to obtain at least 10 marks out of a total of 20 available marks. A pass rate of 9.1% was recorded. The highest score was 13 out of 20 marks while the lowest was 1.

Question five was also divided into two parts. In part (a) most students who attempted the question failed to calculate correctly the Average receivables. They were unable to determine the average receivables which figure was calculated by multiplying the Total Sales per annum with the proportion of the number of days (collection period) in a year (Given as 365 Days). The figure determined to be multiplied with the 70% which was advance %.

In order to determine the Actual Cost of Factoring, Finance Charges needed to be calculated, however, those students who attempted failed to first calculate the interest component which was a 2% on an invoice added to the current base rate of 19% resulting into a total interest of 21%. It is likely that they did not fully understand this aspect which was necessary in the eventual determination of the Finance Charges.

Part (b) of the question was equally not well attempted. The candidates that attempted this part of the question lacked depth in explaining clearly the methods that the company was to use to improve the cash flow. The responses were more from a general perspective than specific to cash flow. These did not understand the concept of cash flow and what constitutes cash flows, so with the inadequate understanding of the components of cash flow could have resulted into not suggesting correct appropriate methodologies of its improvement of the firm's liquidity.

Overall performance of candidates

- i. Highest mark obtained in this paper: 66%
- ii. Lowest mark obtained in this paper: 5%
- iii. Overall pass rate in this paper: 19%

SUBJECT: CA 3.3 -STRATEGIC BUSINESS ANALYSIS

QUESTION ONE

The general performance on this question was very poor. 39 out of the 205 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 19%. The lowest score was 1, whilst the highest was 29 out of the available 40 marks.

This question had three parts: (a),(b) and (c). This was a case study-based compulsory question to be attempted by all candidates; and some candidates scored reasonably well on it while the majority did not. It had three (3) sub-questions. Part (a) required the candidates to discuss the four (4) phases of strategic decision making that should be undertaken to correct the situation in a company.

Some candidates got this answer right but others were unable to differentiate between problem solving and strategic decision making process.

Part (b) asked candidates to describe three (3) important issues that constitutes the concept of Strategic Vision that is used in competing in the market. Most candidates seemed to know quite a lot about the vision definition but very little on what constitutes a vision. They wrongly thought that the mission, objectives and values constituted the vision.

Part (c) had two parts: Part (i) required candidates to explain any four (4) reasons that may lead to a strategic drift. Part (ii) required candidates to describe the four (4) phases of the Strategic drift. Few candidates got this answer right because the majority did not understand what a strategic drift was let alone the phases and causes of it. This is an important aspect in strategic analysis of a business and it has been included in many sittings of this course.

QUESTION TWO

The general performance on this question was good. 113 out of the 169 candidates that attempted the question managed to obtain at least 10 marks out of a total of 20 available marks. A pass rate of 66.9% was recorded. The highest score was 20 out of 20 marks while the lowest was 1.

This question had two parts: (a) and (b). This was a scenario-based question on the corporate social responsibility strategy of a company. It had a total of up to 20 marks. Some 171 candidates out of 207 attempted this question, hence it was very popular like a compulsory one.

Part (a) asked candidates to explain any four (4) of the basic elements of Corporate Social Responsibility Bwamu Oil Company management may want to get involved in. The concept of basic elements of CSR was well understood by most candidates although there were some who misunderstood it. Generally the candidates performed well on this part.

Part (b) required candidates to state the arguments against Corporate Social Responsibility advanced by Milton Friedman that could have negatively influenced Mr. John Bwalya on implementation of this policy. The majority of the candidates correctly answered this part. The performance on this question was good.

QUESTION THREE

The general performance on this question was fair. 104 out of the 201 candidates that attempted the question managed to obtain at least 10 marks out of a total of 20 available marks. A pass rate of 51.7% was recorded. The highest score was 17 out of 20 marks while the lowest was 1.

This was a scenario based question on risk management and it had three parts (a), (b) and (c). It was attempted by 203 candidates, representing 85 % of the

candidature. Hence it was very popular as almost all candidates attempted it like the compulsory one but half of them failed it.

Part (a) required candidates to describe any five (5) risks that the Batoka Company may have faced and caused problems. Many candidates gave good and well expressed answers to this part.

Part (b) required candidates to indicate the distinction between the terms risk and uncertainty which are usually used interchangeably and yet they are different. Most candidates found this challenging mainly because they gave general answers instead of being specific as required by the question. Hence they responded poorly to the question.

Part (c) asked the candidates to explain who had the key responsibility for taking risks in the day to day operations of a company between the board and management and why. Again the candidates fumbled badly on this straight forward question.

The overall performance on this question was just average.

QUESTION FOUR

The general performance on this question was good. 78 of the 125 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 62.4%. The highest candidate scored 18 out of 20 marks while the lowest scored 2.

This was a scenario based question and it had three parts (a), (b) and (c).

This question was on business analysis and it was also popular since 130 of the candidates attempted it.

Part (a) required candidates to describe the advantages and disadvantages to these companies if they were to adopt offshoring as a competitive strategy.

Most candidates scored very well on this part. Part (b) asked candidates to describe the different kinds of information systems they could utilize, giving their purposes, features and some examples of their analyses and outputs. Although most got this part correct, quite a number of them only explained about the MIS. Others still went completely off to begin discussing Advertising Platforms like the use of Radio, TV and the Internet (Social Media) for communication.

Part (c) required candidates to describe the features of a company code of ethics which they could use and its functions. Although quite a number got this correct, a good number however went on to give the concepts of corporate governance such as probity, integrity, accountability and responsibility. Therefore, in some cases, the follow-through principle was applied. The pass rate on this question was just above average.

QUESTION FIVE

The general performance on this question was fair. 46 out of the 113 candidates that attempted the question managed to obtain at least 10 marks out of a total of 20 available marks. A pass rate of 40.7% was recorded. The highest score was 18 out of 20 marks while the lowest was 2.

This was a four-part question, (a) – (d), concerned with market dynamics on a wine farm. Part (a) required candidates to describe what happened at this farm in terms of market diversification as process and its benefits.

Part (b) asked candidates to describe the different control processes which the farm management could choose from. Part (c) requested candidates to explain the contents of a resource audit at this winery.

Part (d) asked candidates to describe the requirements for and general sources of cost efficiency which this company could focus upon.

The majority of the candidates majority of the candidates performed very poorly since they could not even explain the diversification process and control processes. The observation is that the candidates did not study to understand this part of the course since most of the answers were just common knowledge being used.

Overall performance of candidates

- | | |
|---|-------|
| i. Highest mark obtained in this paper: | 73% |
| ii. Lowest mark obtained in this paper: | 4% |
| iii. Overall pass rate in this paper: | 40.8% |

SUBJECT: CA 3.1 ADVANCED FINANCIAL REPORTING.

QUESTION ONE

The general performance on this question was good. 86 of the 140 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 61.4%. The lowest score was 3, whilst the highest was 40 out of the available 40 marks.

This a 40-mark question and required candidates to prepare the consolidated statement of financial position as at 31st December 2020. The question had one parent entity and two subsidiaries, involving both step up (piece meal acquisition) and step down (disposal where control was retained). The question had few technical issues and well prepared candidates scored good marks on this question. However, some candidates were not able to answer this question correctly and scored low marks due to the following mistakes:

- i. Failed to change profit markup (25%) to profit margin ($25/125 = 20\%$), hence computed wrong unrealized profit.

- ii. 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. 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.
- iii. Most candidates wrongly valued non-controlling interests in Nthonkho Plc at fair value (full method), instead of share of the fair value of identifiable net assets at acquisition (proportionated method) as required by note (2) of the question.
- iv. 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).
- v. 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.
- vi. Candidates used the fair value of identifiable net assets when conducted impairment review, instead of carrying amounts at 31st December 2020. Hence computed wrong impairment loss.
- vii. Failed to reverse gains on re-measurement/disposal of fair value through profit or loss assets.
- viii. Candidates assumed there was a sale (control passed) under sale and lease back. The sale and lease back transaction did not meet the IFRS 15 conditions for a sale. This is because Mwimba retained substantially all economic benefits relating to the asset (had right to use the asset over the entire remaining economic life). Therefore, the substance of the transaction is that of a loan.
- ix. Lastly candidates failed to compute correctly movement in equity arising from disposal of 5% equity shareholding in Nthonkho 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 very poor. 13 out of the 97 candidates that attempted the question managed to obtain at least 10 marks out of a total of 20 available marks. A pass rate of 13.4% was recorded. The highest score was 13 out of 20 marks while the lowest was 1.

The question required in part (a) required candidates to apply IFRS 5 Assets Held for Sale and Discontinued Operations to a cash generating unit (CGU), and explain accounting treatment for an asset earmarked for disposal.

In part (b) the question required candidates to identify expenditure to capitalize and that to expense in respect of a construction of a factory financed by a loan. A number of candidates identified the IFRS required and stated the conditions for reclassification from NCA to CA separately as an Asset Held for Sale. However, they failed to explain the correct accounting treatment. They could not state the amount at which the asset would be reported after deducting the impairment loss. A good number of candidates calculated a profit on disposal as if the asset had already been sold. Candidates who failed to identify the correct IFRS went on to apply a number of standards to individual items (elements of financial statement) and prescribe the accounting treatment that would apply if there was no re-classification.

For part (b) of the question some candidates identified the amounts to capitalize and those to expense correctly. Common mistakes included the following:

- i. Listing all items of expenditure as to be capitalized.
- ii. Stating that income would be expenses, instead of being credited to the SPL.
- iii. Capitalizing income received during the temporary usage of the factory.
- iv. Failing to calculate the amount of interest because they could not correctly establish the number of months the loan had been outstanding.
- v. Failing to split the calculated interest between period outside active construction and period of active construction, and stating the correct accounting treatment.
- vi. Failing to state that interest income from short term investing surplus funds would similarly be accounted for as for interest paid (see No. 5), but would be a subtraction from corresponding interest paid.
- vii. Failing to calculate the correct depreciation, necessitated by the split between the roof to be replaced and the rest of the factory cost
- viii. Most candidates stated that the demolition cost would be capitalized but failed to calculate the present value of the future expenditure because they did not know how to calculate the discount factor mathematically where it is not given
- ix. Some candidates applied several different accounting standards to each individual item of expenditure, as though the amounts were spent for different purposes in the normal course of business (and not as incidental to one construction project).

QUESTION THREE

The general performance on this question was poor. Only 21 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 36.2% was recorded. The highest score was 20 out of 20 marks while the lowest was 1.

This question had two (2) parts. Part (a) required candidates to explain the appropriate accounting treatment of the cash settled share based payment transaction for the year ended 31 May 2020 (10 Marks).

Part (b) required candidates to show relevant financial statements extracts for the equity settled share based payments for the year ended 30 September 2020.

Only few candidates attempted this question and the performance was average. For future examinations, candidates are advised to study all examinable standards and pay attention to the standards which are only examinable at advisory level. The following were the common mistakes noted:

- i. Failed to conclude that the first transaction (part a) was a cash settled share based payment, based on the fact that the entity's past practice of always settling in cash had created a valid expectation in employees that they will receive cash. Therefore, there was a constructive present obligation for Mukatasha plc to settle in cash.
- ii. Failed to spread the cost over the vesting period.
- iii. To come up with senior management team/senior executives, candidates wrongly subtracted those who left, instead of expected leavers over the vesting period (the best estimate at each year end should be used).
- iv. The market based vesting condition (no options will vest unless the share price at 30th September 2021 exceeds k5) was not ignored for part b of the question, hence made a wrong conclusion and computation.

QUESTION FOUR

The general performance on this question was fair. 45 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 43.7% was recorded. The highest score was 17 out of 20 marks while the lowest was 1.

This question had three (3) parts. Part (a) required candidates to explain the purpose of providing for deferred tax and prepare extracts from the financial statements of Kaluzi for the year ended 30 September 2020 showing the impact of deferred tax.

Part (b) required candidates to explain how the transactions in (part b i) financial asset (debt) and (part b ii) financial asset (debt) must be accounted in financial statements for the year ended 31st March 2020. The most common mistakes made by the candidates on each part of the question:

Part (a) was a familiar question and the performance was very good, though most candidates only computed with no explanation.

Part (b) was not generally well answered and a significant number of candidates treated it as financial liability instead of asset. Further most candidates simply computed, with no explanation. For future examinations, candidates are advised to pay particular attention to command words (verbs) e.g. explain.

The most common mistake was made by candidates was treat dividend received (income) as dividend paid (appropriation), hence charged wrongly under statement of changes in equity (retained earnings) instead of reporting in the statement of profit or loss.

Part (c) required candidates to explain how integrated reporting merges sustainability reporting and financial reporting.

This part of the question was answered very well by most of the students, however few candidates displayed inadequate knowledge of the integrated reporting.

Candidates are advised to have an understanding of each area of the syllabus to increase their chances of passing.

QUESTION FIVE

The general performance on this question was good. 91 of the 126 candidates that attempted the question managed to obtain at least 10 marks out of a total of 20 available marks. A pass rate of 72.2% was recorded. The highest score was 20 out of 20 marks while the lowest was 2.

In part (a) of the question candidates were required to outline arguments against the use of historical cashflow compared to the use of historical profit for information and decision making. Part (b) of the question required candidates to discuss criticisms of historical cost accounting and provide advantages associated with it.

Part (c) of the question required candidates to state problems inherent in ratio analysis, and to compare two companies in terms of performance, liquidity, gearing and stock market ratios which were already provided.

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

Performance on this question was reasonably good as candidates were able to state valid points on each part of the question. Candidates lost marks for stating incomplete ideas, or inadequately explained points for parts (a), (b) and (c i). Common weaknesses included failing to integrate ratio explanations in terms of profitability, liquidity and long-term solvency. Few candidates, if any highlighted the consequences of ratios on stakeholder decision making: how the ratios would affect investors, customers and suppliers, after comparing the performance of the two companies in the question.

Overall performance of candidates

- i. Highest mark obtained in this paper: 74%
- ii. Lowest mark obtained in this paper: 14%
- iii. Overall pass rate in this paper: 47.9%

SUBJECT: CA 3.2-ADVANCED AUDIT AND ASSURANCE

QUESTION ONE

The general performance on this question was fair. 93 out of the 209 candidates that attempted the question managed to score at least 20 out of 40 available marks. The recorded pass rate on the question was 44.5%. The lowest score was 1, whilst the highest was 36 out of the available 40 marks.

This was a compulsory question divided into parts (a), (b), (c) and (d). Part (a) required candidates to identify and explain five ethical matters in the audit of the financial statements of Limpopo Plc. To score maximum marks, candidates were expected to explain clearly the ethical matter concerned including the threat created and a clear explanation of the relevant safeguard.

Presentation of answers in this type of question is important so that the safeguard comes immediately after an explanation of the ethical matter. Much as resignation is one of the possible safeguards that the auditor may take, it should be observed that this will be the safeguard of last resort if the auditor has no other safeguard that could be applied. This part of the question was generally answered well with a majority of candidates scoring more than half the available marks. The following observations were nevertheless made:

- i. Some candidates did not suggest safeguards to the ethical matters raised. For example the fact that this was the first year will be auditing this client is an audit risk rather than an ethical matter.

- ii. A good number of candidates discussed ethics in general without making reference to the information in the scenario. At this stage of the examinations, candidates are required to use the information in the scenario in order to gain maximum marks.
- iii. It was also common for candidates to suggest decline as a safeguard in most of the cases. Candidates should note that this should be a safeguard of last resort when there is no other possible safeguard.

Part (b) of the question required candidates to identify and explain six audit risks in the audit of the financial statements of Limpopo Plc. It should be noted that in doing this, candidates expected to clearly explain why a risk is an audit risk by clearly explaining what could go wrong in the financial statements. Generally the performance in this part was good but there were candidates who lost easy marks. The following were observed in the answers to this question.

- i. Some candidates explain the audit risks and did not suggest suitable responses that the auditors should put in place. This type of question has been examined in the past and should not have given candidates any problem in answering this question.
- ii. A minority of candidates could not explain the risks identified to justify full marks. Candidates are expected to state the impact in the financial statements of the audit risks identified. By definition, audit risks impact on the financial statements unlike business risks.
- iii. Some candidates explained audit risks without making reference to the information in the scenario. They explained inherent risk, control risk and detection risks which were not the gist of the question.
- iv. Some candidates could not distinguish business risks from audit risks. For example liquidity problems are a business risk rather than an audit risk unless clearly explained such as where could have an impact on the company as a going concern.
- v. Some candidates gave management responses rather than audit responses such as proper accounting for the acquisition and in conducting an impairment review. Audit responses for audit risks are from the point of view of the auditor.
- vi. A few candidates simply did not attempt part (d) of the question suggesting lack of accounting knowledge and the related assertions.

Part (c) was a multi requirement question requiring candidates to explain the meaning of financial statement assertions using a suitable example and also to the relevance of financial statements assertions in designing audit procedures. The total marks of 4 are split across the three requirements and candidates who did not address parts of the requirements lost the marks allocated to those parts.

Candidates are reminded to address all question requirements and these should be clearly labelled in the solution. The following were observed:

- i. Some candidates tried to explain the meaning of financial statement assertion without giving any example as required in the question.
- ii. Others simply did not know what financial statements assertions are and gave answers such as 'This is audit work of finding appropriate audit evidence that leads to audit opinion. This can be done by sampling of data and testing it for consistence'. Others suggested that financial statement assertions are 'tools' used by auditors when conducting an audit. This is lack of knowledge of a topic that is fully covered in the lower paper CA 2.3

Part (d) of the question required candidates to suggest the audit work that should be conducted at the interim audit with regards tangible non-current assets. To answer this question correctly candidates needed to note that the figures for tangible non-current assets at the period end will not be the same as those at the interim audit date. The auditors will perform procedures with regards acquisitions and disposals of tangible non-current assets in the period leading to the interim audit date.

The performance in answering this part of the question was generally poor. Candidates should note that with regards statement of financial statements figures limited work can be carried out at the interim audit stage and that the figures will most likely be different at the period end. The following observations were made:

- i. A majority of candidates focused on explaining audit work carried out at the period end rather than at the interim audit time.
- ii. Others explained assertions for tangible non-current assets instead of explaining the work that will be carried out.
- iii. For a maximum of 3 marks some candidates wrote anything they thought was relevant which is really a waste of valuable examination time. The amount of writing should be commensurate with the marks on offer.

Part of (d) also required candidates to describe suitable audit procedures with regards the impairment of tangible non-current assets at the final audit stage. The procedures at this date will be with a view to obtain sufficient appropriate evidence with regards the figure in the statement of financial statement. Candidates lost marks because they explained general audit procedures not related to impairment of tangible non-current assets as required in the question. Many candidates also showed lack of understanding of the accounting standards for impairment and so could not design suitable audit procedures to test this.

QUESTION TWO

The general performance on this question was good. 141 out of the 202 candidates that attempted the question managed to obtain at least 10 marks out of a total of 20 available marks. A pass rate of 69.8% was recorded. The highest score was 17 out of 20 marks while the lowest was 1.

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

Part (a) of the question required candidates to evaluate the corporate governance issues in the given scenario and to make recommendations as necessary. General answers without making reference to the information in the scenario did not attract maximum marks as such answers would be appropriate at the lower CA 2.3 level for the same topic.

A majority of the candidates scored well in this part of the question the following were observed for the candidates who scored poorly in this question:

- i. There were instances where candidates did not make any recommendations even when they were required to do so thereby losing easy marks.
- ii. A sizeable number of candidates gave general answers without making any reference to the information in the scenario. At the Advisory level of these examinations, candidates required to use the information in the scenarios in answering examination questions.

Part (b) required them to identify and explain four matters on which the auditors may wish to use the work of internal audit or direct use of internal audit. Majority of the candidates answered this part well and scored maximum marks. The following were observed concerning those who performed poorly:

- i. Candidates who gave less than the required four matters and got marks in proportion to the correct matters correctly explained.
- ii. Some candidates gave general answers and did not use the information in the scenario in answering the question.

Part (c) of the question required candidates to evaluate the need for the use of the services of an auditor expert using the information in the scenario and also to state four matters that should be considered when engaging an expert. General answers without using the information in the scenario did not attract maximum marks.

A majority of the candidate scored high marks but a sizeable minority did not use the information in the scenario in answering the question as per question requirement. Further, a considerable number of candidates lost e easy marks for ignoring the first part of the question requiring an evaluation of the need to engage an auditor expert.

Part (d) required them to describe using the information in the scenario the areas where direct use of internal audit will not be appropriate. Candidates lost marks because they gave general answers without making reference to the information in the scenario which is required at this level of the examinations. Others simply did not know what direct assistance of internal audit is and gave answers which clearly showed lack of understanding such as discussion with those charged with governance which was not relevant in answering this question.

QUESTION THREE

The general performance on this question was very poor. Only 34 out of the 140 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 17 out of 20 marks while the lowest was 1.

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) was a question on corporate governance based on information in the scenario. Candidates were expected to identify the weaknesses in corporate governance and make recommendation for improvements. A majority of the candidates scored maximum marks in this part of the question. There were a few candidates who did not make any recommendations as per question requirements and so lost easy marks for not doing so.

Part (b) required candidates to evaluate the impact of two issues in the scenario on the opinion of the auditor. In order to score maximum marks, candidates needed to support their answer with appropriate arguments. Candidates needed to understand the accounting provisions and requirements for EPS and development expenditure. Materiality and pervasiveness of the two matters should be considered and an appropriate conclusion on the impact on the auditor's opinion suggested.

The performance in this part of the question was poor with many candidates simply not attempting to answer this part. The following were observed:

- i. Lack of understanding the financial implications of EPS and relating it to the misstatement of financial statements.
- ii. A large number of the candidates did not discuss the impact of the matters on the auditor's opinion and where they attempted to do so could not give arguments to support the opinion suggested.

Another part of the question required candidates to evaluate a given draft report. There were sufficient points to comment on by candidates in the draft report and candidates did not need to bring in matters that are not in the draft such as it not been signed. The following were observed:

- i. A majority of the candidates discussed matters that were not in the draft report.
- ii. It was clear that candidates did not know the use of the Emphasis of matter paragraph and the other matter paragraph.

The final part of (a) required an explanation of the impact on the elements of the auditors' report of the modification to the opinion. Candidates should have observed the changes in the titles for the opinion and basis of opinion paragraphs to Qualified, Adverse or Disclaimer of Opinion depending on the form of modification and the Basis

for Opinion to Basis for Qualified Opinion, Basis for Adverse Opinion or Basis for Disclaimer of Opinion depending on the form of modification.

A majority of the candidates simply did not attempt to answer this part of the question whereas others seemed not to know and understand the impact on the elements of the auditor's report of modifying the opinion.

QUESTION FOUR

The general performance on this question was very poor. Only 2 out of the 120 candidates that attempted the question managed to obtain at least 10 marks out of a total of 20 available marks. A pass rate of 1.7% was recorded. The highest score was 11 out of 20 marks while the lowest was 1.

The question was divided into parts (a) to (d). Part (a) required candidates to explain 5 advantages of using a business approach to an audit of financial statements of Dedan Ltd. Candidates are expected to understand the different audit approaches that could be used including the business approach which focuses on the management processes.

A majority of the candidates scored poorly in this part of the question. The following observations were made:

- i. Many took business risk to be the same as a risk based approach and explained that in place of the business approach signifying that they did not know the differences between the two approaches.
- ii. Other candidates focused on explaining the risk assessment process without focusing on the business approach.
- iii. Many candidate showed complete lack of understanding of the business approach and could not give suitable advantages.

Part (b) of the question required candidates to explain the suitability of the use of analytical procedures at the planning stage of the financial statements of Dedan Ltd. The following were observed:

- i. Many candidates explained the importance of analytical procedures in general without relating this to Dedan Ltd. candidates needed to use information in the scenario in answering this question.
- ii. Many did not relate their answers to analytical procedures which was the requirement of the question.

Part (c) was a knowledge based question on the importance of risk assessment in an audit of financial statements. Candidates were required to bring to bear their knowledge of the provisions of ISA 315 Assessing the risk of misstatement through understanding the entity and its environment. A majority of the candidates scored less marks than expected and the following were observed:

- i. Many candidates simply discussed one point for which they could not earn maximum marks. Candidates should consider marks offered in deciding how much to write.
- ii. Many others simply explained risk assessment without explaining its importance to Dedan Ltd.

Part (d) of the question required candidates to evaluate the extract of the management letter in the question. Candidates needed to know the use of the management letter and the contents of the letter to satisfactorily answer this part of the question. The performance in this part of the question was poor. The following observations were made:

- i. A majority simply did not attempt to answer this part signifying that they did not know about management letters issued by the auditors at the completion of the audit.
- ii. Few discussed the provisions of ISA 265 Communicating deficiencies in internal controls to those charged with governance and management which gives guidance in this area. Candidates are reminded that audits are required to be carried out in accordance with applicable auditing standards and candidates should understand the contents of the relevant standards whose learning levels are clearly stated in the syllabus.
- iii. A sizeable number of candidates who seemed not to know the difference between a management report and an auditor's report explained the correct format of an unmodified report for which no marks were awarded.

QUESTION FIVE

The general performance on this question was also very poor. Only 2 out of the 35 candidates that attempted the question managed to obtain at least 10 marks out of a total of 20 available marks. A pass rate of 5.7% was recorded. The highest score was 11 out of 20 marks while the lowest was 1.

Question five was divided into two parts (a) and (b). Part (a) of the question required candidates to discuss the risk of misstatement of the credit losses on trade receivables and the loan amounts in the scenario. In order to answer this question satisfactorily, candidates needed to understand the provisions of the IFRS 9 Financial Instruments and be able to discuss what could go wrong in the financial statements with regards these two figures which could cause the financial statements to be misstated.

The candidates who attempted to answer this part showed lack of basic knowledge regarding the provisions of IFRS 9 and in some cases discussed the provisions of IAS 37 which clearly did not address the question requirements.

In the second part of (a) candidates were required to suggest two audit procedures each that should be performed on the impairment of trade receivables and the loan. Very few candidates scored marks in this part of the question with a majority either not attempting to answer it and others suggesting less than the required two procedures each.

Part (b) was a multi-requirement question requiring candidates to explain what is meant by the expectation gap in the first part and also to state how the auditors have tried to bridge this gap in the auditor's report. The following were observed:

- i. A majority of the candidates explained the meaning of the expectation gap but seemed not to know how this is narrowed down in the auditor's report.
- ii. Some candidates discussed sensitization, training and key audit matters as methods of narrowing down the expectation gap signifying lack of knowledge in this important part of the syllabus.

In (b)(ii), candidates were to show that they understand the provisions of ISA 250 Consideration of laws and regulations in an audit of financial statements. The performance in this part of the question was poor resulting in most candidates scoring less than half the available marks and the following were observed:

- i. Many candidates did not bring in the provisions of the standard in answering the question and some discussed ISA 240 which is on fraud.
- ii. Many simply stated that the auditors are responsible for giving an opinion without explaining the work they require to perform in accordance with the standard.

The final part of (b) required candidates to describe the defense that could be advanced in the event of being sued for not detecting non-compliance with laws and regulations. It was observed that a number of candidates dealt with the question of who can and who cannot sue the auditor and discussed matters relating to duty of care and breach of duty of care which were not the gist of this question.

Overall performance of candidates

- i. Highest mark obtained in this paper: 69%
- ii. Lowest mark obtained in this paper: 11%
- iii. Overall pass rate in this paper: 23.9%

SUBJECT CA 3.4 ADVANCED TAXATION

QUESTION ONE

The performance on this question was poor. Only 40 out of the 118 candidates that attempted the question passed it, representing a pass rate of 33.9%. The highest score was 34 out of 40 while the lowest was 4.

Question one examined tax planning involving the choice of a business medium, was poor. 33% of the candidates passed and 67% failed.

In parts (a) (i) and (ii) candidates were required to calculate the income tax and NAPSA contributions payable by both the owner of the business and the employee, if it was run as a sole trader.

The most common challenges faced by the candidates in answering this part of the question included:

- i. Forgetting to include the motoring allowance when computing the gross earnings for the purposes of calculating both the employer's and employee's NAPSA contributions arising.
- ii. Failing to calculate the correct amount capital allowance claimable by the sole trader on the privately-owned motor vehicle, when computing the taxable profits
- iii. Failing to identify the relevant allowable deductions when computing the taxable profits.
- iv. Using the company income tax rate of 35% to compute the income tax arising instead of using the personal income tax rate for individuals.
- v. Not deducting the correct amount of capital allowance claimable and qualifying motoring expenses on the personal motor vehicle to be used by the employee partly for employment purposes, when computing the tax liability of the employee.

Part (b) required candidates to calculate the amounts of income tax payable by the two individuals, if the business was run as a partnership. The most common mistakes made by candidates in answering this part of the question included:

- i. Not deducting the business portion of the motoring expenses on each individual's personal motor vehicle when computing the final tax adjusted profit for the partnership.
- ii. Deducting capital allowances on the personal motors cars when computing the tax adjusted profits. Capital allowances on personal vehicle must instead be deducted from each partner's total allocation of the taxable profits for the year.
- iii. Omitting the motoring allowance to be drawn by each partner as appropriations when allocating taxable profits to each partner.
- iv. Using the company tax rate of 35% to compute the income tax arising instead of using the personal income tax rates for individuals.

In part (c) (i) candidates were required to calculate the income tax and employees' NAPSA contributions payable by each individual if the business was run as a limited company. Candidates faced the following challenges in answering this part of the question:

- i. Omitting the motoring allowances to be drawn by each individual from the gross taxable emoluments for each individual.
- ii. Failure to calculate the correct amount of capital allowances claimable by each individual on their privately-owned motor vehicles, to be partly used for business purposes, when computing the taxable employment income.
- iii. Not including the correct amount of allowable motor car expenses incurred on their privately-owned motor vehicles.
- iv. Failure to calculate the correct amounts of employees' NAPSA contributions payable by each individual.

Part (c) (ii) required candidates to calculate company income tax payable if the business was run as a limited company. The most common mistakes made by candidates in answering this part of the question included:

- i. Deducting capital allowances on the personal motor vehicles owned by each individual when computing the taxable profits for the company.
- ii. Using the basic salary for each individual to compute the employer's NAPSA contributions, instead of using the gross earnings which comprised the basic salary and motoring allowances to be paid to each individual.
- iii. Using the personal income tax rates for individuals, to compute the company income tax instead of the company income tax rate of 35%.

In part (d) candidates were required to advise the individuals on whether it will be beneficial to run the business as a solo trader, partnership or limited company. Most candidates failed to deduct the relevant statutory payments arising under each option

which included income tax payable and NAPSA contributions to determine the net income under each option and therefore failed to provide the appropriate advice.

QUESTION TWO

The general performance on this question was good. 65 out of the 108 candidates that attempted the question managed to obtain at least 10 marks out of a total of 20 available marks. A pass rate of 60.2% was recorded. The highest score was 17 out of 20 marks while the lowest was 1.

The question covered taxation of financial institutions. In part (a) candidates were required to calculate the company income tax payable by the bank. The following were the challenges faced by the candidates who scored poor marks on this part of the question:

- i. Failure to identify the relevant disallowed expenses to be added back in computing the adjusted business profit.
- ii. Using the wrong rates to calculate the wear and tear allowances on the office building and motor cars.
- iii. Including investment income on which WHT is final in the company income tax computation.
- iv. Using the personal income tax rates to compute company income tax payable instead of using the standard company income tax rate of 35%.

Part (b) candidates which required to advise the directors on the amount of income tax payable by the insurance company was also fairly well answered. However, a few candidates demonstrated the following weaknesses in answering the question:

- i. General lack of knowledge of how the computation of taxable income for insurance businesses should be done in accordance with the income tax act.
- ii. Failure to identify the relevant allowable expenses to be deducted in arriving the taxable income.
- iii. Failure to make appropriate adjustment for investment income received on which withholding tax is not the final tax.
- iv. Using the wrong tax rates in computing the income tax payable.

QUESTION THREE

The general performance on this question was very poor. Only 14 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 16.7% was recorded. The highest score was 16 out of 20 marks while the lowest was 1.

The question examined tax audits and administration of direct taxes under the self-assessment system. In part (a) candidates were required to discuss the tax audit objectives that a quality tax audit should achieve. Most candidates demonstrated a

lack of understanding of the objectives of quality tax audit and therefore failed to provide the required solutions.

Similarly, in part (b) candidates failed to describe the audit procedure to be carried by the tax auditor to uncover any hidden income as required by the question.

Part (c) which required candidates to describe the procedure the tax auditor can perform to assess the true level of income where insufficient accounting records are maintained by a tax payer was equally poorly answered as most candidates failed to explain the relevant procedures.

In part (d) candidates were required to advise sole trader on his exposure to penalties and to calculate those penalties and interest on overdue tax. Candidates generally demonstrated a lack of knowledge of the operation of the self-assessment and therefore failed to identify the relevant due date for the submission of the return of provisional income and also failed to identify the specific instalments of provisional that were paid late. Candidates consequently failed to compute the penalties and interest arising on the late submission of the return and on the late payment and under payment of income tax.

QUESTION FOUR

The general performance on this question was fair. 56 out of the 111 candidates that attempted the question managed to obtain at least 10 marks out of a total of 20 available marks. A pass rate of 50.5% was recorded. The highest score was 17 out of 20 marks while the lowest was 1.

Question examined the taxation of companies carrying on mining operations. The question required candidates to calculate the amount of income tax payable by the mining company and to show the amount of the tax loss remaining unrelieved at the end of the tax year.

The most common mistakes made by candidates who performed poorly on this question included:

- i. Using the wrong rates to calculate the amount of mineral royalty tax paid by the company.
- ii. Failure to make appropriate adjustments for expenditure incurred on the construction of the police post, upgrading the community hospital and rehabilitation of roads when computing the taxable profit.
- iii. Failing to identify the relevant disallowed expenses to be added back in computing the taxable business profit.
- iv. Using the wrong rates to compute the amount of capital allowances claimable on the mining expenditure and other capital expenditure incurred by the company.
- v. Failure to calculate the amount of indexed mining loss to be relieved against taxable business profits.

- vi. Failure to apply the 30% Tax EBITDA threshold to calculate the amount of the interest expense to be disallowed in computing the taxable business profit.

Using the wrong rates to compute the amount of income tax payable by the mining company for year.

QUESTION FIVE

The general performance on this question was very poor. Only 4 out of the 34 candidates that attempted the question managed to obtain at least 10 marks out of a total of 20 available marks. A pass rate of 11.8% was recorded. The highest score was 17 out of 20 marks while the lowest was 2.

The question examined international aspects of taxation. In part (a) candidates were required to describe the conditions to be met in order for a loss incurred by one company to be surrendered to another company. Most candidates demonstrated a general lack of knowledge of the relevant conditions and therefore failed to provide the required explanations.

Part (c) required candidates to compute the income tax payable for the managing director receiving income from foreign sources. The following are the challenges faced by the candidates:

- i. Including income received from Zambian sources on which WHT is final in the personal income tax computation.
- ii. Forgetting to gross up the investment income received from foreign sources before including it in the personal income tax computation.
- iii. Using company income tax rate to calculate income tax liability instead of the personal income tax rates for individuals.

Failure to calculate the correct amount of double taxation relief available as a tax credit on the income from foreign sources.

Overall performance of candidates

- i. Highest mark obtained in this paper: 69%
- ii. Lowest mark obtained in this paper: 6%
- iii. Overall pass rate in this paper: 33.1%

SUBJECT: CA 3.5 -ADVANCED MANAGEMENT ACCOUNTING

QUESTION ONE

The performance on this question was good. 12 out of the 18 candidates that attempted the question passed it, representing a pass rate of 66.7%. The highest score was 28 out of 40 while the lowest was 6.

This was a multi-requirement one. Generally part (a) of the question was poorly answered by all. Most candidates did not appreciate the meaning of product quality and service quality dimensions. Some candidates instead discussed the four perspectives of the balanced scorecard, the critical success factors, etc. Product quality dimensions are product appearance and product performance. These can be measured in quantitative terms. Service quality cannot be measured in quantitative terms and they include comfort, courtesy, friendliness, etc. A good number of candidates discussed part (a)(ii) in (a)(i) such that when they come to (a)(ii) they had nothing to write. Part (a)(ii) was generally well attempted, but in part (a)(iii), very few candidates referred to the importance of NFI to employees such as product knowledge, demonstration skills, morale and employee attitude to customers. Instead they discussed NFI in general terms.

In parts (b)(i) and (b)(ii) the common mistake was to discuss (b)(ii) in (b)(i). The question was very clear, do computations in (b)(i) and then discuss the computations in (b)(ii). Like in part (a) those who combined the two had little or nothing to do in part (b)(ii). Because of the combining, justice was not done to the computation in (b)(i): few computations were done. Common errors in (b)(ii) was to discuss poor exam results/ poor quality, and lack of resource availability without giving possible reasons giving rise to poor exam results/ quality/resources. This was very important in results evaluation and future candidates should take note of this.

Parts (b)(ii) and (b)(iv) were generally very attempted.

QUESTION TWO

The general performance on this question was very poor. Only 4 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 26.7% was recorded. The highest score was 15 out of 20 marks while the lowest was 2.

Generally, question two was poorly answered. The majority of candidates got below 50%, that is less than 10 marks. Candidates seemed not to have understood the question. In part (a), candidates were able to explain the concept of ABC but had a lot of challenges discussing the benefits of ABC.

Part (b) was poorly answered by candidates. The following observations were made:

- i. The majority of candidates failed to calculate the fixed overheads from the total overheads given in the question.
- ii. The majority of candidates could not calculate the fixed overhead absorption rate (FOHAR) under the total cost plus basis.
- iii. Candidates also failed to calculate the overhead rates under activity based costing (ABC).

In part (c), candidates could not present a proper evaluation as they were unable to produce a comparative table with relevant figures as a basis of their recommendation. Part (d) of the question was poorly answered as candidates seemed not to have understood the requirements of the question

QUESTION THREE

The general performance on this question was very good. 8 out of the 11 candidates that attempted the question managed to obtain at least 10 marks out of a total of 20 available marks. A pass rate of 72.7% was recorded. The highest score was 16 out of 20 marks while the lowest was 8.

Question three was a multi-requirement discursive question and a passing one as many candidates who attempted it passed it so well. Part (a) - candidates were requested to distinguish between certain information strategies of Systems, technology and management. Generally the performance was good and candidates had less challenges in distinguishing the strategies.

Part (b) – The discussion was on to why many major organizations use formal strategies to identify development priorities for IS. The discussion was good in most candidates' solutions but to some wondered off to what was requested.

Part (c) - many candidates failed to explain how the introduction of an ERPS could impact on the role of management accounting. The pass mark was not good in that the candidates did not know what an ERPS was and thus wondered off. However, for the few who were ready they managed to amass the maximum marks obtainable.

QUESTION FOUR

The general performance on this question was very poor. None of the 11 candidates that attempted the question managed to obtain at least 10 marks out of a total of 20 available marks, resulting in a 0% pass rate. The highest score was 9 out of 20 marks while the lowest was 0.

The question was divided into two parts. Part (a) was on the effect on environmental changes on the suitability of traditional budgeting on operational efficiency of the public sector. Many students failed to explain/describe the meaning of traditional budgeting before proceeding to list down its weaknesses in the light of environmental changes such as inflation, interest and exchange rates etc.

Part (b) required the candidates to show the effectiveness or benefits of ERP over traditional budgeting. Majority failed to score marks here because they failed to define ERP. Most answers were therefore irrelevant.

QUESTION FIVE

The general performance on this question was good. 11 candidates out of the 16 that attempted the question managed to obtain at least 10 marks out of a total of 20 available marks. A pass rate of 68.8% was recorded. The highest score was 17 out of 20 marks while the lowest was 4.

The question had four parts (a), (b) and (c). Part (a) required candidates to explain key features of zero based budgeting, stages involved and challenges of ZBB. Very few candidates were able to elaborate clearly distinct features of ZBB. It was clear that majority of candidates were merely using common knowledge to answer this part of the question. The majority were instead talking about features of incremental budgeting.

Part (b) required candidates to discuss the phrase "there is no longer a place for incremental budgeting in any organizations, particularly public sector ones" this part was poorly answered as many candidates merely argued that it is not possible to do away with the incremental budget without clearly discussing the reasons.

Part (c) required candidates to discuss factor to be considered when setting a transfer prices for multi-national companies. This part well answered and a good number of candidates obtained good marks. The common answer that was given by many candidates is price which was not even a factor.

Overall performance of candidates

- i. Highest mark obtained in this paper: 59%
- ii. Lowest mark obtained in this paper: 18%
- iii. Overall pass rate in this paper: 50%

SUBJECT: CA 3.6- ADVANCED FINANCIAL MANAGEMENT

QUESTION ONE

The general performance on this question was very poor. Only 3 out of the 23 candidates that attempted the question managed to score at least 20 out of 40 available marks. The recorded pass rate on the question was 13%. The lowest score was 1, whilst the highest was 27 out of the available 40 marks.

Part (a) required candidates to write a report advising Nitrogen Chemicals of Zambia on whether they should proceed with the bid or not based on financial evaluation. Most candidates attempted the question and the performance was poor. Candidates had challenges with how to deal with annuities and calculation of working capital injections. Candidates equally had challenges calculating the equity beta. The exam question gave the asset beta and candidates were supposed to change that to equity beta and then calculate the cost of equity. However, most candidates used the asset beta to calculate the cost of equity. On cost of debt, some candidates forgot to subtract tax from interest cost i.e. $K1,000 * 13\% (1 - 0.15) = K110.5$. Most candidates also failed to include premium of 8% in the redemption value. The redemption value was supposed to be calculated as $(8\% * K1,000) + K1,000 = K1,080$.

Part (b) required candidates to discuss the advantages and disadvantages of government subsidies and the performance was equally poor and this is lack of adequate preparation by candidates. Candidates exhibited lack of knowledge of subsidies.

QUESTION TWO

The general performance on this question was poor. Only 5 of the 16 candidates that attempted the question managed to obtain at least 10 marks out of a total of 20 available marks. A pass rate of 31.3% was recorded. The highest score was 14 out of 20 marks while the lowest was 1.

Question two was divided into parts (a), (b) and (c). On part (a) candidates have continued exhibiting lack of knowledge of derivatives. Surprisingly, most candidates failed to illustrate the outcome of hedging with the option. Part (b) performance on

the merits of currency options compared to forward contracts was satisfactory. However, for part (c) majority of the candidates lacked knowledge of intrinsic value and time value of an option which resulted in poor performance.

QUESTION THREE

The general performance on this question was very good. 13 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 72.2% was recorded. The highest score was 17 out of 20 marks while the lowest was 5.

Question two was divided into parts (a) and (b). Majority of the candidates failed to compare each of the financial objectives given in the question to the primary objective of maximization of shareholders wealth.

The common mistakes for part (b) was that the candidates that attempted this part of the question exhibited lack of knowledge of Islamic finance and as a consequence, couldn't identify its merits or demerits as an alternative form of financing available to TAD Ltd. Some of the candidates were merely listing in form of headings without offering a detailed explanation of what these merits or demerits were.

Part (c) some candidate did not provide responses to this part of the question. This meant that they did not read and prepare adequately for this part of the syllabus.

QUESTION FOUR

The general performance on this question was very poor. Only 1 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 8.3% was recorded. The highest score was 10 out of 20 marks while the lowest was 1.

Part (a) most common mistakes for those candidates that attempted this part of the question was that they incorrectly calculated the free cash flow to equity for CGS. They deducted the amount of depreciation and amortization (which are Non-Cash expenses). This amount should have been added back to the operating profit when determining the Free Cash Flow to equity.

Some Candidates were completely omitting the Tax component (which was in fact given in the question as 10%).

The Question required further required that the candidates calculate the Present values of the Free Cash Flow using the provided Weighted Cost of Capital i.e. WACC (12%) in order to obtain the valuation figure of the company. The WACC was to be

used to discount the yearly incremental Free Cash Flows by 6% from year 1-4 and 5% thereafter.

The Candidates were also expected to calculate the incremental Free Cash Flow to Equity by the percentages as stated for the Free Cash Flow as stated in the paragraph above. The Rate that was expected to be used as given in the question for discounting the Free Cash Flow to equity was at 15.485% (ke). Some of the Candidates were unable to determine correctly the Present Values of both the Free Cash Flow at WACC (12%) and Free Cash Flow to Equity using Cost of Equity (ke) which was given as 15.485%.

Part (b) candidates failed to correctly obtain the valuation based on the Cost of Equity (ke) meant that incorrect value per share under this part. The reason for not correctly responding to this question could have been as a result of inadequate preparation by the candidates.

Part (c) candidates were required to offer advice whether to accept or reject the proposal based the findings from (a) and (b) above. Some candidates failed to complete this part.

QUESTION FIVE

The general performance on this question was poor. Only 7 out of the 21 candidates that attempted the question managed to obtain at least 10 marks out of a total of 20 available marks. A pass rate of 33.3% was recorded. The highest score was 11 out of 20 marks while the lowest was 2.

The performance on the question was poor due to the following:

- i. The given real cash flows were not inflated – which was given as 2.5%.
- ii. Financing side effects, namely – after tax issue costs, tax saving on interest payable, and present value of subsidy were incorrectly computed.
- iii. Aggregation of the various components of the Adjusted Present Value – that is the base case NPV, the financing side effects, initial cash outflows.

Overall performance of candidates

- i. Highest mark obtained in this paper: 53%
- ii. Lowest mark obtained in this paper: 13%
- iii. Overall pass rate in this paper: 12.5%

SUBJECT: CA 3.7-PUBLIC SECTOR AUDITS AND ASSURANCE

QUESTION ONE

The general performance on the question was good. 78 out of the 118 candidates attempted it managed to score at least 20 marks out of the available 40, representing a pass rate of 66.1%. The highest score was 36 marks out of 40 while the lowest was 7.

This was a compulsory question divided into parts (a) to (d). Part (a) required candidates to describe the objective of the planned financial audit of Muulu District Council. Majority of the candidates scored full marks. A few lost marks by discussing what a financial audit is rather than explain the objective.

The question also required candidates to describe the work that should be carried out during the planning, conduct of the audit and reporting on the outcome of the financial audit. The performance was satisfactory with a majority of the candidates scoring more than half the available marks. A few candidates lost marks because they discussed work done during the stage of conducting the audit in the stage for planning. Candidates should note that there are three main stages in an audit and they should be familiar with the work performed at each of those stages.

Part (b) of the question required a description of compliance auditing using information in the scenario. This question was well answered but it was observed that a number of candidates did not use the information in the scenario in explaining compliance auditing. To gain full marks reference to the relevant information in the scenario was necessary.

The second part of (b) required candidates to describe four audit procedures that should be performed in the compliance audit of the project undertaken by Muulu District Council. Some candidates lost marks because they simply listed what they considered to be audit procedures without any explanations. Candidates at this level are supposed to justify their answers and should be guided by the mark allocation.

Part (c) (i) required a description of performance auditing using information in the scenario. The performance was satisfactory with a majority scoring full marks. Some Candidates demonstrated that they understand value for money and relating the three

e's to the information in the scenario. Some lost marks because they simply listed the three e's with no explanation.

Part (c) (ii) required candidates to describe four audit procedures that should be performed in the performance audit of the project in question. The performance was poor with candidates scoring less than half the available marks and the following were observed:

- i. Candidate's failed to demonstrate their understanding of economy, efficiency and effectiveness.
- ii. A large number of candidates described audit procedures related to compliance audits. The aim of the question was nevertheless to establish whether or not candidates understood the differences in the audit procedures for these two types of public sector audits.

Part (d) required a description of the relationship between parliament, the executive and the Supreme Audit Institution in public sector auditing.

This part was well answered with a majority of the candidates scoring more than half the available marks. A few candidates lost valuable marks because all they did was to draw the accountability triangle with no explanations. For six marks this was not enough and once again candidates should use the marks on offer to determine the length of their answers.

QUESTION TWO

The general performance on the question was excellent. 81 out of the 96 candidates attempted it managed to score at least 10 marks out of the available 20, representing a pass rate of 84.4%. The highest score was 19 marks out of 20 while the lowest was 1.

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

Part (a) of the question required candidates to advance four arguments for the setting up of a SAI in Mopani using the information in the scenario. The performance was generally satisfactory but a minority of candidates lost marks largely because of the following:

- i. Candidates who gave general answers without making any reference to the information in the scenario.
- ii. Some discussed what a SAI is rather than argue for establishment of one in the given scenario.
- iii. Some candidates discussed the principles of SAI which were not asked for and candidates are reminded to address the question requirements in answering examination questions

Part (b) (i) was a knowledge based question requiring a distinction between the Lima and Mexico declarations. Most candidates scored low marks in this part of the question largely because they listed the provisions of both declarations without addressing the question requirement to distinguish them particularly in terms of why they were issued. A few explained just one of the two in detail without making any reference to the other.

Part (ii) of (b) was an application question requiring candidates to evaluate the extent to which the SAI in the scenario has complied with the Lima and Mexico Declarations. This part of the question was well answered with a majority of the candidates scoring full marks. A few candidates lost marks because they discussed matters in the scenario without making any reference to either the Lima or Mexico declarations. The objective of the question was to confirm whether candidates knew which matters related to either the Lima or Mexico declarations.

QUESTION THREE

The general performance on the question was very good. 82 out of the 108 candidates attempted it managed to score at least 10 marks out of the available 20, representing a pass rate of 75.9%. The highest score was 19 marks out of 20 while the lowest was 3.

The following observations were made:

Part (a) was a knowledge based question requiring candidates to explain the role of the Public Accounts Committee in public sector auditing. Majority of the candidates scored high marks and ably explained the role of PAC in public sector auditing. Some candidates lost marks because they simply explained one point and 4 marks candidates needed to discuss the oversight role as well as follow up of the OAG reports by requiring controlling officers to appear before it.

Part (b) of the question required candidates to distinguish misapplication of funds from misappropriation of funds. The performance in this part of the question was below expectation largely because candidates seem to have problems distinguishing terms. To obtain maximum marks candidates were expected to comment on each of misapplication and misappropriation of funds. There were many instances of candidates just explaining one of the two terms and thereby losing easy marks for not explaining the other.

Part (c) was an application question requiring candidates to identify and explain six ethical & professional matters in the audit of the Ministry of Finance and to suggest suitable safeguards to apply. The performance in this part of the question was good with a majority of candidates scoring more than half the available marks. Some only managed to identify and explain less than the required number of ethical issues and obtained marks in proportion to the correct issues raised. Others did not give suitable safeguards for the ethical matters raised and lost marks for not doing so.

QUESTION FOUR

The general performance on the question was also fair. 24 out of the 55 candidates attempted it managed to score at least 10 marks out of the available 20, representing a pass rate of 43.6%. The highest score was 14 marks out of 20 while the lowest was 2.

The question was divided into two parts. Part (a) required candidates to explain the principles of transparency and accountability as they relate to public sector institutions and the SAI. The following were observed in the answers to this question:

- i. Many candidates simply explained the meaning of transparency and accountability without any further details given.
- ii. Some candidates misunderstood the question and explained the principles of public sector according to ISSAI 100 which were clearly not asked for and did not address the requirements of the question. Candidates should read and understand the question requirements before attempting to answer the question.

Part (b) (i) of the question required candidates to evaluate the extent to which the SAI of Lithia complies with the provisions of ISSAI 12 Value and benefits of SAIs

In order to answer this question satisfactorily, candidates needed to fully understand the provision of ISSAI 12 Value and benefits of SAI's and the three objectives with the principles under each objective. The performance in this part of the question was poor with a majority of the candidates scoring less than half the available marks. The following were observed:

- i. It was clear that many candidates did not understand the objectives under ISSAI 12 and so could not relate correctly any compliance and no compliance using the information in the scenario.
- ii. Some candidates confused the quality control issues with value and benefits of SAIs and no marks were awarded for this.

Part (b)(ii) required an evaluation of compliance with ISSAI 40 Quality control by the SAI using information in the scenario. Majority of the candidates scored half or more of the available marks. Some candidates did not know the provisions of ISSAI 40 Quality control and as such could not correctly evaluate the information in the scenario and assess for adherence with the provisions of the standard. Others identified lapses in quality control from the information in the scenario but did not make any recommendations for improvement as required in the question.

QUESTION FIVE

The general performance on this question was very poor. Only 14 out of the 89 candidates that attempted the question managed to obtain at least 10 marks out of a

total of 20 available marks. A pass rate of 15.7% was recorded. The highest score was 11 out of 20 marks while the lowest was 2.

The question was divided into two parts, each with multiple requirements. Part (a) of the question required candidates to describe the work that should be conducted in each of the stages of a forensic investigation. The performance was generally good with most candidates scoring full marks. It was noted, however, that candidates wrote far too much under each stage for 2 marks which clearly is a waste of valuable examination time. Two valid points clearly explained earned candidates full marks.

Part (b) of the question was on financial audits which comprise 20% of the syllabus for CA 3.7. Candidates are required to show an understanding on the ISSAIs related to financial audits and these will be examined from time to time. These standards are similar to the ISAs in the audit of the private sector and candidates who have done and passed paper 3.2 will not have difficulties dealing with questions on auditing standards.

Part (b)(i) required candidates to discuss the impact on the audit opinion for each of four matters in the scenario. Candidates performed poorly in answering this part of the question. The following were observed:

- i. Some candidates simply did not attempt to answer this part and left it blank.
- ii. Many candidates who attempted to answer the question showed lack of understanding of the provisions of the standards related to reporting.
- iii. Many suggested an opinion based on the information in the scenario but gave wrong arguments for the suggested opinion.
- iv. Some candidates gave answers which were technically incorrect for example suggesting the issuing of a qualified opinion with a disclaimer clearly showing lack of understanding of the subject matter. Both qualified opinion and disclaimer of opinion are forms of the modified opinion.

Part (b) (ii) required candidates to describe the impact on the audit report of modifying the audit opinion. The impact of modifying an opinion on the auditor's report is on the elements of the audit report. Candidates needed to know the basic elements in accordance with ISSAI 1700 Forming an opinion and reporting on financial statements.

This part of the question was poorly done with a majority of the candidates scoring no marks. A majority of the candidates explained the three forms of modifying the audit opinion which were not required and no marks were awarded for doing so.

When an opinion is modified, the Opinion and Basis of opinion paragraphs change depending on the form of modification and candidates needed to show this understanding in their answers.

Overall performance of candidates

- i. Highest mark obtained in this paper: 71%
- ii. Lowest mark obtained in this paper: 17%
- iii. Overall pass rate in this paper: 65.3%

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 22 marks out of 40 while the lowest was 11.

The question was divided into five parts. Part (a) required candidates to calculate the net present value and most candidates scored the maximum marks on this question with few students leaving out the fixed cost of K800,000 which was a relevant cash flow to the project.

Part (b) required candidates to describe how payback, accounting rate of return and internal rate of return is calculated and most failed to indicate the formulas were necessary and the decision rule on each method.

Part (C) Required candidates to justify the use of NPV and most candidates had comparing the advantages of NPV with other investment appraisal methods.

Part (d) required candidates to explain how uncertainty and risk could be considered before undertaking an investment and candidates who attempted the question had no knowledge on this part because the answers were very poor.

Part (e) Candidates did not understand the requirement fully and because of this the response's to the question was poor.

QUESTION TWO

The general performance on the question was also fair. 3 out of the 5 candidates that attempted it managed to score at least 10 marks out of the available 20, representing a pass rate of 60%. The highest score was 14 marks out of 20 while the lowest was 9.

Candidates had challenges explaining the best practices that should be in place before Government embarks on project implementation. The reasons for undertaking capital projects by the Government of OMEGA were well explained by most students except for a few who failed to bring out clearly the reasons.

QUESTION THREE

The general performance on the question was Excellent. All the 5 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 20 marks out of 20 while the lowest was 12.

QUESTION FOUR

The general performance on the question was very good. 3 of the 4 candidates that attempted it managed to score at least 10 marks out of the available 20, representing a pass rate of 75%. The highest score was 12 marks out of 20 while the lowest was 8.

Part (a) the question required that the candidate to explain clearly the role of a Director of Finance in the Public Sector in Comparison with the Private Sector. In order to maximize the marks here, the candidates were expected to define the Roles of the Director of Finance in the Public Sector and Private Sectors by itemizing these roles. Thus stating the similarities and differences if any, that was the more reason why these were separated i.e. Public from Private.

Part (b) some candidates failed to identify what was meant by reserves. In order to provide suggestions on what the reserves are supposed to be used for, the Candidate should have given a brief explanation of how these reserves are generated in a firm.

QUESTION FIVE

The general performance on the question was good. A pass rate of 100% was achieved on this question. The lone candidate that attempted the question obtained 11 out of the total available 20 marks.

Overall performance of candidates

- i. Highest mark obtained in this paper: 66%
- ii. Lowest mark obtained in this paper: 42%
- iii. Overall pass rate in this paper: 80%