

# JUNE 2022 EXAMINATIONS

CHIEF EXAMINERS REPORTS

CA ZAMBIA

### SUBJECT: CA 1.1 – FINANCIAL ACCOUNTING

### **QUESTION ONE**

The general performance on this question was very good. 94 out of the 133 candidates that attempted the question passed (got at least 10 out of the total 20 marks available). The pass rate recorded was 70.6%. The highest mark scored on this question was 20 out of 20 and the lowest was 2 out of 20.

This was a multiple choice question.

### **QUESTION TWO**

The general performance on this question was very good. 97 out of the 133 candidates that attempted the question passed (got at least 10 out of the total 20 marks available). The pass rate recorded was 72.9%. The highest mark scored on this question was 20 out of 20 and the lowest was 0 out of 20.

- (a) Required candidates to prepare a statement of profit or loss account for the year. Candidates had challenges in establishing the correct expense on administration expense item.
- (b) Required candidates to prepare a statement of financial position for the year. Performance was generally above average. Candidates did not add the legal fees to the premises figure. On accruals, the income tax liability was not added.

### **QUESTION THREE**

The general performance on this question was very bad. 3 out of the 107 candidates that attempted the question passed (got at least 10 out of the total 20 marks available). The pass rate recorded was 2.8%. The highest mark scored on this question was 16 out of 20 and the lowest was 0 out of 20.

- (a) Required candidates to briefly explain why irrecoverable debts arise in a business. Many candidates failed to answer this part.
- (b) Required candidates to prepare irrecoverable debts accounts for three years. Candidates had challenges on narrations to use.
- (c) Required candidates to prepare allowance for receivables accounts for three years. Candidates failed to make the necessary adjustment per year after 2020 allowance.
- (d) Required candidates to state reasons why an allowance for receivables accounts is created. Candidates failed to answer this part.

### **QUESTION FOUR**

The general performance on this question was very poor. 14 out of the 115 candidates that attempted the question passed (got at least 10 out of the total 20 marks available). The pass rate recorded was 12.2%. The highest mark scored on this question was 12 out of 20 and the lowest was 0 out of 20.

(a) (i) Required candidates to classify the total expenditure into revenue and capital expenditure. This was badly done by candidates. Many candidates included delivery costs in revenue expenditure and failed to deduct trade discount from purchase price.

(ii) Required candidates to prepare journal entries. Candidates again failed to answer this part.

(iii) Required candidates to calculate revaluation surplus on equipment. Candidates didn't answer this part.

(iv) Required candidates to prepare journal entries to account for the revaluation surplus. Candidates did not answer his part.

(b) (i) Required candidates to prepare a partnership appropriation account. Candidates failed to calculate the interest on drawings and could not divide the residual profit currently.

(ii) Required candidates to prepare partners current accounts. This part was not answered.

### **QUESTION FIVE**

The general performance on this question was fair. 54 out of the 124 candidates that attempted the question passed (got at least 10 out of the total 20 marks available). The pass rate recorded was 43.5%. The highest mark scored on this question was 20 out of 20 and the lowest was 0 out of 20.

- (a) Required candidates to state and explain enhancing qualitative characteristics. Some candidates stated fundamental qualitative characteristics but generally good answers were given.
- (b) Required candidates to state and explain three errors that will not affect the balancing of a trial balance and to open a suspense account to correct the given transactions. The correct errors were given but many failed to clear the suspense account.
- (c) (i) Required candidates to prepare a bank account. Candidates performed well in this part.

(ii) Required candidates to prepare a bank reconciliation statement. Candidates answered this part well.

### **QUESTION SIX**

The general performance on this question was poor. 3 out of the 29 candidates that attempted the question passed (got at least 10 out of the total 20 marks available). The pass rate recorded was 10.3%. The highest mark scored on this question was 12 out of 20 and the lowest was 0 out of 20.

- (a) Required candidates to calculate ratios. The few candidates who attempted failed to calculate the ratios apart from gross profit and net profit ratios.
- (b) Required candidates to assess the two company's performance. As a result of failure to calculate the liquidity ratios, candidates failed to assess the companies.
- (c) Required candidates to advise management of both Bwana and Mkubwa on the actions they should now take to improve liquidity and profitability. Candidates did not answer this part.

### **Overall performance of candidates**

Highest mark obtained in this paper is86%Highest mark obtained in this paper is9%Overall pass rate in this paper is38.8%

# SUBJECT CA1.2 BUSINESS STATISTICS

### **QUESTION ONE**

The general performance on this question was good. 60 out of the 93 candidates that attempted the question passed (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.

### **QUESTION TWO**

The general performance on this question was poor. 36 out of the 93 candidates that attempted the question passed (got at least 10 out of the total 20 marks available). The pass rate recorded was 38.7%. The highest mark scored on this question was 20 out of 20 and the lowest was 0 out of 20.

Part (a) of the question required the candidate to define qualitative and quantitative data. Most candidates could not properly define the terms but gave the correct examples. The performance on this part of the question was fairly good. Some candidates swapped the definitions hence losing marks.

Part (b) of the question required candidates to use the method of probability rules such as complement and additional rule to solve the given problem. The general performance was bad since there was inconsistence in using correct formula. Other lost marks because they lacked basic knowledge on the topic of study.

Part (c); candidates were required to use the given data and the given regression line to estimate the value of y when x = 100 and to calculate and interpret the correlation coefficient of the data. It was observed that the performance in this question was good, candidates had less challenges in solving the given questions. Those that lost marks on this part of the question made computational errors and others were trying to find the regression line was already given.

# **QUESTION THREE**

The general performance on this question was very good. 67 out of the 83 candidates that attempted the question passed (got at least 10 out of the total 20 marks available). The pass rate recorded was 80.7%. The highest mark scored on this question was 20 out of 20 and the lowest was 0 out of 20.

Part (a) required candidates to build a frequency distribution table and then find the mean and the median of the data. 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 correct solutions.

Part (b) of the question required candidates to use the least squares method to estimate the trend values. Most candidate did not know what to do on this part of the question. Some candidates demonstrated good ideas but still failed to get the correct regression line hence losing marks. Very few candidates managed to get this part of the question correctly.

# **QUESTION FOUR**

The general performance on this question was good. 33 out of the 60 candidates that attempted the question passed (got at least 10 out of the total 20 marks available). The pass rate recorded was 55%. The highest mark scored on this question was 20 out of 20 and the lowest was 0 out of 20.

Part (a) of the question required candidates to use the method of probability rules such as complement and additional rule to solve the given problem. The general performance was bad since there was inconsistence in using correct formula. Other lost marks because they lacked basic knowledge on the topic of study.

Part (b) of the question required the candidate to state whether the given variables are qualitative and quantitative data. Most candidates got this part of the question correctly. The performance on this part of the question was fairly good. Some candidates swapped qualitative data for quantitative data, and vice versa, hence losing marks. Others showed serious lack of knowledge on what discrete and continuous data is.

# **QUESTION FIVE**

The general performance on this question was good. 31 out of the 61 candidates that attempted the question passed (got at least 10 out of the total 20 marks available). The pass rate recorded was 50.8%. The highest mark scored on this question was 20 out of 20 and the lowest was 0 out of 20.

Part (a) 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 inability of using the normal distribution tables correctly.

Part (b) of the question was on random numbers and their probability distribution. Candidates were required to use the given information to find the probability that the construction takes less than three days and calculate the mean and standard deviation of the data. The performance on this question was fairly good. Candidates who lost marks using wrong formulae for the calculations. It was observed that most of the

candidates struggled with the part of finding the correct variance and eventually the correct standard deviation. Perhaps some emphasis is needed on how to compute the variance from a discrete distribution.

#### **QUESTION SIX**

The general performance on this question was poor. 24 out of the 69 candidates that attempted the question passed (got at least 10 out of the total 20 marks available). The pass rate recorded was 34.7%. The highest mark scored on this question was 17 out of 20 and the lowest was 0 out of 20.

Part (a) required candidates to state and define the four components of time series. Most candidates could only state but fail to define the components. Very few candidates correctly defined the components on this part.

Part (b) required candidates to prepare a frequency distribution table from the given data and then calculate the relative frequencies and percentages in all the categories. Most candidates managed to solve the question correctly, the ones who failed made errors in the construction of the frequency distribution table hence could not get correct summations and eventually correct solutions. The performance on this part of the question was good. Some candidates lost marks on the part of drawing a bar chart, some drew histograms and others did not use appropriate scales.

### **Overall performance of candidates**

Highest mark obtained in this paper:84%Lowest mark obtained in this paper:9%Overall pass rate in this paper:51%

### SUBJECT: CA 1.3 BUSINESS ECONOMICS

### **QUESTION ONE**

The general performance on this question was good. 53 out of the 92 candidates that attempted the question passed (got at least 10 out of the total 20 marks available). The pass rate recorded was 57.6%. The highest mark scored on this question was 18 out of 20 and the lowest was 2 out of 20.

This was a compulsory question made up of 10 multiple choice questions.

#### **QUESTION TWO**

The general performance on this question was poor. 29 out of the 92 candidates that attempted the question passed (got at least 10 out of the total 20 marks available). The pass rate recorded was 31.5%. The highest mark scored on this question was 20 out of 20 and the lowest was 0 out of 20.

The question was divided into four parts (a), (b) (c) and (d).

- (a) Required candidates to identify the likely market structure of the fish-pork (meat) market. This was poorly done. Candidates were supposed to identify the key characteristics given in the question namely the market being dominated by 2 large producers and a few medium sized producers. These are characteristics of oligopoly market structure. Some candidates identified oligopoly but could not justify hence could not be awarded the full 4 marks allocated
- (b) Required candidates to use their knowledge of elasticity to determine the nature the two goods given. Performance was por. Some candidates stated that the two goods are substitutes and scored a mark for that. However, very few could indicate that the two goods could be complements because there were to figures given to prove which is which.
- (c) Required candidates to outline any two (2) assumptions used when constructing the Production Possibilities Frontier. This was also poorly done. Instead of outlining the assumptions, some candidates outlined what the PPF is!
- (d) This was divided into two parts (i) and (ii) as follows:
  - (i) Required candidates to compute Average Cost, Marginal Cost, Total Revenue and Marginal Revenue from the given data. Performance was fair. However, a good number of students failed to compute Total Revenue and Marginal Revenue. Such candidates failed to use the selling price of K120 given. TR = PQ, and once TR figure were wrong, MR figures were also wrong.
  - (ii) Required candidates to explain the implications of freedom of entry and exit of firms under Perfect Competition. This was fairly done, though some candidates failed to acknowledge that the final implication is that firms under perfect competition would only make normal profits in the long run.

#### QUESTON THREE

The general performance on this question was very good. 69 out of the 84 candidates that attempted the question passed (got at least 10 out of the total 20 marks available). The pass rate recorded was 82.1%. The highest mark scored on this question was 20 out of 20 and the lowest was 2 out of 20.

The question was divided into two parts (a) and (b) as follows:

- (a) Required candidates to explain and show by way of diagrams possible changes in a firm's economic profit, price and output following the occurrence of the following events for both the industry and the individual firm:
  - (i) Banning cars from the inner city except cars by the City Council. Performance was poor. Some candidates interchanged the industry graphs with those of the individual firms. Others used wrong diagrams followed by wrong explanations. The short run positions under perfect competition are even given directly in the Study Manual. Perfect Competition always has a perfectly elastic demand curve which is equal to MR = AR = P (horizontal curve). Some candidate drew upward sloping MR curves!
  - (ii) Increase in fuel prices. Performance was poor again. Fuel price increases the costs of production leading to left ward shift in the supply curve for the industry thereby pushing the A curve upwards. The individual firm starts to incur losses.
- (b) Required candidates to outline any two factors which explain the shape of the firm's average cost curve in the short run and in the long run. Performance was mixed. However, the key factor in the short run related to diminishing returns while in the long run is the economies of scale.

### **QUESTON FOUR**

The general performance on this question was poor. 41 out of the 80 candidates that attempted the question passed (got at least 10 out of the total 20 marks available). The pass rate recorded was 17.5%. The highest mark scored on this question was 20 out of 20 and the lowest was 7 out of 20.

The question was divided into four parts (a), (b) (c) and (d).

- (a) Required candidates to state any four reasons why high inflation is not good. Performance was fair. The question was basically asking about the negative consequences of high inflation. Some candidates could not address these negative consequences. Others, merely defined inflation.
- (b) Required candidates to explain whether the causes of inflation as given in the scenario were cost push or demand pull in nature. Clearly the scenario identifies

both causes. However, some candidates couldn't relate their answers to the given scenario.

- (c) This was divided into three parts namely (i), (ii) and (iii). Performance was mixed. Candidates were required to explain the impact of increased interest rates on:
  - (i) Consumer spending on luxury goods
  - (ii) pending on new expansion projects
  - (iii) Exchange rate of China's currency.
- (d) Required candidates to explain how tight monetary policy would control inflation. Performance was fair. However, some candidates provided none monetary tools like such as taxes and government expenditure!

### **QUESTION FIVE**

The general performance on this question was good. 24 out of the 47 candidates that attempted the question passed (got at least 10 out of the total 20 marks available). The pass rate recorded was 51%. The highest mark scored on this question was 19 out of 20 and the lowest was 0 out of 20.

The question was divided into four parts (a), (b) (c) and (d).

- (a) Required candidates to define opportunity cost. This was well answered by majority of candidates that attempted the question
- (b) Required candidates to construct a hypothetical production possibilities frontier using the information given in the scenario. Performance was poor. The given graphs were very poor and lacked attendant explanation. All that was required was a normal PPF with key points indicated on the graph and then explained what they represent.
- (c) Required candidates to explain why the PPF will shift outwards. This was correctly answered, though some candidates explained inward shift contrary to the question.
- (d) Required candidates to outline any four advantages of the market economy. This was again correctly answered by majority of the candidates. Few candidates seemed not to know what a market economy is hence their responses were wayward.

### **QUESTION SIX**

The general performance on this question was good. 43 out of the 65 candidates that attempted the question passed (got at least 10 out of the total 20 marks available). The pass rate recorded was 66.2%. The highest mark scored on this question was 20 out of 20 and the lowest was 4 out of 20.

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

- (a) Required candidates to distinguish between fiscal discipline and monetary policies. This was fairly done
- (b) Required candidates to discuss any two macroeconomic policy mixes that can be used to achieve targeted economic growth. Fairly done those some candidates focused on either monetary policy or fiscal policy alone
- (c) Required candidates to outline any two (2) assumptions used when constructing the Production Possibilities Frontier. This was also poorly done. Instead of outlining the assumptions, some candidates outlined what the PPF is!
- (d) This was divided into two parts (i) and (ii) as follows:
  - (i) Required candidates to define budget deficit.
  - (ii) Required candidates to explain how government finances the budget deficit through the help of the Bank of Zambia by auctioning government securities. This was poorly done by many candidates. Key issue was to understand what auctioning of government securities is all about.

### **Overall performance of candidates**

Highest mark obtained in this paper: **89%** Lowest mark obtained in this paper: **14%** Overall pass rate in this paper: **48.4%** 

# SUBJECT: CA 1.4- COMMERCIAL AND CORPORATE LAW

# **QUESTION ONE**

The general performance on this question was good. 88 out of the 138 candidates that attempted the question passed (got at least 10 out of the total 20 marks available). The pass rate recorded was 63.7%. The highest mark scored on this question was 16 out of 20 and the lowest was 0 out of 20.

This was a compulsory multiple-choice question.

# **QUESTION TWO**

The general performance on this question was fair. 57 out of the 132 candidates that attempted the question passed (got at least 10 out of the total 20 marks available). The pass rate recorded was 43.1%. The highest mark scored on this question was 19 out of 20 and the lowest was 0 out of 20.

The question had three parts covering Judicial Precedence, types of companies recognized in Zambia and agency relationship. It is imperative that company only applies to those that are incorporated. Students took any business entity to be a company which was not correct. For the future, candidates must take note of the differences.

# **QUESTION THREE**

The general performance on this question was very good. 106 out of the 121 candidates that attempted the question passed (got at least 10 out of the total 20 marks available). The pass rate recorded was 87.6%. The highest mark scored on this question was 17 out of 20 and the lowest was 4 out of 20.

This question was on elements of negligence, vicarious liability and the elements of a master–servant relationship. There appeared not to have been any challenges faced by students when attempting this question. Generally, the question was well prepared and met the standard requirements. No major issues in the negative were observed.

# **QUESTION FOUR**

The general performance on this question was good. 52 out of the 86 candidates that attempted the question passed (got at least 10 out of the total 20 marks available). The pass rate recorded was 60.5%. The highest mark scored on this question was 18 out of 20 and the lowest was 2 out of 20.

This was a four-part question. The first part required the students to give the jurisdiction of the Zambian Courts, the second part required them to explain the position of the law on the transfer of title by a seller without title, the third part required them to distinguish a warranty from a guarantee and the fourth part required them to differentiate a hire purchase from a credit sale. Students did quite well on the first part.

However, about 50% of students attempting this question seem not to be up to date with the changes made to the court hierarchy by the 2016 constitution. For the future students should always interest themselves to know what current affairs are so that they avoid being caught unaware. About 60% equally had challenges in the second, third and fourth parts of the question. Though students had the challenges noted, the questions were drawn from the Zica manual and students who took time to read through the manual, should not really have had any challenges addressing the issues in the question.

# **QUESTION FIVE**

The general performance on this question was very good. 90 out of the 116 candidates that attempted the question passed (got at least 10 out of the total 20 marks available). The pass rate recorded was 77.5%. The highest mark scored on this question was 19 out of 20 and the lowest was 1 out of 20.

- (a) The question demanded students to demonstrate understanding of a contract of Sale as provided for under section 12-15 of the Sale of Goods Act. The performance under this part was average as most students could not bring out the key elements provided under the said law. This was a clear sign that students were not ready for this topic or failed to understand what the question demanded. Roughly 70% managed to get beyond a 50% pass mark in this question. Candidates must always pay attention to all questions and understand the law of on Sale of Goods as it forms the biggest part of their examination. Students must take time to study all topics in full, this section can only be dealt with by candidates who thoroughly go through topics and mastering the principles under each topic. The questions were quite clear for any well prepared student to address the issues raised in the question.
- (b) This question was also based on the Sale of Goods Act. Candidates were required to draw a distinction between a contract of sale and an agreement to sell. Most candidates were able to draw the distinction with ease whereas the few who missed it clearly had no idea on the topic, probably due to selective study. About 75% got this question correctly. For the future, candidates must be encouraged to focus more attention on the Zica manual even as they use

other materials as their exams are based on the contents in the manual. Overall the performance was quite fair.

# **QUESTION SIX**

The general performance on this question was very good. 67 out of the 89 candidates that attempted the question passed (got at least 10 out of the total 20 marks available). The pass rate recorded was 75.2%. The highest mark scored on this question was 18 out of 20 and the lowest was 5 out of 20.

The question was centered on company formation and partnerships law in Zambia. Part (a) of the question demanded students to explain the attributes of incorporating a company in Zambia as provided for by the law. Part (b) focused on partnerships law. Roughly 90% of students attempted this part. Most of them got the answer correct. This is an indication that students understood the question and also understood the topic. For the future, students are encouraged to read to understand the topic bordering on business associations as this area is highly examinable.

Part (c) focused on bankruptcy law. It required students to explain the nature of bankruptcy law. Most candidates who answered this question performed quite well. This is an indication that the candidates are somehow quite familiar with this topic. For the future candidates are encouraged to study the topic in full. 70 % got this part right.

Part (d) of this question focused on the powers of a receiver. 90 % of candidates got this question right. This is an indication that the candidates are somehow quite familiar with this topic

Part (e) of this question was based on winding up processes. Most candidates were able to deal with this question. However, few students showed ignorance on the topic. The way forward for all prospective candidates is to take enough time to study the topic and be able to support their answer with legal authorities.

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# **Overall performance of candidates**

Highest mark obtained in this paper: **92%** Lowest mark obtained in this paper: **13%** Overall pass rate in this paper: **60%** 

### SUBJECT: CA 1.5 MANAGEMENT THEORY AND PRACTICE

### **QUESTION ONE**

The general performance on this question was fair. 25 out of the 55 candidates that attempted the question passed (got at least 10 out of the total 20 marks available). The pass rate recorded was 45.4%. The highest mark scored on this question was 16 out of 20 and the lowest was 2 out of 20.

This was a multiple choice question.

### **QUESTION TWO**

The general performance on this question was very good. 43 out of the 55 candidates that attempted the question passed (got at least 10 out of the total 20 marks available). The pass rate recorded was 78.2%. The highest mark scored on this question was 18 out of 20 and the lowest was 3 out of 20.

This was a scenario based compulsory question which was attempted by all the candidates and had three parts: (a), (b) and (c).

Part (a) asked the candidates to list three (3) key roles of a Manager. Most candidates got this part wrong.

Part (b) was to explain the three (3) major methods that can be used to make the job attractive to the incumbent.

Majority of candidates did not answer this part correctly.

Part (c) asked candidates to state five (5) uses of performance evaluation or appraisal that management may consider for general human resource management decisions. Most of the candidates got this wrong and appeared not to have a clue at all. Half of the candidates failed to answer this question correctly and a few even got 0 marks.

### **QUESTION THREE**

The general performance on this question was fair. 11 out of the 23 candidates that attempted the question passed (got at least 10 out of the total 20 marks available). The pass rate recorded was 47.8%. The highest mark scored on this question was 20 out of 20 and the lowest was 0 out of 20.

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

Part (a) asked candidates to outline some of the reasons as to why employees resist change in an organization.

Part (b) required candidates to pick any five (5) models of change and write concise notes on each.

Most candidates did not know anything about change models but others did very well.

### **QUESTION FOUR**

The general performance on this question was very good. 45 out of the 54 candidates that attempted the question passed (got at least 10 out of the total 20 marks available). The pass rate recorded was 83%. The highest mark scored on this question was 18 out of 20 and the lowest was 4 out of 20.

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

Part (a) required candidates to suggest to someone the type of organization ownership and any (5) of its features that will suit his desires.

Part (b) required candidates to define the features specified by the Companies Act that make private limited companies different from public limited companies.

# **QUESTION FIVE**

The general performance on this question was poor. 14 out of the 44 candidates that attempted the question passed (got at least 10 out of the total 20 marks available). The pass rate recorded was 31.8%. The highest mark scored on this question was 19 out of 20 and the lowest was 0 out of 20.

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

Part (a) required candidates to suggest any five (5) impacts of globalization on firms.

Part (b) required candidates to use any five (5) features of globalization and describe its impact in the world today.

Almost all the candidates attempted this question and the majority got high marks.

### **QUESTION SIX**

The general performance on this question was poor. 12 out of the 42 candidates that attempted the question passed (got at least 10 out of the total 20 marks available). The pass rate recorded was 28.6%. The highest mark scored on this question was 20 out of 20 and the lowest was 0 out of 20.

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

Part (a) asked candidates to list four (4) functions of managements according to Henri Fayol.

Part (b) asked candidates to briefly identify six (6) principles of good governance.

Part (c) asked the candidates to identify the four (4) points to consider in managing ethics at workplaces.

# **Overall performance of candidates**

Highest mark obtained in this paper:85%Lowest mark obtained in this paper:18%Overall pass rate in this paper:59%

### SUBJECT: CA1.6 - BUSINESS COMMUNICATION

#### **QUESTION ONE**

The general performance on this question was excellent. 74 out of the 83 candidates that attempted the question passed (got at least 10 out of the total 20 marks available). The pass rate recorded was 89.2%. The highest mark scored on this question was 18 out of 20 and the lowest was 0 out of 20.

This question was multiple-choice.

#### **QUESTION TWO**

The general performance on this question was excellent. 79 out of the 83 candidates that attempted the question passed (got at least 10 out of the total 20 marks available). The pass rate recorded was 95.2%. The highest mark scored on this question was 20 out of 20 and the lowest was 5 out of 20.

This was equally a compulsory question and the general performance on this question was average.

The question was about functional areas within an organisation that can benefit from an ERP giving brief examples of how departments can benefit from such a system and the layers of IT infrastructure:

The common mistakes were as follows:

- (a) Students did not fully understand what was required to be done. Instead of explaining the obvious functional benefits that each area would draw an ERP, they were generic in their explanation
- (b) Some students struggled to explain the layers of IT infrastructure. Most of them were writing about the services of IT.
- (c) Most students did not know what "IT service desk" is. They were writing about customer service management.

#### **QUESTION THREE**

The general performance on this question was poor. 9 out of the 59 candidates that attempted the question passed (got at least 10 out of the total 20 marks available). The pass rate recorded was 15.3%. The highest mark scored on this question was 15 out of 20 and the lowest was 1 out of 20.

The question was about types of malware and explaining how they affect the system and also explaining OAS that can be used in an and explaining the nature of work that each one is used for.

The following were the common mistakes noted in this question:

- (a) Some students were giving a list of malicious software
- (b) Some students explained OAS well but did not describe the nature of work each is used for well

#### **QUESTION FOUR**

The general performance on this question was poor. 25 out of the 83 candidates that attempted the question passed (got at least 10 out of the total 20 marks available). The pass rate recorded was 30.1%. The highest mark scored on this question was 16 out of 20 and the lowest was 2 out of 20.

The question was about explaining the advantages of using Teleconferencing facilities when communicating in an organisation. It also asked about operating and application software and tabs found in MS Word menu.

The following were the common mistakes noted in this question:

- (a) Some students were giving advantages Video conferencing instead of teleconferencing facilities
- (b) Some students didn't understand the meaning of tailor made and were referring to downloading
- (c) Some students were explaining mobile operating systems instead of Personal Computer operating systems
- (d) Some students were mistaking menu tabs found in MS Word menu with tab stops

### **QUESTION FIVE**

The general performance on this question was very good. 53 out of the 81 candidates that attempted the question passed (got at least 10 out of the total 20 marks available). The pass rate recorded was 65.4%. The highest mark scored on this question was 19 out of 20 and the lowest was 2 out of 20.

The question was about the types of letters expected to be written, documents that may be attached to such types of letters and writing a suitable letter including a statement on the attached document. The following were the common mistakes noted in this question:

- (a) The type of letter requested in the question was not specified
  - No specific definition was given to the required type of a letter, defined it using the general term business letter.
  - Curriculum vitae was included as part of the answer which was not supposed to be the case.
- (b) Incorrect answers such as pass port sized photos, driver's license, birth certificates, referee's details and cover letter were given as example of attached documents.
- (c) mainly Failure to understand the question resulting into wrong application of the scenario given in the question
  - Mismatching of letter elements
  - Wrong content provided in the main body

### **QUESTION SIX**

The general performance on this question was poor. 6 out of the 27 candidates that attempted the question passed (got at least 10 out of the total 20 marks available). The pass rate recorded was 22%. The highest mark scored on this question was 14 out of 20 and the lowest was 0 out of 20.

The question was about the communication cycle, explaining the four roles of a receiver in the communication process and the purposes of communication.

The following were the common mistakes noted in this question:

- Inappropriate diagrams
- Omission of parts of the question. For example, the communication cycle was not presented in the answers. Organization structures were included in the answers
- Mostly the mistakes were the same and these include:
- wrong content in the answers provided
- Mixing the roles of the receiver and the sender.
- Repeated answers
- indicating the roles of the secretary in a meeting

#### **Overall performance of candidates**

Highest mark obtained in this paper:	84%
Lowest mark obtained in this paper:	21%
Overall pass rate in this paper:	62%

### SUBJECT: CA 2.1 FINANCIAL REPORTING

### **QUESTION ONE**

The general performance on this question was fair. 41 out of the 93 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 44%. The lowest score was 0, whilst the highest was 35 out of the available 40 marks.

Part (a) of the question required candidates to prepare a consolidated statement of financial position, and in part (b) to explain the accounting treatment of a convertible debt instrument.

Common mistakes included miscalculation of goodwill and failure to apportion additional depreciation, impairment of goodwill and unrealised profit between the group retained earnings and non-controlling interest.

Most of the candidates were defining a liability and stating the recognition criteria. They were supposed to describe the calculation of the liability component by discounting future cash flows to determine the present value, and the equity component as the difference between the proceeds and the calculated liability: both for initial measurement and recognition. Then, they were to describe the technique for amortised cost to determine the subsequent measurement and reporting at the end of the year.

### **QUESTION TWO**

The general performance on this question was very good. 68 of the 85 candidates that attempted the question managed to obtain at least 10 marks out of a total of 20 available marks. A pass rate of 80% was recorded. The highest score was 17 out of 20 marks while the lowest was 2.

The question required candidates to prepare the statement of profit or loss and other comprehensive income (SPLOCI), the statement of changes in equity (SCIE) and the statement of financial position (SFP) for a limited liability company in line with the IAS1 and IAS 8. Performance was average despite that the question was the easiest on the paper. A good number of candidates could not strictly use the prescribed formats for preparing financial statements for limited liability companies.

Common mistakes included subtracting instead of adding the under provision of tax for the preceding year to report the expense in the SPLOCI and including it in the accrued amount under current liabilities in the SFP.

However, a good number of them did not know how to transfer from revaluation reserve to retained earnings the amount by which depreciation of buildings had increased.

#### **QUESTION THREE**

The general performance on this question was fair. 43 of the 88 candidates that attempted the question managed to obtain at least 10 marks out of a total of 20 available marks. A pass rate of 48.8% was recorded. The highest score was 18 out of 20 marks while the lowest was 2.

This question was on the key syllabus area of financial statements analysis with the 20 marks split between computation of twelve traditional ratios for 10 marks and the other 10 marks allocated to a report that assessed the relative performance and financial position of the two named companies' financial statements.

The following are areas where some marks were lost in part (a) by some candidates:

- (i) failure to use the correct formulae for the ratios asked for,
- (ii) Picking of wrong figures for the kind of ratios in the question requirement,
- (iii) not showing all necessary workings, and
- (iv) sheer luck of adequate preparation for the exam.

In part (b), some marks were lost in the following areas:

- (i) Ignoring to present their answers in the appropriate briefing format of a report and hence losing upto one mark for the report layout.
- (ii) Many candidates ended at computing ratios in part (a) without giving an assessment report and hence lost all the 10 marks allocated for the said analysis.
- (iii) Some candidates gave vague assessments like: "there was an increase in gross profit margin" when no sufficient data from which a trend could be deduced was given in the question.

#### **QUESTION FOUR**

The general performance on this question was very bad. No candidate that attempted the question managed to obtain at least 10 marks out of a total of 20 available marks. A pass rate of 0% was recorded. The highest score was 9 out of 20 marks while the lowest was 0.

This was a mixed-bag question with two sub-questions, both on reporting standards theory and accounting treatment of transactions in line with IAS 41, IAS 20 and IAS16.

Part (a) for three marks on recognition and measurement provisions for biological assets up to point of harvest was well answered by majority candidates. Surprisingly, some candidates opted to leave this part unanswered, signifying lack of adequate preparation.

Part (b) for seven marks on explaining the accounting treatment and financial statement extracts for broiler chickens using the given data was disastrous. Most candidates simply ignore this part of the syllabus, yet with a lot of economic activities in this economic sector, one would have thought that we need skilled professional accountants for appropriate reporting. Frequent examining of this syllabus area is encouraged.

In Part (c), candidates inappropriately accounted for PPE that had a matching grant of 25%. Generally, candidates need to have good technical understanding of accounting for non-current assets which forms a huge aspect of corporate reporting as well as specific understanding of grant accounting.

#### **QUESTION FIVE**

The general performance on this question was bad. 4 of the 64 candidates that attempted the question managed to obtain at least 10 marks out of a total of 20 available marks. A pass rate of 6.3% was recorded. The highest score was 13 out of 20 marks while the lowest was 0.

The question was on IFRS 16 Leases, it had two (2) parts: Part (a) required candidates to explain the features in a lease that indicate a lease is a **finance lease** and part (b) required candidates to explain how **Doka (lessor)** must account for the lease in its financial statements.

Part (a) was generally well answered by most candidates, however few candidates misunderstood the question (they defined **lease contract** instead of **Finance lease**) and spent a lot of their precious time discussing issues which were not relevant to the question: e.g. giving backgrounds, providing lengthy introductions, defining irrelevant terminologies and basic rules on leases.

Part (b) was not well answered. Many candidates discussed accounting treatment in the books of the lessee, instead of the lessor. Further, few candidates wrongly concluded that it was an operating lease because one feature (Legal Tittle of the leased asset was not to be transferred as per agreement). The qualifying features of the finance lease far out weight the non-qualifying feature. The correct treatment by Doka (lessor) should have been to derecognise the asset from its books and recognise the net investment in finance lease in its statement of financial position.

#### **Overall performance of candidates**

Highest mark obtained in this paper:	72%
Lowest mark obtained in this paper:	12%
Overall pass rate in this paper:	42.5%

### SUBJECT: CA 2.2 MANAGEMENT ACCOUNTING

#### **QUESTION ONE**

The general performance on this question was good. 45 out of the 79 candidates that attempted the question achieved a pass (that is a score of at least 20 out of 40 marks), representing a pass rate on the question of 56.9%. The lowest score was 1, whilst the highest was 36 out of the available 40 marks.

Part (a) was asking candidates to explain objectives of budgetary planning and control systems. This part was well answered by the majority and the common mistakes here were candidates listing the budgeting process and also candidates were just list instead of explaining the answer as required.

Part (b) this part was also well answered with few candidates providing general knowledge answers which is not expected at this level.

Part (c) this part was carrying more marks and candidates attempted well but the most part that was not well answered was the Sales values where candidates failed to take into account that sales were on credit and bad debt part was not properly calculated.

Part (d) this part was well answered by the majority while others left this part blank.

Part (E) was not well answered by those who tried to answer while the majority left this part blank. Candidates did not know that all they needed was to add the same figures in the cash budget from part (c).

#### **QUESTION TWO**

The general performance on this question was fair. 31 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 44.3% was recorded. The highest score was 13 out of 20 marks while the lowest was 0.

Part (a) was well answered by the majority. Nevertheless, a few candidates failed to appreciate the cost value was a total instead of computing the unit price, hence ended up with wrong figures.

Part (b) required candidates to calculate the profit and most of them were able to compute it as Total sales less Total costs, of course minding the valuation of closing inventory.

Part (c), this part of the question proved challenging to the candidates. The failed to address the issues were in the scenario

#### **QUESTION THREE**

The general performance on this question was poor. 27 of the 71 candidates that attempted the question managed to obtain at least 10 marks out of a total of 20

available marks. A pass rate of 38% was recorded. The highest score was 13 out of 20 marks while the lowest was 0.

Part (a) (i) required candidates to calculate the under or over absorption of overheads for each department. The majority of the candidates did well in this part with a few finding difficulties in computing overhead absorbed which is found by multiplying the predetermined overhead absorption rate against the actual level of activity.

Part (a) (ii) was well answered by many candidates as they were able to explain the accounting treatment of the under and over absorption of overheads in the statement of profits or loss.

In part (b), candidates were required to calculate variances relating to planning and operational. Poorer candidates had challenges with the question. For planning variances, some candidates could not even state the formulae.

### **QUESTION FOUR**

The general performance on this question was bad. 3 of the 45 candidates that attempted the question managed to obtain at least 10 marks out of a total of 20 available marks. A pass rate of 6.6% was recorded. The highest score was 13 out of 20 marks while the lowest was 0.

This question examined life cycle costing (LCC) and process costing. Students should expect this topic in the future examination diets.

LCC was well attempted but process costing was very badly attempted.

Common errors in process costing were encountered as follows:

- Failing to calculate the equivalent units inherent in the opening and closing work-inprogress.
- Failing to value the equivalent units.
- Wrong entries on the credit side of the account mainly because of failing to calculate the equivalent units.

### **QUESTION FIVE**

The general performance on this question was poor. 13 of the 39 candidates that attempted the question managed to obtain at least 10 marks out of a total of 20 available marks. A pass rate of 33% was recorded. The highest score was 13 out of 20 marks while the lowest was 0.

Poorer candidates presented the following errors:

 Not noticing that data had a mixture of kg, hours and Kwacha. Some candidates subtracted hours and kgs from the selling price to get the 'contribution per unit'.
Future candidates are advised to carefully read the questions.

- Using the contribution per unit rather than the contribution per kg to rank the products.
- Subtracting variable overheads only from the selling prices to get the 'contribution per unit" simply because materials and labour were given in kgs and hours, respectively. There was need to convert the kgs and hours to kwacha by multiplying them by the respective rates in the question.
- Hardly any candidate calculated the maximum price per kg and most of the candidates left this part unanswered. The maximum price per kg of material x1x should have been calculated as current market price + the opportunity cost of diverted kgs.
- In part (c) on make or buy decision, most candidates computed the variable cost of making the component if manufactured internally and compared it with the external price of K15.30 per unit.

### **Overall performance of candidates**

Highest mark obtained in this paper:**76%**Lowest mark obtained in this paper:**10%**Overall pass rate in this paper:**42.6%** 

### SUBJECT: CA2.3 AUDITING PRINCIPLES AND PRACTICE

### **QUESTION ONE**

The general performance on this question was poor. 42 out of the 140 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 30%. The lowest score was 1, whilst the highest was 36 out of the available 40 marks.

It was very disappointing to note that in a question that candidates have previously scored more than half the marks a majority of the candidates scored less than 50% of the available marks.

Part (a)

This part of the question required candidates to briefly explain the five elements of internal control for 10 marks. ISA 315(Revised) *Identifying and assessing the risks of material misstatement through understanding the entity and its environment* deals with the area of internal controls.

Candidates were expected to show in a few words the contents of each of the five elements of internal control. To score maximum marks candidates were expected not only to list or state but needed to explain each of the five. It was disappointing to note that a majority of the candidates scored very low marks in answering this knowledge based question.

The following were given as elements of internal controls clearly showing lack of knowledge of this topic.

- (i) Sales system
- (ii) Purchases system
- (iii) Inventory system
- (iv) Receivables system
- (v) Payables system
- (vi) Safeguard of assets
- (vii) Efficiency and
- (viii) Accountability.

The following observations were made:

• A majority of the candidates who sat for this examination did not attempt to answer this part losing all the available ten marks. This is a poor examination technique and well prepared candidates should have attempted to explain these elements of internal controls. Candidates could have listed the elements of internal control without much explaining and they could have scored half the available marks.

• Many candidates who attempted to answer this part simply did not know the elements of internal control and in some cases discussed tests of controls while others discussed internal control in general without specifically discussing the elements of internal control.

• A few candidates explained elements of assurance engagements which were not the question requirement and no marks were awarded for doing so.

• Some candidates explained audit procedures required when testing internal controls.

Candidates should understand the contents of the following elements of internal control. These are the elements that the statutory auditor will wish to gain an understanding of during the planning stage of the audit and in assessing risk.

- (i) The control environment
- (ii) Risk assessment processes of the client
- (iii) Information system of the client company
- (iv) Control activities of the entity and
- (v) The monitoring of controls by the client company.

### Part (b)

This part of the question required candidates to identify and explain six audit risks in the audit of the financial statements of Lunsefwa Ltd and to suggest suitable audit responses.

The performance in this question was very poor with a majority of the candidates scoring less than half the available marks.

Audit risk questions have featured prominently in the compulsory question in past examination questions. The poor performance in this examination is clear indication of lack of preparedness for examinations by candidates. The poor performance in this part worth 12 marks has contributed to the general poor performance in this examination.

The following observations were made:

• Candidates giving less than the required number of audit risks and in some cases not explaining the audit risks and relating them to what the financial statement assertions in the financial statements.

• A few candidates discussed risks without giving suggested audit responses thereby losing the available marks for doing so.

• A number of candidates defined audit risk in detail instead of explaining the audit risks in the scenario and no marks were awarded for doing this.

• Some candidates discussed business risks in answering this question which required an identification and explanation of audit risks. Candidates should understand the difference between business and audit risks and always address the question requirement.

• Some candidates gave management's responses with regards the response to the risk identified. Audit risk should be looked at from the perspective of the auditor and not management. For example a response that Lunsefwa Ltd must comply with laws and regulations earned no marks because it is not the auditor's response. The suitable response from the point of view of the auditor could be to be alert during the audit for any evidence of non-compliance with laws and regulations and read the minutes of

management and board meeting where matters to do with laws and regulations are discussed.

# Part (c)

This part of the question required candidates to suggest inventory count instructions for the planned physical inventory count. The performance in answering this question was average although a sizeable number of candidates scored below half the available marks. This topic has been examined in the past including requiring candidates to explain the weaknesses in suggested inventory count instruction.

This was a knowledge based questions and well prepared candidates should have had no problems suggesting the inventory count instructions.

The following were noted:

- A sizeable number of candidates simply did not attempt this part of the question.
- Some candidates discussed internal controls pertaining to inventory.

• Of those who attempted to answer this part of the question some gave less than 7 inventory count instructions were awarded marks in proportion with the correct inventory count instructions suggested.

• Weak candidates discussed the responsibilities of the auditor before, during and after the inventory count which are part (d) of the question. Candidates are reminded that inventory count instructions are the responsibility of management and the objective of the auditor is to assess whether or not the instructions are sufficient and can be relied upon in determining inventory value. In order to make this assessment, the auditor requires to know the inventory count instructions that are expected and hence this question requirement.

# Part (d)

This part of the question required candidates to explain the responsibilities of the auditor during each of the three stages of performing the inventory count. The performance in this part of the question was disappointingly poor with many candidates scoring less than half the available marks. It was clear that candidates do not seem to know the work of the auditors at the three stages of inventory count.

Candidates were required to explain the work of the auditor at each of the following stages:

- (i) Before the inventory count
- (ii) During the inventory count
- (iii) After the inventory count

The following were observed:

- There were cases where candidates mixed the work that auditors are expected to perform for example explaining work supposed to be carried out during the inventory count as if it should be carried out after the inventory count.
- A few candidates discussed how the auditor audits inventory value in the financial statements.

Some candidates suggested through their answers that the auditor is fully and solely responsible for the inventory count. Candidates are reminded that management is responsible for the inventory count and the responsibility of the auditor to determine whether or not the inventory count conducted by management can be relied upon as a basis for valuing inventory.

# **QUESTION TWO**

The general performance on this question was good. 72 of the 128 candidates that attempted the question managed to obtain at least 10 marks out of a total of 20 available marks. A pass rate of 56.3% was recorded. The highest score was 15 out of 20 marks while the lowest was 1.

### Part (a)

This part of the question required candidates to explain auditor eligibility according to Zambian legislation and also to state, with reasons, whether a newly qualified CA graduate could sign the auditor's report.

To answer this question adequately, candidates were expected to now the provisions of the relevant legal provisions and should have used their knowledge on regulation of auditors by the ZiCA. The performance in this part was fair with most candidates able to discuss matters surrounding eligibility to carry out audits.

A minority of candidates lost marks and the following observations were made:

- There were some who simply did not attempt to answer this part of the question.
- Some candidates discussed the code of ethics which was clearly incorrect.
- A few candidates did not advise on the eligibility of the newly qualified graduate to sign the auditor's report and lost the marks allocated to this.

Candidates require to understand the legal requirements with regards eligibility and also the provisions of the Accountants Act 2008.

### Part (b)

(i) This part of the question required candidates to explain seven deficiencies in the governance principles of Ethics Ltd. a majority of the candidates scored more than half the available marks. On average the performance was satisfactory with a majority of the candidates scoring half or more of the available marks.

There were candidates who scored poorly and the following were observed:

- Candidates explaining less than the required seven deficiencies and so obtaining parks in proportion to the correct deficiencies explained.
- Some candidates do not seem to know that the Chief Executive Officer is part of management and is an executive director. Generally all directors including the CEO who take part in the day to day running of the company are executive directors.

(ii) This part of the question required candidates to suggest suitable recommendations to the deficiencies explained in part (i) of the question. This and part (i) of the question could have been answered at the same time to save time and so presentation of the answer is important. Instead of answering these two parts separately candidates could have referenced the suggested solution as (i)/ (ii) and used a columnar form to present their answers.

The following observations were made:

- Some candidates did not answer this part of the question and thereby losing easy marks as this part relates to part (i) where the performance was satisfactory.
- Others simply gave wrong recommendations for the deficiencies explained in part

### **QUESTION THREE**

The general performance on this question was poor. 21 of the 122 candidates that attempted the question managed to obtain at least 10 marks out of a total of 20 available marks. A pass rate of 17.2% was recorded. The highest score was 17 out of 20 marks while the lowest was 1.

### Part (a)

This question required candidates to define fraud and to explain the responsibility of the auditor with regards prevention and detection of fraud. To answer this question adequately, candidates require to know the provisions of ISA 240 *The auditor's responsibilities relating to fraud in an audit of financial statements.* 

Whereas a majority of the candidates ably defined fraud, a majority did not adequately answer the second part of the question which required them to explain the responsibility of the auditor with regards fraud. Others simply staged that management is responsible for the detection and prevention of fraud and that it is not the responsibility of the auditor. Candidates should note that the objective of the auditor is to obtain sufficient appropriate evidence that the financial statements are free from misstatement whether due to fraud and error.

ISA 24o gives guidance and clearly explains the responsibilities of the auditor with regards fraud. Candidates are encouraged to fully understand the provisions of auditing standards because they are required to answer questions in line with the provisions of the auditing standards. Candidates should correctly interpret the exam alert in the study manual which suggests that they do not need to know the standard numbers and the contents and only need to know how they can be applied. It is unlikely that if a candidate does not know the ISA and its contents they will be able to apply in a given scenario.

Part (b)

This part of the question required candidates to describe how audit software could be used in the detection of fraud when auditing receivables in the financial statements of Kalulu Ltd. To answer this question satisfactorily candidates should fully understand the meaning of audit software and its use in an audit. Candidates should not have been distracted by reference to fraud in the question which includes fraudulent financial reporting.

A majority of the candidates seemed not to understand the meaning of audit software and apply this to the audit of receivables. Although the objective of the auditor is not to detect fraud, audit procedures including the use of audit software could help detect fraud in any area of the financial statements. Audit software could be used by for example recalculation of the invoices for arithmetical accuracy as well as obtaining an age analysis with details of the make-up of the balances for further investigation by the auditor.

### Part (c)

This part of the question required candidates to list the conditions that must exist before deciding to use the negative form of receivables confirmations. This part of the question was poorly answered suggesting lack of understanding on the part of candidates on negative form of confirmation and why the positive form is preferred. Further, candidates need to be aware that the negative form is used when certain conditions exist and therefore can be relied upon. The reason for ensuring that these conditions exist is that under the negative confirmation a non-response is regarded as a confirmation of the balance being confirmed which in reality may not be the case. There could be reason why the receivable does not confirm.

This is knowledge based and candidates were expected to list five conditions. The following were observed:

- Some candidates gave less than the expected number of conditions. For 5 marks candidates were expected to give at least five conditions. Candidates are reminded to consider the marks offered in deciding on the valid points that must be given.
- Some candidates explained negative confirmation in detail without explaining the conditions necessary and no marks were awarded for doing so.

The conditions are well explained in the study manual and candidates are encouraged to refer to this and ensure they understand these conditions.

### Part (d)

This part of the question required candidates to suggest five audit procedures that should be performed to confirmation samples for which no responses have been received by the auditors. The majority of the candidates who attempted this question scored low marks on this question on audit procedures for receivables. Candidates are reminded that receivables confirmations are nut one procedure used to obtain confirmation about a number of assertions in the figure of receivables. In a situation where the response rate is poor, the auditors require to perform further audit procedures on the figure of receivables. Candidates should know that management will have provided a schedule showing the make-up of the receivables balance at the period end. Candidates are referred to the suggested solutions to see and understand the audit procedures that should be performed.

The following were observed:

- Many candidates failed to give the required number of audit procedures and were awarded marks for correct procedures given.
- There were candidates who explained methods of obtaining evidence such as recalculation instead of explaining the specific audit procedures that should be performed using the methods of obtaining evidence.

# **QUESTION FOUR**

The general performance on this question was bad. 2 of the 52 candidates that attempted the question managed to obtain at least 10 marks out of a total of 20 available marks. A pass rate of 3.8% was recorded. The highest score was 11 out of 20 marks while the lowest was 0.

Part (a)

This was a multi-requirement question requiring candidates to discuss the inherent risk with regards management evidence and also to give three examples of types of evidence obtained from management.

In answering this part of the question, candidates should have considered the likely management bias with a view to show a good picture in the financial statements. Candidates should have observed that auditors obtain evidence from different sources including from management. Considering the generalizations on evidence, evidence obtained from third parties is more reliable than evidence obtained from within the entity.

The following were observed:

- Some candidates did not address the second part of the question requiring them to give examples of management evidence.
- Candidates did not adequately discuss the inherent risk with regards management evidence. Consideration should have been made to the risk of being biased and also management under pressure to meet certain targets and so may give false evidence to the auditors.

# Part (b)

In this part of the question candidates were required to explain the provisions of the companies act with regards evidence provided by management. A majority of the candidates could not answer this question correctly. Legal provisions state that it is a criminal offence to give false information to the auditors. Candidates are encouraged to read and understand the legal provisions that relate to auditing.

### Part (c)

This part of the question required candidates to know the meaning and use of analytical procedures and apply this knowledge to the three stages of an audit namely planning, obtaining evidence and the review stages.

At the planning stage the use of analytical procedures is to gain an understanding of the audited entity during planning to enable the auditor respond appropriately. At the stage of obtaining evidence the objective of the auditor in using analytical procedures is to detect any material misstatements in the figures contained in the financial statements and at the review stage it is to test for the reasonableness of the financial statements and assist the determination of the opinion.

Many candidates who attempted this question simply explained in detail analytical procedures without addressing the requirements of the question to explain the purpose of analytical procedures at the three stages of the audit of Impala Ltd.

Candidates must understand the stages of an audit and the fact that analytical procedures are used at each of these stages and should be able to explain the use of analytical procedures at each of the stages as explained above.

Part (d)

This part of the question required candidates to recommend three substantive analytical procedures that should be performed on the figure of accruals in the draft financial statements.

This part of the question was poorly answered with a majority of the candidates scoring low marks. Candidates should note that analytical procedures involve comparisons and even a procedure to compare the accruals figure in the current year to the previous year figure is an analytical procedure and explanations can be obtained from management for significant variances.

Most of the candidates explained general audit procedures without using analytical procedures as per question requirement and so no marks were awarded.

# **QUESTION FIVE**

The general performance on this question was poor. 31 of the 114 candidates that attempted the question managed to obtain at least 10 marks out of a total of 20 available marks. A pass rate of 27.2% was recorded. The highest score was 17 out of 20 marks while the lowest was 0.

Part (a)

This part of the question required candidates to define audit working papers and to explain five reasons for maintaining audit working papers. This was a knowledge based question in which candidates should have scored maximum marks.

The following was observed:

• Some candidates failed to give the required number of reasons for maintaining audit working papers thereby losing easy marks.

Part (b)

This part of the question required candidates to explain the inclusion of five elements of a typical audit working paper. A sizeable number of candidates simply did not attempt to answer this part of the question. The items listed in the question are elements or contents contained in a typical working paper. Candidates simply needed to explain the reasons and use of each of the five elements.

Part (c)

This part of the question required candidates to recommend eight audit procedures to test for completeness of the figure of trade payables in the financial statements of Njokwe Ltd.

Candidates should have given audit procedures considering the financial statement assertion of completeness.

The following observations were made:

- Many candidates gave less than the expected number of audit procedures.
- Others explained procedures testing other financial statement assertions other than that of completeness and no marks were awarded for doing so.

# **Overall performance of candidates**

Highest mark obtained in this paper: **70%** Lowest mark obtained in this paper: **9%** Overall pass rate in this paper: **38.3%** 

## **SUBJECT: CA 2.4 TAXATION**

## **QUESTION ONE**

The general performance on this question was fair. 69 out of the 147 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 46.9%. The lowest score was 0, whilst the highest was 37 out of the available 40 marks.

In part (a) candidates were required to calculate the amount of provisional income tax paid, state the due date when the provisional income tax was paid and the amount paid on each due date. Common mistakes made by candidates who performed poorly on this part of the question included:

- Failure to use the correct tax rates for farming and non-farming income. Some candidates were using 35% while others were using the personal income tax bands for individuals.
- Failure to identify the due dates of payment of provisional tax. Some candidates were using the income tax final due date.

In part (b) candidates were asked to calculate capital allowances on implements, plant and machinery. The general performance on this part of the question was good, however, a few candidates forgot to restrict the disposal proceeds from the sale of farm implements to the original cost when computing the balancing charge arising on the disposal farm implements, whilst other used the rate of 100% when computing the development allowance on the development expenditure incurred the development of the citrus fruit plantation instead of the correct rate of 10%.

Part (c) asked candidates to compute the final tax adjusted farming profit for the company and was well answered with the exception of a few candidates who failed to identify the relevant expenditure to be added back when computing the taxable profits.

Part (d) required candidates to calculate the final amount of income tax payable for the year. The most common weaknesses demonstrated by candidates who scored poor marks on this part of the question included:

- Including dividend income which is subjected to withholding tax which is final in the computation
- Forgetting to gross up the denture interest income and interest on GRZ Bonds before including it in the computation.
- Using the wrong tax rates to compute income tax on the farming and non-farming income.
- Deducting the wrong amount of the tax credit for withholding tax on debenture interest and GRZ bond interest from company income tax liability to arrive at tge final income tax payable.

## **QUESTION TWO**

The general performance on this question was very good. 86 of the 141 candidates that attempted the question managed to obtain at least 10 marks out of a total of 20 available marks. A pass rate of 60.9% was recorded. The highest score was 17 out of 20 marks while the lowest was 0.

In part (a) candidates were required calculate the amount of withholding tax paid on each type of investment income and the total withholding tax paid. A few candidates failed use the correct rates and figures to make appropriate computations of the amount of the withholding tax arising.

Part (b) required candidates to compute the amount of income tax payable for the year and was fairly well answered. However, a few candidates faced the following challenges in answering the question:

- Failing to identify the benefits received by the tax payer which are taxable and the ones which are exempt.
- Failing to time apportion the salaries and the allowances for the correct number of months the taxpayer was employed in the tax year.
- Treating terminal benefits which included pension, severance pay and repatriation pay as taxable emoluments when they are exempt from tax.

## **QUESTION THREE**

The general performance on this question was very good. 58 of the 96 candidates that attempted the question managed to obtain at least 10 marks out of a total of 20 available marks. A pass rate of 60.4% was recorded. The highest score was 18 out of 20 marks while the lowest was 1.

Part (a) which required candidates to explain the conditions to be met for the customs officers to use the transaction value method in determining the value for duty purposes was poorly answered as candidates failed to give the required explanations.

Part (b) required candidates to explain the functions of the customs services division of the Zambia Revenue Authority and was general well answered. However, a few candidates provided explanations of the general functions of the ZRA as opposed to the functions of the customs services division of the ZRA.

Part (c) which required candidates to calculate the amount of import taxes arising on the importation of motor vehicles was equally well answered, except for a few candidates who faced the following challenges in answering the question:

- Including costs incurred within Zambia in determining the VDP for customs purposes.
- Using of the wrong exchange rate in determining the value for customs purposes for each vehicle.
- Using duty rates for new motor vehicles to determine the customs duty and excise duty arising when both vehicles where used motor vehicles.

## **QUESTION FOUR**

The general performance on this question was poor. 40 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 33% was recorded. The highest score was 19 out of 20 marks while the lowest was 1.

This question covered Value Added Tax (VAT) and was poorly answered. 33% of the candidates who attempted the question passed and 67% failed.

Part (a) required candidates to explain the differences between zero-rated supplies and exempt supplies in the context of VAT and was reasonably well answered with the exception of a few students who demonstrated a lack of knowledge of the differences and therefore failed to provide the required explanations.

Part (b) which required candidates to prepare a computation of VAT payable or refundable by the company was poorly answered. The most common mistakes made the candidates in answering this part of the question included:

- Restricting output VAT to 70%, being the percentage of sales to VAT registered customers when this should have been charged in full. VAT is still chargeable on sales made to unregistered persons.
- Failure to restrict input VAT to 75% being the percentage of purchases from registered customers. VAT does not arise if goods are purchased from unregistered traders.
- Claiming input VAT at the standard rate of 16% on petrol and diesel, when these are zero rated supplies.
- Failing to apply the partial exemption formula to compute the recoverable non attributable VAT on the overheads and non-current assets.

Part (c) asked candidates to calculate the amount of the penalty to be charged on the company if the VAT liability in part (b) of the question was paid late by 13 days. Candidates demonstrated lack of knowledge of the correct amounts of penalties and therefore failed to provide the correct answer.

## **QUESTION FIVE**

The general performance on this question was good. 38 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 54.3% was recorded. The highest score was 17 out of 20 marks while the lowest was 0.

Part (a) required candidates to calculate the amount of mineral royalty tax paid by the mining company for the tax year and explain its income tax treatment when computing the taxable profit for the year. The performance of the candidates on this part of the question was generally fair. Only a few candidates failed to explain that mineral royalty tax is an allowable deduction when computing taxable profits.

Part (b) required candidates to compute the capital allowances claimable on qualifying mining expenditure and was generally well answered with the exception of a few candidates who used the wrong rates to compute wear and tear allowances on qualifying mining expenditure.

In part (c) candidates were asked to compute the tax adjusted profit for the company. Only a few candidates failed to identify the relevant disallowed expenses to be added back when computing the taxable profits.

Part (d) required candidates to calculate the company income tax payable by the mining company for the year. Performance on this part of the question was fair. However, some candidates faced the following challenges:

- Forgetting to gross up the fixed deposit interest and debenture interest before including the income the company tax computation.
- Using the incorrect tax rates of 35% on investment income instead of 30%.

## **Overall performance of candidates**

Highest mark obtained in this paper: **84%** Lowest mark obtained in this paper: **4%** Overall pass rate in this paper: **46.8%** 

## SUBJECT: CA2.5 FINANCIAL MANAGEMENT

## **QUESTION ONE**

The general performance on this question was poor. 70 out of the 183 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 38.2%. The lowest score was 0, whilst the highest was 31 out of the available 40 marks.

Part (a) asked candidates to explain the relationship between investment and financing decisions. Candidates who attempted the question only managed to indicate what investment and financing decision is but failed to explain the relationship between the two. Candidates were supposed to clearly indicate that financing decisions includes inflows of cash and investment decisions include outflows of cash.

Part (b) asked candidates to evaluate the optimal replacement cycle for the existing machine. Candidates had challenges in the following:

- Failure to divide the market price of K90 by the interest of K9 resulted into wrong calculation of cost of debt.
- The weighted average cost of capital was wrongly calculated by candidates who attempted the question and this resulted into wrong present values needed for the purpose of calculating the equivalent annual costs.
- Annuity factors were also a challenge. Candidates are encouraged to use annuity tables provided in examination paper to avoided wrong calculations.

Part (c) required candidates to evaluate whether JOLG Inc. should lease or buy the new equipment. Candidates had the following challenges:

- Timings of cash flows were not properly handled and this was because candidates did not understand that the financing of the replacement of assets shall be done in the year of the optimal period as started in the question.
- Calculating capital allowances seemed to be a challenge. Candidates should understand that capital allowances are not claimed in the year of disposal. In the year of disposal we expect a balancing allowance or balancing charge to arise.
- Candidates were using the weighted average cost of capital (15%) to discount cash flows on leasing and purchase of the asset instead of the cost of financing the purchase of 7% calculated as Kd = 10%(1- 0.30) = 7%
- Failure to identify relevant cash flow arising from leasing and also relevant cash flows from purchase resulted into loss of marks. Most candidates were mixing the two instead of dealing with them separately.

Part (d) asked candidates to discuss the reasons that may cause capital rationing for JOLG Inc. Most candidates were just explaining what capital rationing is instead of discussing the reasons. Some candidates were only stating the soft and hard capital rationing without explaining this reasons in detail. Candidates were supposed to give causes of soft capital rationing and hard capital rationing.

### **QUESTION TWO**

The general performance on this question was very good. 117 of the 168 candidates that attempted the question managed to obtain at least 10 marks out of a total of 20 available marks. A pass rate of 69.6% was recorded. The highest score was 17 out of 20 marks while the lowest was 0.

Part (a) candidates to calculate the company's net working capital under the current and proposed policies. Some candidates avoided to provide a solution to this part of the question, even though the question was selected to be answered.

For those that responded, the common mistakes were that the candidates failed to determine the current assets and liabilities position before and after the given changes to the working capital of Tiyende Ltd. The composition of the working capital was the Cash, Receivables, Inventory and the Payables. Some candidates failed to note that receivable balance was the same as debtors, Payables were creditors.

In order to determine the Net Working Capital, the Candidates needed to net off the current currents against the current liabilities before and after. However, some candidates failed to do this and hence their solutions were incorrect.

The cost of capital was determined from the Net Working Capital at 20%, on the basis of which the Current Asset Ratio was calculated. Therefore, if the Net Working Capital is wrong, then the Current Asset Ratios were also wrong. For those that calculated the wrong working capital, the advice was also incorrect. Candidates also failed to adjust the increase in cash by 50%, reduce Receivables (Debtors) by 25%, and increase in payables (Creditors) by 25%.

Part (b) required candidates to compute the change in the company's working capital financing and advise management whether to implement the new policy.

Based on the outcome of part a) this part of the question required that the candidates compute the company's working capital and the providing advice. However, due to incorrect calculations as per (a) above, the change of working capital was wrong and the advice was not correct in some instances.

Part (c) asked candidates to explain two (2) benefits of the cash operating cycle in ascertaining the working capital needs of the company. Most candidates who attempted this part of the question, failed to explain the benefits of cash operating cycle in order to suggest the working capital requirements and need for Tiyende Ltd.

Part (d) required candidates to explain three (3) advantages to be derived from an effective management of Accounts Receivables.

While this part of the question was highly attempted by the candidates, most of the responses could not clearly explain the three (3) advantages of effective management of Accounts Receivable.

In most instances, those candidates could express lack of deep knowledge of what is meant by Accounts Receivable (Debtors) and hence inadequate explanation. Most candidates related accounts receivables to suppliers which were rather surprisingly.

Part (e) asked candidates to briefly explain five (5) important functions performed by the Finance Manager for Tiyende Ltd, in order for the company to achieve its objectives. The candidates that attempted this part of the question were not able to fully explain the functions of a Finance Manager. Mostly they exhibited lack of knowledge of the responsibilities and functions of the Finance Manager.

In certain circumstances, the candidates' responses confined themselves to just responsibilities only related to accounts working capital management. Though the working capital management is part and parcel of Finance Managers responsibilities, they are more wide and diverse, for instance, capital structure, allocation of funds, dividend policy and cash management.

## **QUESTION THREE**

The general performance on this question was poor. 25 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 28% was recorded. The highest score was 16 out of 20 marks while the lowest was 0.

Part (a) asked to discuss the arguments for and against the use of a rights issue of shares rather than a public issue of shares. Most candidates failed to make a distinction between a rights issue and a public issue of shares particularly on dilution of shareholder control. The shareholder control over the company does not change directly as a result of rights issue. With a public issue the dilution of control change when shares are issued to other investors other than the existing ones.

Most students failed to explain reason a public issue is expensive. They should have listed such costs as 1- Underwriting costs 2- Regulatory costs 3- Advertising. On the contrary rights issue will attract lower costs when information is circulated to existing shareholders.

Part (b) asked candidates to calculate the theoretical ex-rights price of an ordinary share in Western Transport Plc. The majority of the candidates failed to calculate correctly the earnings per share thereby resulting in wrong answer on value of share following rights issue. The earnings per share should have been K31.812 (K15, 906/500), and used in the second part to calculate the Market Value.

Part (c) and (d) were poorly attempted because they depended on the output from prior questions. Some candidates did not attempt part (d). Part(c) asked candidates to calculate the price at which the rights in Western Transport Plc. are likely to be traded. Part (d) asked candidates to evaluate, at the time of the rights issue, the impact to an

investor who holds 2,000 ordinary shares before and after the announcement of the rights issue in the following situations:

- (i) Option 1 Taking up the rights issue.
- (ii) Option 2 Selling the rights.
- (iii) Option 3. Doing nothing.

### **QUESTION FOUR**

The general performance on this question was fair. 64 of the 141 candidates that attempted the question managed to obtain at least 10 marks out of a total of 20 available marks. A pass rate of 45.3% was recorded. The highest score was 16 out of 20 marks while the lowest was 1.

Part (a) required candidates to estimate the value of GreyRhino using the price: earnings ratio method and discuss the usefulness of the variables that you have used. Majority of the candidates could not discuss the usefulness of the variables that used. Part (b) asked candidates to calculate the current cost of equity of GreyRhino, and determine the value of the company using the dividend valuation model.

Most candidates failed to correctly the present values of year 2 and 3, dividends were incorrectly done. Market value from dividend valuation model was generally incorrectly calculated.

Part (c) asked candidates to calculate the current weighted average after-tax cost of capital of GreyRhino, and the weighted average after-tax cost of capital following the new debt issue, and comment on the difference between the two values. Candidates could not calculate correctly the WACC and later make comments with some showing lack of knowledge of the concept. Part (d) asked candidates to discuss how the shareholders of GreyRhino can assess the extent to which they face any of the following risks, explaining in each case the nature of the risk being assessed:

- (i) Business risk;
- (ii) Financial risk;
- (iii) Systematic risk

The majority of the candidates could not explain how to assess the respective risks and some failed to explain the nature of the risk.

## **QUESTION FIVE**

The general performance on this question was bad. 9 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 6.5% was recorded. The highest score was 17 out of 20 marks while the lowest was 0.

Part (a) (i) asked candidates to compute the quarterly instalment payment. This part of the question required candidates to refer to the Term Sheet in order to calculate the amount to be used to pay the loan on quarterly basis. Most candidates failed to correctly calculate the monthly installment. Some of the candidates completely ignored to answer this question.

Part (a) (ii) Prepare a loan amortisation schedule to show the periodic interest charges, instalment payments, principal payments, and balance of the loan at the end of each quarter. The mistake for some student's responses arose from the wrong calculation of the quarterly payment. The amount calculated under (i) above had a bearing of the amortizing schedule which was to reflect the Principle and Interest payments and the eventual balance every quarter and redemption of the loan.

Part (b) required candidates to explain two (2) circumstances under which the weighted average cost of capital can be used in investment appraisal. Some candidate's responses failed to explain clearly the circumstances under which the weighted average cost of capital (WACC) can be used in the investment appraisal. This could imply that these students did not fully understand the concept of WACC.

Part (c) asked candidates to explain three (3) limitations of the dividend growth model (DGM) in estimating the cost of equity of a company. The candidates failed to expressly respond to this requirement. The explanation that some of the candidates gave related to Weighted Average Cost of Capital (WACC) instead of the dividend growth model.

## **Overall performance of candidates**

Highest mark obtained in this paper: 67%Lowest mark obtained in this paper: 7%Overall pass rate in this paper: 40%

## SUBJECT: CA 2.6 STRATEGIC BUSINESS ANALYSIS

### **QUESTION ONE**

The general performance on this question was poor. 44 out of the 198 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 22.2%. The lowest score was 0, whilst the highest was 35 out of the available 40 marks.

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

Part (a) required the candidates to explain the significance of a company's external environment in the formulation of strategy.

The majority of the candidates got this answer wrong as they resorted to use Porter's Five Forces model.

Part (b) asked candidates to with the help of a diagram, discuss how the external environment of Zoom Trucking Company influenced the company's strategic direction. Many of the candidates got this answer wrong as the result of the above mistake.

Part (c) required candidates to explain the strategic significance of the alliance between Singh Transport Company and Zambia Haulage Company.

Again very few candidates got this answer wrong as they did not even understand what a strategic alliance was.

Candidates must read the questions carefully to answer them properly. Most of them merely used common knowledge and thus lost marks.

Part (d) asked candidates to discuss five (5) benefits of a strategic alliance. Many candidates didn't even know what this was all about.

## **QUESTION TWO**

The general performance on this question was poor. 34 of the 141 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 15 out of 20 marks while the lowest was 0.

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

This was a scenario-based question on marketing principles. Some 80% of the candidates attempted this question, hence it was very popular like a compulsory one. Almost 90% of those who attempted it got it right but those who didn't had challenges with parts (b) and (c).

Part (a) asked candidates to define the marketing mix, its significance and describe its elements which this company could have used.

Part (b) required candidates to describe the steps they could have followed to segment, target and position their business.

Part (c) asked candidates to calculate the asset turnover, gross profit margin, receivables collection period, inventory days, payables payment period.

The majority of the candidates did not understand the question and the simple concepts used like the marketing mix, even worse was their failure to perform the simple calculations hence over three quarters of them failed this question.

## **QUESTION THREE**

The general performance on this question was very good. 94 of the 144 candidates that attempted the question managed to obtain at least 10 marks out of a total of 20 available marks. A pass rate of 65.3% was recorded. The highest score was 20 out of 20 marks while the lowest was 0.

This scenario based question had three parts (a), (b), (c). It was attempted by 81 candidates, hence it was shunned by most candidates.

Part (a) required candidates to put businesses on a suitable planning matrix and explain how you can balance this portfolio in terms of the strategies and actual actions.

Only a few candidates gave the correct answers to this part.

Part (b) required candidates to describe the barriers to entry which the Northern Foods could use to stop competitors coming into the industry.

Most candidates did not respond well to the question.

Part (c) asked candidates to calculate the asset turnover, return on investment, return on equity, net income and return on sales.

These future accountants could not even do the simple calculations which are going to be a staple of their work in industry.

## **QUESTION FOUR**

The general performance on this question was excellent. 146 of the 175 candidates that attempted the question managed to obtain at least 10 marks out of a total of 20 available marks. A pass rate of 83.4% was recorded. The highest score was 20 out of 20 marks while the lowest was 0.

This question was in two parts: (a) and (b).

Part (a) required candidates to discuss briefly any five (5) functions of a Board of Directors of a company.

Part (b) asked candidates to describe briefly any five (5) moral attributes that individual directors of the company should have as contained in the King report on corporate governance.

## **QUESTION FIVE**

The general performance on this question was excellent. 112 of the 130 candidates that attempted the question managed to obtain at least 10 marks out of a total of 20 available marks. A pass rate of 86.2% was recorded. The highest score was 20 out of 20 marks while the lowest was 3.

This was a two-part question: (a) and (b).

Part (a) asked candidates to Suggest five (5) elements critical in implementing a Turnaround strategy.

The majority of the candidates answered this correctly.

Part (b) required candidates to discuss the Political and financial risks that affect business following Zambia's recently held Presidential and General Elections on 12 August, 2021.

The majority of the candidates failed to give the correct answer.

### **Overall performance of candidates**

Highest mark obtained in this paper:**79%**Lowest mark obtained in this paper:**15%**Overall pass rate in this paper:**46.6%** 

## SUBJECT: CA 3.1 ADVANCED FINANCIAL REPORTING

## **QUESTION ONE**

The general performance on this question was very good. 116 out of the 152 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 76.3%. The lowest score was 0, whilst the highest was 39 out of the available 40 marks.

The question had two (2) parts. The part (a) of the question asked candidates to discuss how ethics of corporate social responsibility are difficult to reconcile with shareholder expectations and Part (b) asked candidates to prepare a consolidated statement of cash flow using the indirect method in accordance with the requirements of IAS 7 'Statement of cash flows'.

Part (a) of the question was answered very well by most of the students, however few candidates displayed inadequate knowledge of corporate social responsibility.

Almost all candidates attempted part (b) of the question and the performance was fair.

The tax paid, interest charge, gain/loss on disposal and depreciation figures were well treated by most of the candidates. Candidates are encouraged to revise the principles and format of group cash flows as this was an area of weakness for those who did not perform well. Brought forward knowledge is cardinal at advisory level. 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.

The following were the common mistakes:

- (i) Subtracted share of associate loss (K120, 000), this should have been added (reversed) to the profit after tax.
- (ii) Subtracted net actuarial gain of K8, 000, which was reported in other comprehensive income.
- (iii) Some candidates started with profit after tax (K66, 000), but failed to adjust for the tax expense (K44, 000), in order to come up with profit before tax of K110,000.
- (iv) Ignoring deferred tax balances in calculating tax paid. Tax paid is computed by taking into account both current and deferred tax balances, and income tax expense in the profit or loss account.
- (v) Swapped the balances brought forward and balances carried forward. Further, few candidates indicated balances on a wrong side of the ledger accounts. For future examinations, you are advised to use narrative if you are not comfortable with leger accounts. Take note that both narrative and ledger accounts are acceptable.

(vi) Misclassification of cash items and wrong headings, hence lost 3 marks which were available for the correct format of statement of cash flow. Candidates are advised to be familiar with headings of cash flow.

### **QUESTION TWO**

The general performance on this question was fair. 46 of the 102 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% was recorded. The highest score was 19 out of 20 marks while the lowest was 0.

This question had two (2) transactions (Employee Pension Plan and Directors Bonus Scheme). The question required candidates to explain the appropriate accounting treatment of both transactions for the year ended 31 December 2022 including the deferred tax implications.

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 such as IAS 19 and IFRS 2.

The following were the common mistakes:

- (i) Failed to conclude that the first transaction (transaction 1) was a defined benefit pension plan.
- (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 only, instead of expected leavers over the vesting period (the best estimate at each year end should be used).
- (iv) 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.
- (v) Deferred tax implications part, was either completely omitted or poorly answered by most of the students. Therefore, watch out for future examinations. It appears, most candidates are not comfortable with deferred tax.

### **QUESTION THREE**

The general performance on this question was bad. 4 of the 101 candidates that attempted the question managed to obtain at least 10 marks out of a total of 20 available marks. A pass rate of 3.9% was recorded. The highest score was 11 out of 20 marks while the lowest was 0.

This question was a mixed-bag one, covering knowledge of five accounting standards, namely: IAS 12, IAS 16, IAS 21, IAS 36 and IFRS 5.

Part (a) of the question had two sub-parts with (i) asking candidates to evaluate acceptability of the given accounting practices in the mini-case study regarding IAS 36; and (ii) that tested the ability to undertake an impairment review of a building with a recoverable amount in a foreign currency.

Part (b) involved an impairment review of a CGU that was held for sale.

## Part (a) (i) Common mistakes

Candidates wrongfully regurgitated definitions of impairment, conditions that must exist for suspected asset impairment and so on instead of concentrating on the illustrated accounting treatment and then spelling-out "acceptability" or otherwise of the stated treatment. This shows that candidates do not carefully read and understand the question that is asked.

## Part (a) (ii) Common mistakes

On being asked to recommend accounting treatment and showing financial statements extracts for given data, weak candidates continued on definitions and conditions of impairment; wrongfully presenting their answers in a report format, not specifically asked for.

Candidates also ignored to include computations in their answers preferring to theorise everything asked for in the question.

Clearly, most candidates are weak numerically as can be seen from the volume of computational requirements that are met with discursive answers despite being given massive numerical data.

Part (b) of the question required candidates to recommend, to directors of Basilio Ltd, the appropriate accounting treatment of transactions using data given in the scenario, showing relevant extracts in financial statements.

## Part (b) Common mistakes

Instead of showing how the transactions should be accounted for, a number of answers discussed irrelevant criteria for classifying an asset as "held for sale" thereby losing marks and again, inappropriately presented their recommendations in an uncalled for memorandum format.

Clearly, many candidates do not have the good technical knowledge of accounting standards expected of exit level candidates in Advanced Financial Reporting at Advisory level.

It would be beneficial for candidates to appreciate the fact that this section of assessment is the one that is intended for them to bring-out all relevant accounting and reporting skills learnt in corporate reporting.

Candidates should appreciate that this level is advisory both in design and application and hence encouraged to avoid illogical discursive answers at this level.

### **QUESTION FOUR**

The general performance on this question was bad. 3 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 4.6% was recorded. The highest score was 15 out of 20 marks while the lowest was 0.

The question required candidates to to advise the directors of a reporting entity on the requirement accounting for three transactions as follow:

- (i) Transaction one involved a forward currency contract that was entered as a cash flow hedge of a transaction to acquire plant. This part of the question required application of the IFRS 9 hedge accounting provisions.
- (ii) Transaction two involved the sale of equipment as trading inventory for immediate delivery but with future obligation to service and with settlement in instalments. This part of the question required application of the IFRS 15 provision.
- (iii) Transaction three involved issue of a non-derivative liability that was classified as a FVTPL liability in order to avert a measurement mismatch in accordance with IFRS 9.

The question had the least attempt in the paper. The few that attempted the question failed to earn adequate marks for reasons including the following:

Transaction One:

- (i) Poor knowledge of the hedge accounting requirements of IFRS 9.
- (ii) Failure to recognize and measure the derivative financial asset arising from the forward currency contract (FCC).
- (iii) Failure to reclassify the accumulated remeasurement gain on the FCC upon acquisition of the plant.
- (iv) Failure to recognize the plant upon its acquisition and its subsequent depreciation.

Transaction Two:

- (i) Failure to discount amounts receivable in future in respect of delivery of the plant in recognizing revenue on delivery of the plant.
- (ii) Failure to recognize revenue in respect of servicing at end of the first year.
- (iii) Failure to recognize a receivable and finance income on the same in respect revenue accrue on delivery of the plant.

Transaction Three:

- (i) Failure to accordance correct accounting treatment for transaction costs
- (ii) Failure to accrue finance costs on the loan notes for the period

- (iii) Failure to computate and split the premeasurement gains/losses on the loan notes into amounts to report in P/L and in OCI.
- (iv) Failure to show the liability to report in the SFP at the reporting date.

### **QUESTION FIVE**

The general performance on this question was fair. 62 of the 127 candidates that attempted the question managed to obtain at least 10 marks out of a total of 20 available marks. A pass rate of 48.8% was recorded. The highest score was 20 out of 20 marks while the lowest was 2.

The question required candidates to prepare a report to the Board of Directors, analysing the results of a limited liability company whose financial statements included performance of a discontinued operation. In the report, candidates were to draw attention to the effect of the discontinued operations and the contingencies arising from the decision on financial performance and position of the company.

A reasonable number of candidate provided impressive answers as they were able to calculate the rations correctly and make meaningful comments based on the ratios. Common mistakes included preparing ratios based on continuing operations only instead of ratios based on the combined results of the SPLOCI. Some candidates either failed to prepare the standard ratios, or prepared them based on discontinued operations. In the comments some candidates merely referred to increases and decreases in absolute figure without clearly stating the impact of discontinued operations and the contingencies of the financial performance and position of the company.

### **Overall performance of candidates**

Highest mark obtained in this paper:**78%**Lowest mark obtained in this paper:**7%**Overall pass rate in this paper:**42%** 

## SUBJECT: 3.2 ADVANCED AUDIT AND ASSURANCE

## **QUESTION ONE**

The general performance on this question was poor. 61 out of the 198 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 30.8%. The lowest score was 2, whilst the highest was 34 out of the available 40 marks.

This was a scenario based questions and the following were observed.

Part (a)

This part of the question required candidates to discuss the nature of attestation engagements and direct engagements and further to advise the Audit Trainees on the nature of the engagement in question. The performance on this part of the question was very poor for this knowledge based question.

The following were observed in the answers by candidates:

- A large number of candidates simply did not attempt this part of the question and so lost all the available marks. This is a poor examination technique and for a candidate who went through the whole syllabus in preparing for the examination, an intelligent guess could earn the much needed marginal marks which can made a difference between passing and failing the examination. Candidates are reminded that there are no marks deducted for attempting answering a question when they get it wrong.
- Some candidates simply did not know the meaning of the two types of engagements and so lost marks. The key distinguishing factor is the preparation of the subject matter information. In the case of an attestation engagement, the responsible party prepares the subject matter information and the auditor gives assurance on it whereas in a direct engagement the auditor compiles the subject matter information.

Below are examples of answers showing lack of understanding of the two forms of engagements:

- (i) 'An attestation engagement is one where the auditor gives a certificate of audit to the client for use in applying or membership to the organization it is affiliated to. Such engagements are meant to assist the client company to either obtain loan from a bank.'
- (ii) 'The direct engagement is an engagement where the auditor is recommended by the client company to provide audit services for the financial year ended.
- (iii) 'An attestation engagement is an engagement where the auditor works from their station no need to be at the client offices.'
- (iv) A direct engagement is where the audit is at the client offices.'
- (v) 'An attestation engagement occurs where the initial auditors of a company are either not reappointed or resign from the engagement for various reasons

before their terms expires. The reappointment of other auditors is what is referred to as an attestation engagement.'

(vi) 'A direct engagement is an engagement where an audit firm is appointed to replace the outgoing auditors upon either expiration of their contract of appointment of appointment or decline to be reappointed.'

All the above answers are clearly wrong and show the lack of knowledge of these two forms of audit. The candidates are, however, commended for attempting to answer the question rather than leave it not attempted.

The distinguishing feature between these two forms of engagements is who prepares the subject matter information. In the case of an attestation engagement the responsible party such as management in the case of financial statements prepares the subject matter information and the auditor gives assurance on it. In the case of a direct engagement, the auditor prepares the information and at the same time gives assurance on it.

The case of an audit of financial statements, it is an example of an attestation engagement because it is management the responsible parties that prepare the financial statements subject to audit.

- A sizeable number of candidates did not attempt the answer the second part of the question which required advice on the nature of the engagement in the scenario. Others gave direct engagement as the case in the audit of the financial statements in the question and this follows lack of understanding of the two forms of engagement.
- Some candidates discussed the levels of assurance in an assurance engagement namely reasonable assurance and limited assurance which were not specifically asked for and no marks were awarded.

Part (b)

This part of the question required candidates to evaluate eight audit risks and suggest suitable responses using the information in the scenario. Generally this part of the question was well answered but there were candidates who lost easy marks and the following were observed:

- Some candidates did not manage to evaluate the required number of audit risks and scored marks in proportion to the correct audit risks evaluated.
- A few candidates did not suggest suitable safeguards and lost the marks attributed to doing so.
- It was disappointing to see that a sizeable number of candidates discussed ethical matters in answering this part of the question and scored no arks for doing so. Ethical matters are asked for in part (c) of the question. Candidates at the advisory level who would have sat for the lower Auditing Principles and Practice paper are not expected to fail to distinguish between audit risks and ethical matters.
- A large number of candidates could not relate the risks identified to the relevant financial statement assertions. Candidates are reminded that audit risks impact on

the figure in the financial statements and explaining audit risk without relating the risk to what could go wrong in the financial statements do not attract maximum marks.

• Some candidates defined audit risk which was not the question requirement.

Part (c)

- (i) This part of the question required candidates to identify and explain four (4) ethical matters using information in the scenario.
- (ii) This part of the question was related to the first part and required candidates to suggest suitable safeguards to the ethical threats identified in (i) above.

These two parts of the question should have been answered together in order to save time and also make it easier for the examiners to award marks. The format of columnar from could save candidate time in answering this type of question as long as the solutions are clearly labelled.

A few candidates scored poorly and the following were observed:

- In a number of cases candidates identified the ethical matter but did not clearly explain the ethical dilemma.
- There were candidates who discussed the ethical issues in the scenario but did not suggest suitable safeguards per question requirement losing all the available marks for doing so.
- It was disappointing to note that a sizeable number of candidates discussed business risks in a question on ethics.

## Part (d)

This part of the question required candidates to suggest two audit procedures that should be performed in obtaining evidence on the figure of general provisions and to support each procedure with appropriate justification.

Candidates needed to have a clear understanding of the provisions of IAS 37 in answering this question and the fact that general provisions are not allowed.

The following were observed:

- Some candidates simply stated recalculation as a procedure without any explanation. It should be remembered that this could have been one figure with no further break down of the make-up.
- A number of candidates discussed the guidance given in IAS 37 without relating these to the audit of provisions.

# Part (e)

This part of the question required candidates to advise on the areas where professional skepticism will be required in the audit of the financial statements of Chimuka Technologies. This required using the information in the scenario and the following were observed:

- Some candidates gave general answers without using the information in the scenario as required by the question.
- A sizeable number of candidates did not attempt to answer this part losing all the available marks.
- There were a few candidates who gave less than the required four key areas as required.
- A few candidates explained the meaning of professional skepticism which was not the question requirement. Candidates at the advisory level should understand that questions at this level will be largely application rather than knowledge based.

# **QUESTION TWO**

The general performance on this question was poor. 63 of the 171 candidates that attempted the question managed to obtain at least 10 marks out of a total of 20 available marks. A pass rate of 36.8% was recorded. The highest score was 16 out of 20 marks while the lowest was 0.

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

Part (a)

(i) This part of the question required candidates to distinguish auditor experts from management experts. A majority of the candidates scored maximum marks and were able to explain these two types of experts.

A few candidates showed lack of understanding of the two types of experts. Below are two examples of answers that show lack of understanding of these terms fully covered and studied at the lower Principles of Auditing and practice.

- An auditor expert is a trained and qualified person with regards to matters relevant to audits.
- A management expert is one with relevant expertise & training with regards to management work.
- Auditor expert deals or gives an opinion on the truth & fairness of the financial statements while management expert are in charge of the internal controls of the organization.

It is disappointing that candidates at the advisory level are not able to ably explain management and auditor experts. In obtaining sufficient appropriate audit evidence, auditors may require to use the services of audit experts. In the context of auditing and finance, experts are those with skills in fields other than in finance and auditing.

Management experts are appointed by management to help determine figures contained in the financial statements for which management may not have expertise. Some candidates stated that management experts are engaged to assist management in the operations of the company. The accountants who are4 part of the organization may not have the skills to determine certain figures in the financial statements and so the need to engage management experts.

Auditor experts are engaged by auditors with a view for the experts assist the auditor in obtaining sufficient appropriate audit evidence where the auditor does not possess the skills.

(ii) This part of the question required candidates to evaluate the need for using the service of Mint, management experts, in the audit of the financial statements of Silver Ltd and also to state the impact on the audit report of using the work of Mint Consultants.

Candidates should have discussed the need for the auditors of Silver Ltd to use the services of experts in this case management experts. The lack of necessary skills by the auditors are a justification to rely on work of Mint Consultants who are experts. Candidates are reminded that auditors could rely on work of management experts such as that of Mint Consultants or could engage Auditor experts themselves. It should be noted that the auditor's need not engage Mint Consultants but could rely on the work of Mint Consultants if certain conditions exist as required in part (iii) of this question.

A sizeable number of marks scored less than half the available marks and the following observations were made:

- Some candidates did not address the impact on the audit report of using the work of management experts. Candidates should have noted that the auditors are responsible for the audit opinion and are not required to refer to the work of the management expert unless local regulations require this to be done and even then the auditors should state that they are fully responsible for the opinion.
- Some candidates could not give satisfactory answer due to the lack of understanding experts and the relevance of their work to auditors.
- (iii) This part of the question required candidates to suggest four factors that should be considered before deciding on whether to use the services of Mint Consultants in the audit of the financial statements of Silver Ltd. This is a knowledge question basically to consider the levels of objectivity of Mint Consultants before deciding to use their work in obtaining sufficient appropriate audit evidence. A majority of the candidates scored more than half the available marks in this part but it was noted that some wrote far too much for the available marks.

Part (b)

(i) This part of the question required candidates to explain the need of discussing the draft audit report with the Audit Committee before finalizing and signing the audit report.

It was observed that a majority of the candidate did not know the provisions of ISA 260 which deals with communication to those charged with governance.

(ii) This part of the question required candidates to evaluate the draft audit report and comment as appropriate. This required that candidates should fully understand the provisions of the auditing standards on reporting namely ISA 700, ISA705 and ISA 720. This question was poorly answered by a majority of the candidates signifying lack of understanding of the standards on audit reports.

The following observations were made:

- Some candidates failed to consider the contents of the extract from the draft report and instead explained the main elements of an auditor's report.
- A sizeable number of candidates explained what should be contained in the opinion paragraph, the KAMs paragraph and other information paragraph without commenting based on information in the extract.

# **QUESTION THREE**

The general performance on this question was poor. 71 of the 181 candidates that attempted the question managed to obtain at least 10 marks out of a total of 20 available marks. A pass rate of 39.2% was recorded. The highest score was 16 out of 20 marks while the lowest was 1.

# Part (a)

This required candidates to explain four reasons why companies change auditors. This was a knowledge based question and did not require the use of information in the scenario. At the advisory level well prepared candidates should have earned maximum marks in this part of the question.

A majority of the candidates scored maximum marks in explaining why companies change auditors.

Part (b)

Using the information in the scenario, candidates were expected to give appropriate advise on whether the firm should continue as auditors of Chambeshi Ltd. Candidates should have noted that both the audit firm and the client were small organizations and serious differences between the engagement partner and the owner of the client company could result in loss of objectivity on the part of the auditor. In such circumstances it would be unreasonable to continue the relationship and a separation would be appropriate. This is more so the case that the firm is described as a small firm in which case the Engagement Partner may be the sole partner and so rotation may not be possible.

Part (c)

This part of the question required candidates to explain the sufficiency and appropriateness of audit evidence as given in the question for each of the three matters. Candidates needed to assume the role of a reviewer of working papers in which case they need to be able using professional judgment the sufficiency and appropriateness of audit evidence.

Candidates needed to conclude with certainty whether or not the evidence is sufficient and appropriate and to support the conclusion with reasonable arguments.

The following were observed:

### Matter one

Most of the candidates seemed not to know the use of service organizations by a client company and the evidence that the auditors require in obtaining sufficient appropriate evidence. In this case the auditors will have needed to discuss with the service organization auditors in order to get assurance on the internal controls at the service organization.

Tracing the payroll expense in the financial statements to the reports from the service organization is not sufficient and most candidates though otherwise without justifying their recommendation.

## Matter two

Candidates should have observed that internal controls related to capital expenditure were not operating well and so no reliance should be placed on them. The auditors require to perform substantive procedures to test the assertions related to the capital expenditure.

Noting the deficiencies and updating the systems notes without performing further audit procedures is not sufficient and more work will require to be performed.

A majority of candidates were of the view that the evidence was sufficient and appropriate which is not the case. This shows lack of understanding of audit procedures that should be done and the impact of internal controls on the design of audit procedures that should be done.

## Matter three

The audit risk with regards assets held for sale is the correct classification of such assets which should be in accordance with IFRS 5. In this case the audit team confirmed the correct classification meets the guidance in IFRS 5 and also checked for arithmetic accuracy.

The audit team confirmed that the provisions of IFRS 5 were complied with and so the evidence is sufficient and appropriate

# **QUESTION FOUR**

The general performance on this question was fair. 64 of the 146 candidates that attempted the question managed to obtain at least 10 marks out of a total of 20 available marks. A pass rate of 43.8% was recorded. The highest score was 17 out of 20 marks while the lowest was 0.

## Part (a)

This part of the question required candidates to explain audit planning as a series of activities rather than a one off event.

To answer this question satisfactorily, candidates needed to have an understanding of the provisions of ISA 300 *Planning an audit of financial statements.* 

It was disappointing to note that a majority of candidates got this part wrong. The following were observed:

- Many candidates explained the whole process of auditing from planning to report writing. Candidates needed to show an understanding that planning is done at the commencement of the audit but as circumstances reveal changes then the original plan may need to change.
- A number of candidates discussed client acceptance procedures which were not answering the question requirements. Candidates should ensure they understand the question requirement before starting to answer questions.

# Part (b)

This part of the question required candidates to write a report to the Engagement Partner discussing the business risks in Joma Ltd. There were easy marks for the format which was specifically required in answering this part of the question. Candidates should have explained at least five business risks to gain maximum marks and should have clearly understood the difference between business and audit risks. It should be noted that some business risks are also audit risks and clear explanations are required in answering this question.

The following were observed:

• Some candidates lost easy marks for not using the report format in answering this question as required.

- Some candidates identified business risks but in some cases did not explain why they are considered business risks.
- A few candidates discussed matters related to Orange Ltd when the question specifically required an explanation of business risks of Joma Ltd.

## Part (c)

This part of the question required candidates to draft a suitable extract of the audit report arising from the fire that took place after the period end. Candidates should have note that this is a subsequent event that does not require the financial statements to be adjusted. Management disclosed this event in the notes to the financial statements and the auditors feel they should include this in the auditor's report. Candidates needed to know the provisions of ISA 706 *Emphasis of matter paragraphs and other matter paragraphs in the independent auditor's report.* 

It was observed that a number of candidates did not know in which paragraph such information should be included. Others simply stated the paragraph in which this information should be included without drafting a suitable paragraph which should be included. The examiner wished to test the candidates on their understanding of the contents of the other matter paragraph.

# **QUESTION FIVE**

The general performance on this question was poor. 17 of the 92 candidates that attempted the question managed to obtain at least 10 marks out of a total of 20 available marks. A pass rate of 18.5% was recorded. The highest score was 16 out of 20 marks while the lowest was 0.

This question was on related parties and related party transactions and the audit of grants. Candidates needed to understand the provisions of the relevant accounting standards for related parties and grants.

Part (a)

This part of the question required candidates to state the audit objectives in respect of related parties in an audit of financial statements. This question was poorly answered showing lack of understanding of this topic which has a high inherent audit risk.

In order to answer this question satisfactorily, candidates require bringing to bear their accounting knowledge on related party transactions and also be able to discuss the audit risks with regards related parties.

The following were observed:

- Most of the candidates did not have an understanding of the guidelines given by ISA 550.
- Some candidates defined related parties which were not required by the question and no marks were awarded for doing so.

## Part (b)

This part of the question required candidates to state four reasons why an audit cannot detect all material related party transactions.

This was a knowledge based question and a majority of the candidates scored more than half the available marks.

The following observations were made for candidates who scored lower marks:

- Some only explained accounting requirements of IAS 24.
- Some candidates failed to give the required number of reasons and were awarded marks in proportion to the correct reasons explained.

## Part (c)

This part of the question required candidates to identify and explain possible related party transactions using the information in the scenario.

A majority of the candidates were able using the information in the scenario to identify and explain related party transactions.

## Part (d)

This part of the question required candidates to recommend suitable audit procedures to audit government grants. To answer this part of the question satisfactorily candidates needed to know the provisions of the relevant accounting standard IAS 20 Government *grants.* 

Candidates needed to suggest suitable audit procedures considering the accounting for government grants. Some candidates scored low marks and the following observations were made:

- Most candidates focused discussing the accounting for government grants in accordance with IAS 20 without any audit perspective.
- Some candidates simply explained methods of obtaining audit evidence such as recalculation, substantive tests and analytical procedures without explaining how these could be used to obtain audit evidence by performing audit procedures.

## **Overall performance of candidates**

Highest mark obtained in this paper:**69%**Lowest mark obtained in this paper:**18%**Overall pass rate in this paper:**41.8%** 

## SUBJECT: CA 3.4 ADVANCED TAXATION

## **QUESTION ONE**

The general performance on this question was fair. 48 out of the 100 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 48%. The lowest score was 1, whilst the highest was 32 out of the available 40 marks.

In part (a) candidates were required to show how the mining loss incurred in the year ended 31 December 2020 will be relieved in the tax year 2021 and the balance of the loss to carry forward to the tax year 2022. The following were the most common mistakes made by candidates:

- Failing to apply the indexation formula for losses properly to calculate the correct amount of the indexed mining loss brought forward as at 1 January 2021.
- Forgetting to restrict the amount of the indexed loss, to be relieved, to 50% of the taxable mining profits.

In part (b) (i) candidates were required to calculate the capital allowances claimable on the assets acquired from foreign suppliers. A number of candidates used the wrong rates to compute the capital allowances before indexation and further failed to apply the indexation formula for capital allowances properly when computing the indexed capital allowances.

Part (b) (ii) required candidates to calculate the amount of capital allowances claimable on locally acquired assets and other qualifying capital expenditure. The main weakness was using the wrong rates to compute the wear & tear allowances and failing to identify the qualifying capital expenditure for capital allowances purposes.

In part (c) candidates were required to compute the final adjusted mining profit and the company income tax payable by the mining company. The most common challenges faced by candidates who performed poorly on this part of the question included:

- Failure to identify the relevant disallowable expenses to add back when computing taxable profits
- Using the wrong rates to calculate the amount of mineral royalty tax paid by the company.
- Failure to calculate the amount of disallowed interest in excess of 30% of the company's tax EBITDA.
- Failure to calculate the correct amount of indexed mining loss to be relieved in the tax year 2022.
- using the wrong income tax rate of 35% to compute the tax arising instead of using the correct rate of 30%.

In party (d) candidates were required to calculate the amount of income tax payable by the director of the company. The challenges faced by the candidates who scored poor marks included:

- Including dividend income from Zambian sources in the personal income tax computation
- Including rental income from foreign sources which is exempt from tax in the personal income tax computation
- Using the wrong tax rates to compute the amount of income tax liability. Some candidates were using the old income tax bands.
- Failure to calculate and deduct the correct amount of double taxation relief on foreign income.

# **QUESTION TWO**

The general performance on this question was poor. 11 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 15.7% was recorded. The highest score was 15 out of 20 marks while the lowest was 0.

In part (a) candidates were required to explain the income tax treatment of rental income received by the bank during the tax year. A good number of candidates failed to explain that of rental income will be taxable at the rate 12.5%, given that the annual gross rental income was above K800,000 and therefore failed to compute the tax payable by the company.

Part (b) which required candidates to calculate the amount of income tax payable by the bank was poorly answered. The following were the challenges faced by the candidates:

- Failing to identify the relevant disallowed expenses to add back when computing taxable profits
- used the wrong rates to compute the capital allowances claimable on buildings, implements, plant and machinery.
- Using the wrong tax rates to compute the amount of income tax liability. Some candidates were using the old income tax rate of 35% instead of 30%.

# **QUESTION THREE**

The general performance on this question was very good. 54 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 64.3% was recorded. The highest score was 17 out of 20 marks while the lowest was 1.

Part (a) required candidates to explain the ethical implications arising from declaring low values of the estate by the executor and was reasonably well answered. Only a few candidates failed to provide explanations of the relevant implications.

In part (b) candidates were required to compute the income tax payable by the deceased for the tax year. The most common mistakes made by the few candidates who scored poor marks included:

- Failure to calculate the employment income earned by the deceased up to the date of death.
- Failure to gross up royalties received by the deceased prior to the date of death.
- Using the wrong rates to compute the income tax liability. Some candidates were using the old income tax bands while others were using the income tax rate for companies.
- Forgetting to deduct the PAYE paid during the year and the WHT on royalties to arrive at the final amount of income tax payable.

Part (c) which required candidates to calculate the amount of income tax payable by the estate and the inheritance due to the beneficiaries was generally well answered. However, a few candidates faced the following challenges in answering the question:

- including income earned by the deceased prior to the date of death in the computation of the estate.
- Using the wrong rates to calculate the amount of income tax payable on the estate.
- Failure to calculate the correct amounts of inheritances due to each of the four (4) beneficiaries.

Part (d) which required candidates to explain the person responsible for payment of income tax payable by the deceased and the estate was generally well answered.

# **QUESTION FOUR**

The general performance on this question was poor. 17 of the 67 candidates that attempted the question managed to obtain at least 10 marks out of a total of 20 available marks. A pass rate of 25.3% was recorded. The highest score was 18 out of 20 marks while the lowest was 0.

In part (a) (i) candidates were required to provide advice on the income tax implications arising from the company advancing an interest free loan to an effective shareholder and payment of accommodation rentals for the same shareholder. Most candidates demonstrated a lack of knowledge of the regulations relating to loans to effective shareholders and therefore failed to provide explanations of the relevant taxation implications.

In part (a) (ii) candidates were required to provide advice on the tax implications arising if the loan was repaid by the effective shareholder. Most candidates demonstrated a lack of knowledge of the implications and therefore to provide explanations of the relevant

taxation implications. Similarly, in part (a) (iii) most candidates failed to explain the tax implications that will arise if the loan were to be written off by the company.

In part (b) candidates were required to provide advice on the tax implications arising from drawing goods from the company by the director who owned 85% of the ordinary shares in the company under a credit facility. Again, candidates demonstrated a general lack of knowledge of the regulations relating to loans to effective shareholders and therefore failed to provide explanations of the relevant taxation implications.

In part (c) (i) candidates were required to describe the nature and income tax implications arising from four different personal financial protection products which included whole of life insurance, term assurance, family income benefit and permanent health insurance. Candidates demonstrated a general lack of knowledge of these personal financial protection products and therefore failed to provide explanations of the relevant taxation implications.

## **QUESTION FIVE**

The general performance on this question was poor. 11 of the 74 candidates that attempted the question managed to obtain at least 10 marks out of a total of 20 available marks. A pass rate of 14.8% was recorded. The highest score was 14 out of 20 marks while the lowest was 0.

In part (a) candidates were required to explain the basis of assessment for the profits made before incorporation and computation of the final taxable business profits. The following are the challenges faced by the candidates:

- Failure to explain the basis of assessment for the profits made before incorporation of the sole trader business.
- Failure to explain the tax implications arising from incorporation of the business.
- Failure to compute the correct amount of capital allowances claimable by the sole trader.

In part (b) candidates were required to explain the basis of assessment for the profits which will be made after incorporation and a computation of income tax payable by the company. The following are the challenges faced by the candidates:

- Failure to explain the basis of assessment and commencement rules after incorporation of the business.
- Failure to compute the correct amount of capital allowances claimable by the company.
- Failure to calculate the correct amount of income tax payable by the company.

In part (c) candidates were required to compute the amount of income tax payable by the individuals. Most candidates failed to determine the correct amount of income to be

assessed on each individual and further failed to apply the correct tax rates to compute income tax payable by each individual.

# **Overall performance of candidates**

Highest mark obtained in this paper: **77%** Lowest mark obtained in this paper: **14%** Overall pass rate in this paper: **40.5%** 

## SUBJECT: CA 3.5 ADVANCED MANAGEMENT ACCOUNTING

## **QUESTION ONE**

The general performance on this question was poor. 7 out of the 24 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 29%. The lowest score was 1, whilst the highest was 26 out of the available 40 marks.

This question examined the evaluation of an investment using the Net Present Value (NPV) and Accounting Rate of Return (ARR) techniques, the evaluation of divisional performance using the Economic Value Added (EVA) method and the discussion of Management Information System (MIS).

This question was fairly attempted.

The NPV model was relatively well attempted. However, the ARR was rarely computed and discussed. The common errors made by especially poor candidates were:

- Only calculating the NPV but not the ARR
- Including depreciation in the NPV model: depreciation is not a cash flow.
- Discussing long-term investments/competitors in general and in detail instead of discussing why both investment criteria of NPV and ARR should be considered alongside one another when evaluating such investments.
- In part (c) most of the candidates gave additional factors as those relating to product quality, advertising, human resources, etc in detail and in general. The pertinent additional factors were tax, inflation, DCF and risk appetite, difficult in quantifying IT investments, etc.
- Parts (c) and (d) on EVA and MIS, respectively, were generally well attempted.

Common mistakes included:

- Stating that EVA is simple, easy to understand and compute. It is not: it is complex and adjustments are required.
- Not stating the EVA decision criterion.
- Not explaining how MIS will assist the three management levels: strategic, tactical and operational.

Not explaining the part that management accounting will play in the MIS

## **QUESTION TWO**

The general performance on this question was excellent. 16 of the 20 candidates that attempted the question managed to obtain at least 10 marks out of a total of 20 available marks. A pass rate of 80% was recorded. The highest score was 20 out of 20 marks while the lowest was 2.

This question had two parts.

Part (a) was asking candidates to use SWOT analysis on Tanaka Company and explaining external factors Tanaka was facing. This part was well answered with few candidates at this level producing text book notes on SWOT analysis to answer the

question which did not earn those marks. Candidates are expected to apply the SWOT analysis to the given scenario.

Part (b) this part was poorly answered and many of them did not know what to answer and majority ended up explain the balanced score card while a good number left this part blank.

### **QUESTION THREE**

The general performance on this question was excellent. 16 of the 20 candidates that attempted the question managed to obtain at least 10 marks out of a total of 20 available marks. A pass rate of 80% was recorded. The highest score was 20 out of 20 marks while the lowest was 2.

This question examined information technology.

Part (a), this part was poorly answered as candidates ended up of explaining the three level of management instead of the information system (IS) strategy, Information management (IM) Strategy and information Technology (IT) Strategy.

Part (b), was well attempted as a good number of candidates was able explain to explain problems that would be encountered upon launching an on-line shop.

Part (c) this part was poorly answered as many candidates could only mention cost as the only factor. And the other part was left answer.

### **QUESTION FOUR**

The general performance on this question was very good. 12 of the 17 candidates that attempted the question managed to obtain at least 10 marks out of a total of 20 available marks. A pass rate of 70.5% was recorded. The highest score was 17 out of 20 marks while the lowest was 0.

This was one of the optional questions in this paper and examined on budgeting. Generally, candidates scored highly.

In part (a), candidates were required to evaluate the budgeting system at Trade Bosses Ltd (TBL). The majority scored well in this part with a few failing to answer on the basis of the scenario.

Part (b), required the evaluation of the proposal to move to a beyond budgeting method of control at TBL, giving a recommendation on whether to proceed. Candidates were expected to talk about the advantages and disadvantages making the move. However, a number of candidates did not a recommendation as required.

## **QUESTION FIVE**

The general performance on this question was fair. 6 of the 13 candidates that attempted the question managed to obtain at least 10 marks out of a total of 20 available marks. A pass rate of 46.1% was recorded. The highest score was 19 out of 20 marks while the lowest was 3.

The question divisional performance specifically transfer price. It had three parts.

Part (a), required candidates to outline and discuss the main objectives of a transfer pricing system. This proved to be a challenge as most of the answers were below average for advisory level student.

In part (b), candidates had a problem with determining the profit as they could not apply the given capacity of operation.

In part (c), the majority of the candidates simply answered the first part of the question but left out the second part on the effect of the change on the transfer prices. The future candidates are advised to prepare adequately in this topic in order to score higher marks.

### **Overall performance of candidates**

Highest mark obtained in this paper:**75%**Lowest mark obtained in this paper:**17%**Overall pass rate in this paper:**49.6%** 

## SUBJECT: CA3.6 ADVANCED FINANCIAL MANAGEMENT

### QUESTION ONE

The general performance on this question was poor. 3 out of the 24 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 12.5%. The lowest score was 5, whilst the highest was 26 out of the available 40 marks.

Part (a) asked candidates to write a report as a Financial Consultant to the board of directors of MAC Plc advising them on the minimum price to undertake the contracts to manufacture NANA. All computations should form part of the appendix to the report. State clearly any assumptions. Candidates who attempted the question had the following challenges:

- Candidates did not take into account the number of tones of six (6) when calculating the cost of material, labour and variable overheads and this resulted into loss of marks.
- Most candidates failed to calculate the working capital injections. Candidates were supposed to inflate the working capital and then get the injections (differences) in working capital.
- The treatment of surplus unskilled labour hours was also a challenge. Candidates were supposed to subtract the surplus hours of 15,000 from the total hours of 31,200.
- Failure to calculate cost of equity resulted into loss of marks. Candidates were supposed to gear (equity beta) the ungeared beta (asset beta) before calculating the cost of equity using CAPM.
- Failure to take into account the premium of K90 (9% x K1, 000) on redemption value resulted into loss of marks. Candidates were supposed to add the premium of K90 to the nominal value of K1,000 to get a redemption value of K1,090.
- Most candidates were not removing tax on interest and this again resulted into loss of marks. Candidates should be aware that if a company pays tax it will also be required to claim tax on interest.

Part (b) required candidates to discuss the reasons firms primarily use derivatives for hedging rather than speculation and the risks that arise from the use of derivatives. Candidates failed to give this reasons. Most candidates were bringing out the types of currency risks instead of risks from the use of derivatives such as liquidity risk, reporting risks, valuation risks etc.

## **QUESTION TWO**

The general performance on this question was fair. 10 of the 22 candidates that attempted the question managed to obtain at least 10 marks out of a total of 20 available marks. A pass rate of 45.5% was recorded. The highest score was 15 out of 20 marks while the lowest was 3.

Part (a) asked candidates to discuss the refinancing strategies of AMAKA Ltd in the context of the economic environment given in the scenario and how these might impact on the determination of corporate objectives. The common mistakes for the candidates that attempted this question failed to identify the fact that the for AMAKA Ltd had a low gearing level of 17% and that the debt consisted of 15% fixed –rate date secured bonds and unsecured overdraft at a rate of 20%. Therefore, they failed to identify this aspect so as to identify that the some of the capital structure was to include debt. Other aspects that some of the responses to this question failed to comprehensively identify and explain comprehensively apart from the capital structure as the financing strategies of AMAKA Ltd included the following:

- Use of fixed-rate debt
- Equity as a source of finance
- Foreign Currency obligations and
- Dividend policy and capital structure decisions.

Failure to identify and explain these resulted into significant loss of marks. Some of the candidates did not attempt to answer this part of the question altogether, this implies lack of preparedness of this part of the syllabus.

Part (b) asked candidates to evaluate the appropriateness of AMAKA Ltd's current primary objective. Candidates did identify the primary objective of profit maximization. However, the answers did not further identify the fact that even if this objective is paramount, there are other important objectives that needed to be considered, like Corporate Social Responsibility (CSR), ethical considerations and legal obligations, environmental issues, health and safety issues among others. The responses failed to identify and explain these.

### **QUESTION THREE**

The general performance on this question was poor. 4 of the 17 candidates that attempted the question managed to obtain at least 10 marks out of a total of 20 available marks. A pass rate of 23.5% was recorded. The highest score was 12 out of 20 marks while the lowest was 2.

Part (a) asked candidates to calculate the gain in wealth to the shareholders of Dudu Plc and Mac Ltd if the bid is accepted and explain your findings. Both Gains to shareholders of Dudu Plc Mac Ltd and Current value for Dudu i.e K960 million and K450 million were being calculated correctly. However, majority of the candidates were not getting the

combined total number of shares correctly of 120 million. This figure was calculated as follows: 80 million + (5 million x 8) = 120 million. This K120 million (120m X K1) is what is added to K960 million and K450 million to get K1, 530 million as TOTAL COMBINED VALUE.

Part (b) required candidates to calculate the bid offer terms if all the gains are to accrue to the shareholders of Mac Ltd and the share price implied. The Implied value on Mac shares was incorrectly calculated.

Part (c) asked candidates to explain three (3) differences between a listed company and a quoted company. Most candidates did not seem to know that LuSE is a self-regulatory Organization. It has its own set of regulations and Listing rules. Candidates should state that LuSE operate a two-tier market structure i.e listed and quoted shares. Also point out that a quoted company on LuSE indicates a strong intention to list the company on the securities market. Surprising, some candidates did not know the meaning of listing on the exchange market.

## **QUESTION FOUR**

The general performance on this question was poor. 4 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 19% was recorded. The highest score was 10 out of 20 marks while the lowest was 0.

Part (a) asked candidates to calculate an appropriate minimum expected rate of return to be used in the evaluation of each of the proposed investments.

Candidates that attempted this part of the question common mistakes included the incorrect calculation of the equity beta i.e. the "ungeared beta". Thus, these candidates therefore "failed" to correctly take into account the element of the equity's systematic risk without considering the debt impact on both INVESTMENT A and INVESTMENT B.

**For Investment A**, some candidates obtained the Ungeared beta as 0.9223 instead of 1.12.

As **For Investment B.,** similar incorrect calculations were done and as a consequence, an incorrect Minimum expected return was obtained.

Part (b) required candidates to discuss the factors that should be considered by ENG Plc if the profit centre approach would be used to run the treasury function. The question clearly required the candidates to identify and discuss the factors to be considered by ENG Plc. if the *profit center approach* would be implemented to manage the treasury function. The key words were "*profit center approach*". Some candidates responses failed to identify these being; competent staff, controls, Information, Attitudes to risk, Internal Charges and Performance evaluation.

Some identified only two (2) and even after these were listed, they were unable to fully explain adequately and convincingly. This implied that it is either those candidates did not prepare fully for the examinations or did not fully understand the requirement of the

question. The other reason could be that they did not fully correlate the profit center approach with the treasury function.

Some candidates entirely omitted to answer this part of question four, the reason could as stated above where they were unable to identify the factors to be considered by ENG Plc if the profit center approach was to be used. They may not have adequately prepared for questions to be asked from this part of the syllabi.

## **QUESTION FIVE**

The general performance on this question was good. 6 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 54.5% was recorded. The highest score was 17 out of 20 marks while the lowest was 0.

Part (a) asked candidates to calculate the variable interest, fixed interest and net settlement amounts under columns (C), (E) and (F) in the table above. Majority of the candidates failed the compute the variables appropriately despite the information being provided in the scenario.

Part (b) asked candidates to explain the effectiveness of the company's strategy as an interest rate hedge, in relation to the prevailing Monetary Policy Rate, and interest rates. No clear answers were provided on the effectiveness of the strategy.

Part (c) required candidates to explain four (4) differences between a foreign currency swap and an interest rate swap. Some candidates exhibited lack of knowledge of swaps and therefore, could not answer the question.

### **Overall performance of candidates**

Highest mark obtained in this paper: **53%** Lowest mark obtained in this paper: **21%** Overall pass rate in this paper: **36.4%** 

## SUBJECT: CA3.7 Public Sector Audits and Assurance

## **QUESTION ONE**

The general performance on this question was poor. 32 out of the 88 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 36.4%. The lowest score was 3, whilst the highest was 31 out of the available 40 marks.

Part (a)

This part of the question required candidates to identify and explain the extent of compliance with the provisions of ISSA 30: *Code of Ethics* by the SAI of Madagascar.

To answer this question satisfactorily candidates needed to know the five ethical values in the ISSAI and apply them to the information in the scenario. The question deliberately contained a list of matters relating to ISSAI 30 and ISSAI 12 and candidates were required to identify matters related to each of these two standards.

The following were observed:

- It was clear from the answers that most candidates were not able to identify matters that related to ethics and in some cased discussed matters related to value and benefits in this part and no marks were awarded. Candidates are reminded that at this level questions will continue to be application rather than knowledge.
- Some candidates discussed the importance of ethical values in public sector auditing instead of dealing with specific ethical matters in the scenario.

### Part (b)

This part of the question required candidates to evaluate the extent of adherence by the SAI to the principles of value and benefits in accordance with ISSAI 12

The following were observed:

- Candidates discussing ethical issues in this part requiring a discussion of adherence or non- adherence of the principles of value and benefits.
- Some candidates discussed values and benefits in general without making reference to the information in the scenario. At this level of the examinations, candidates need to apply the theory to the information in the scenario.
- A few candidates discussed the importance of adhering with the principles in ISSAI 12 which did not address the question requirement. Candidates are reminded to always ensure they address the question requirement.

Part (c)

(i) This part of the question required candidates to discuss the relevance of performing audit procedures on the going concern ability of a client company.

Candidates needed to know and understand the basis of preparing historical cost financial statements which is on the assumption that a company is a going concern. If a company is not a going concern, the financial statements are required to be prepared on the alternative basis which is the break up basis. Candidates are reminded that the government has stakes in companies that operate on a profit making basis and that are required to prepare financial statements just like privately owned entities. These include many companies under the Industrial Development Corporation.

The following were observed:

- Some candidates did not see the need for considering going concern in view of the fact that these are government institutions. Candidates should have considered that the ability of whether a company is a going concern has implications on the basis upon which the financial statements are prepared.
- Other candidates discussed going concern from the point of view of the public who wish to know whether the company is a going concern or not and no marks were awarded.
- (ii) This part of the question is a follow up to part (i) requiring candidates to discuss the objectives of the procedures on going concern which are explained in ISSAI 1570. Very few candidates scored marks in this part of the question signifying the lack of knowledge of the provisions of ISSAI 1570.

The following observations were made:

- A number of candidates simply did not attempt to answer this part of the question.
- Some candidate discussed the objectives of performing an audit in line with the principles of value for money which were not required.
- (iii) This was a knowledge based question requiring candidates to discuss the impact on the audit report of a material uncertainty with regards going concern but with the basis of preparing the financial statements being appropriate. The impact on the report is dependent on disclosure by management of the material uncertainty. Candidates needed to bring to bear the provisions of ISSA 1570 which gives guidance in this regard.

The following were observed:

- Very few candidates discussed the matter of adequate disclosure by management in the financial statements.
- Many candidates discussed only one point and for 8 marks candidates were expected to address various options depending on the disclosure in the financial statements.
- (iv) This part of the question required candidates to discuss the impact on the audit report hen the basis for the preparation of financial statements by a

client is considered inappropriate. Notwithstanding the disclosures in the financial statements, the auditor should issue an adverse opinion if the basis for the preparation of the financial statements is inappropriate as is the case in the question.

The following were observed:

- Some candidates explained the three forms of modified opinions instead of singling out the appropriate form of modification under the circumstances.
- Other candidates discussed the emphasis of matter paragraph signifying lack of understanding of the meaning and use of this paragraph.

Candidates are reminded that financial audits in the public sector comprise 20% of the syllabus. The content covers all the auditing standards related to the three stages of the audit process namely planning, obtaining evidence and the review and reporting stages. Candidates need to fully understand the provisions of these standards and questions on financial audits are likely to feature in future examinations due to the weighting that is given to them. Candidates are once again reminded that there are publicly owned companies that operate on the basis of making profit just like the private sector and auditing these are subject to the provisions of the same standards.

## **QUESTION TWO**

The general performance on this question was fair. 19 of the 46 candidates that attempted the question managed to obtain at least 10 marks out of a total of 20 available marks. A pass rate of 41.3% was recorded. The highest score was 17 out of 20 marks while the lowest was 1.

### Part (a)

This part of the question required candidates to compare the key features in public and private sector audits. Most of the candidates scored very low marks as most discussed the value for money auditing principles instead of dealing with performance auditing from the point of view of the private sector and comparing with performance auditing in the public sector.

### Part (b)

This part of the question required a description of the approaches to performance auditing in public sector auditing. This was a knowledge based question and the public sector has three approaches from which they chose which one to follow.

Most candidates again discussed the three 'e's of economy, efficiency and effectiveness which was not addressing the question requirement. Candidates need to take great care and ensure they understand the terms used in the public sector auditing or they risk explaining what has not been asked. The requirement here are clearly referred to as 'approaches' and a candidate who has understands performance auditing should have had no trouble explaining these because deciding on the approach is one of the requirements in performance auditing.

The three approaches which should have been explained are:

- Results oriented approach
- Problem oriented approach and
- Systems oriented approach.

The following were observed:

- A sizeable number of candidates did not attempt to answer this part of the question.
- Several candidates discussed the value for money principles for which no marks were awarded.

Part (c)

- (i) This part of the question required candidates to advise the audit team on a suitable audit approach in the performance audit of the DMMU. Candidates needed to know the three approaches that can be used in a performance audit and to recommend with reasons that approach that should be taken. This part was not well answered following from lack of knowledge of the three approaches.
- (ii) This part of the question required candidates to suggest four audit procedures to verify whether the objectives of the DMMU have been met. The performance was poor and the following were observed:
  - Some candidates explained methods of obtaining evidence such as inquiry and analytical procedures without relating them to verifying of whether objectives have been met.
  - Very few candidates gave more than two procedures while the question required four audit procedures.

### **QUESTION THREE**

The general performance on this question was very good. 47 of the 72 candidates that attempted the question managed to obtain at least 10 marks out of a total of 20 available marks. A pass rate of 65.3% was recorded. The highest score was 19 out of 20 marks while the lowest was 2.

Part (a)

This part of the question required candidates to explain the meaning of authorities in a compliance audit. Candidates should have considered the need to determine suitable criteria in a compliance audit which is drawn from the relevant authorities.

The performance in this part of the question was average but there were candidates who scored no marks.

The following were observed:

- Some candidates mistook authorities to law enforcement agencies. Candidates should have observed that authorities in the context of compliance auditing refer to laws and regulations that must be complied with and it's from these authorities that a suitable criteria is chosen.
- Some candidates discussed compliance auditing in general with no reference to the question requirement to explain the meaning of authorities.

## Part (b)

This part required candidates to discuss the importance of authorities in the compliance audit of the payment system of ZRA. This part of the question was related to part (a) because it is from the 'authorities' that the criteria is chosen by the auditor. The criteria is the benchmark against which performance is measured in a compliance audit.

Many candidates had challenges answering this part especially those who did not know what 'authorities' in compliance auditing are. There were candidates who discussed the importance of compliance audits to ZRA while others discussed compliance audits in general and what it involves both of which were not addressing the question requirement.

## Part (c)

This part of the question required candidates to explain six deficiencies in the electronic payment system of ZRA. To answer this question candidates simply needed to critically evaluate each of the six points on the payment system of ZRA and explain any deficiencies that exist.

A majority of the candidates scored well in this part of the question. There were some who lost easy marks because they only addressed the first part of the question of explaining the deficiencies but did not recommend measure to mitigate the deficiencies. Candidates are reminded to address all parts of multi requirement questions

Part (d)

This question required candidates to advise a retired Audit Senior whether or not to accept an invitation to discuss matters relating to the operations of the OAG. This bordered on matters of confidentiality after retirement from service.

A majority of the candidates gave the correct advice while a minority suggested that the code of ethics does not apply on retirement which is not correct.

## **QUESTION FOUR**

The general performance on this question was very good. 45 of the 74 candidates that attempted the question managed to obtain at least 10 marks out of a total of 20

available marks. A pass rate of 60.8% was recorded. The highest score was 17 out of 20 marks while the lowest was 1.

The performance in this question which is on forensic audits was fair. There were candidates who performed poorly as explained in the individual parts below.

## Part (a)

This was a multi requirement question requiring candidates to define fraud and explain each of the three types of fraud in the public sector.

A majority of the candidates ably explained fraud and obtained full marks for doing so. Others only stated the three types of fraudulent activities without any explanation as required and so obtained less marks.

Part (b)

This part of the question required candidates to identify and explain three types of corruption fraud using information in the scenario.

A majority of the candidates identified the corruption fraud in the scenario. A few candidates explained as in (a) three corruption fraud without any reference to the information in the scenario and so did not score maximum marks.

Part (c)

This part of the question required candidates to recommend seven procedures that should be performed in determination of the alleged bribery. The performance in this part of the question was poor with many candidates failing to recommend the required seven procedures that should be performed.

## **QUESTION FIVE**

The general performance on this question was poor. 21 of the 71 candidates that attempted the question managed to obtain at least 10 marks out of a total of 20 available marks. A pass rate of 29.5% was recorded. The highest score was 16 out of 20 marks while the lowest was 3.

Part (a)

This part of the question required candidate to write brief notes on the provisions of ISSAI 40 *Quality control for SAIs.* 

- (i) Leadership responsibilities
- (ii) Acceptance and continuance
- (iii) Human resources

A majority of the candidates explained the provisions of the standard on quality control and scored maximum marks. A minority of candidates discussed matters that had no relevance to quality control.

## Part (b)

(i) This part of the question required candidates to discuss a statement extracted from the presentation by the AG regarding public funds and that they are held in trust for the benefit of the citizens of the country.
At the advisory level of the examinations, there is a let that candidates could

At the advisory level of the examinations, there is a lot that candidates could discuss with regards the statement made by the AG. Candidates should have discussed the interests of the citizens and accountability of those charged with the management of public funds.

A majority of the candidates simply repeated what was in the question with no meaningful discussion and no marks were awarded.

(ii) This part of the question required to explain the role of the SAI in custodians of public funds achieving transparency and accountability.
Candidates were expected to discuss the role of the Public Accounts Committee (PAC) and how through the audit reports the SAI helps the PAC perform its role in holding the custodians of public funds accountable.
The following were observed:

The following were observed:

- Some candidates defined and explained transparency and accountability instead of explaining how the SAI helps in achieving these. The PAC is charged with offering oversight on how public funds are used and the SAI through the audits and audit reports help the PAC fulfill its roles of achieving transparency and accountability of the custodians of public funds.
- A few candidates discussed transparency and accountability of the SAI. Candidates should have considered the context of the question which clearly did not mean transparency and accountability in the SAI.
- (iii) This question required candidates to suggest how the SAI decides on the subjects to audit in the short and long term. Consideration should have been given to the fact that the SAI may not have all the resources necessary to enable it audit all recipients of public funds. For this reason the SAI must have a system in place on deciding which subjects to audit considering risk.

Few candidates answered the question and scored maximum marks. Most candidates seemed not to have understood the meaning of the term 'subjects' which is used in the study manual.

### **Overall performance of candidates**

Highest mark obtained in this paper: **68%** Lowest mark obtained in this paper: **21%** Overall pass rate in this paper: **44.9%** 

## SUBJECT: CA3.8 ADVANCED PUBLIC SECTOR FINANCIAL MANAGEMENT

## **QUESTION ONE**

The general performance on this question was bad. No 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 0%. The lowest score was 13, whilst the highest was 17 out of the available 40 marks.

Part (a) (i) asked candidates to use decision trees to evaluate the decisions at each point and advise management of the Forestry Department whether they should go ahead to implement the system. Candidates completely failed to draw the tree diagram from the scenario to help them make appropriate decisions. Candidates should know that without a proper decision tree it's difficult to come up with appropriate decisions.

Part (a) (ii) asked candidates to explain to management the limitations of making decisions based on the decision trees. Most candidates had challenges with this part of the question and candidates were supposed to bring out the following:

- Time value of money not taken into account.
- Not used for complex situations.
- Unreliable or inaccurate probabilities etc.

Part (a) (iii) asked candidates to define sensitivity analysis and explain how it is carried out. Most candidates failed to explain this and candidates are advised to study through the theory part of the syllabus. Candidates were expected to indicate that sensitivity analysis is used to assess the vulnerability of options to future uncertainties.

Part (b) asked candidates to outline the merits and demerits of using Public Private Partnership or Private Provision Model to deliver capital Projects. Candidates had challenges explaining the merits and demerits and this could have been as a result of poor preparation.

### **QUESTION TWO**

The general performance on this question was excellent. 2 of the 2 candidates that attempted the question managed to obtain at least 10 marks out of a total of 20 available marks. A pass rate of 100% was recorded. The highest score was 17 out of 20 marks while the lowest was 14.

Part (a) asked candidates as the consultant to conduct the training program and prepare notes explaining to the Parliamentarians (i) The Public Financial Management Cycle and; (ii) Activity Based Budgeting and its shortfalls. While most candidates that attempted this question were able to clearly identify and explain the Public Financial Management Cycle, there are some candidates that could not satisfactorily itemize and explain the aspects involved in the Public Sector Financial Management Cycle. Some of the activities were entirely omitted in their responses.

Some candidates jumbled the activities; instead of systematically listing them, they stated from the end. For Instance, instead of starting with Formulation of the budget, they started with its execution. The Process should begin by Formulation of the budget, followed by its approval, Execution, and eventually its evaluation.

Some candidates did not fully explain the meaning of the Activity Based Budget (ABB) and state clearly its shortfalls. Instead of explaining the Activity Based Budget, some candidates explained the fixed based budget and flexible budget.

Part (b) asked candidates to identify the best practices which are necessary to make certain that there is efficiency and effectiveness in the national budget execution, monitoring and control. There were responses from the candidates that were incomplete. The factors that influence the reliability and effectiveness of the budget execution, monitoring and control were not fully identified and explained by some candidates. Some responses were omitted to answer this part of the question by entirely avoiding it altogether.

### **QUESTION THREE**

The general performance on this question was good. 1 of the 2 candidates that attempted the question managed to obtain at least 10 marks out of a total of 20 available marks. A pass rate of 50% was recorded. The highest score was 13 out of 20 marks while the lowest was 1.

Part (a) asked candidates to explain to Brilliant the four (4) functions of the legislature according to Article 63 (2) of the constitution of Zambia and how these functions are executed. Some candidates did not attempt this part of the question showing lack of knowledge.

Part (b) asked candidates to explain the key areas addressed by the public financial management reforms of 2018. Majority of the candidates showed lack of knowledge of the public financial management reforms of 2018 and hence, provided general knowledge of public financial management.

### **QUESTION FOUR**

The general performance on this question was excellent. 3 of the 3 candidates that attempted the question managed to obtain at least 10 marks out of a total of 20 available marks. A pass rate of 100% was recorded. The highest score was 18 out of 20 marks while the lowest was 10.

Part (a) asked candidates to explain the reasons it is important for the African country to use the Public Financial Management (PFM) Measurement Frameworks. Some of the

responses from candidates failed to explain the importance of using the Financial Management (PFM) Measurement Framework. The reason could be that they did not prepare adequately for the examinations.

Part (b) asked candidates to identify the seven pillars of performance that are critical in achieving the objectives of PFM as explained in part (a) above. Instead of identifying the Seven (7) Pillars that are critical in achieving the objectives of PFM, some candidates only identified one (1) or two (2) correct pillars.

## **QUESTION FIVE**

The general performance on this question was excellent. 2 of the 2 candidates that attempted the question managed to obtain at least 10 marks out of a total of 20 available marks. A pass rate of 100% was recorded. The highest score was 13 out of 20 marks while the lowest was 11.

Part (a) asked candidates to discuss the main differences in the business risks involved in the achievement of the financial objectives of a public institution such as the University and a private sector institution, and how the risks can be managed. Most candidates failed to bring out these differences and candidates are advised to study through the entire syllabus. This was a straight forward question and candidates were expected to bring out the following points:

Private;

- Meeting the needs of customers and stakeholders.
- Undertaking market research etc.

### Public;

- Value for money
- Monitoring of economy, efficiency and effectiveness etc.

Part (b) asked candidates to explain how the financial risks introduced into the University through the use of PPP might affect the achievement of its objectives and provide comments on how these risks might be managed. Equally here candidates failed to explain and this is as a result of poor preparation.

Part (c) asked candidates to explain the advantages of Centralised Treasury Management. This was poorly answered by candidates and candidates were expected to bring out the following issues:

- Centralized liquidity management
- Larger volume of cash are available to invest
- Skilled and experienced staff
- Better control etc.

# **Overall performance of candidates**

Highest mark obtained in this paper:**60%**Lowest mark obtained in this paper:**41%**Overall pass rate in this paper:**52%**