



JUNE 2022

CHIEF EXAMINERS' REPORTS

DIPLOMA IN ACCOUNTANCY PROGRAMM

SUBJECT: DAI FINANCIAL ACCOUNTING

QUESTION ONE

The general performance on the question was very good. Of the 197 that attempted the question, only 125 managed to obtain at least 10 out of the available 20 marks. A pass rate of 63.5% was recorded. The highest score was 20 while the lowest was 0 out of 20.

All candidates attempted this question.

QUESTION TWO

The general performance on the question was very good. Of the 186 that attempted the question, only 116 managed to obtain at least 10 out of the available 20 marks. A pass rate of 62.4% was recorded. The highest score was 18 while the lowest was 0 out of 20.

- (a) Required candidates to prepare a trial balance from a given list of ledger balances. No particular difficulty was observed.
- (b) Candidates were required to prepare journal entries from the given additional information. Candidates had challenges on b (i) concerning closing inventory. The correct journal entry should have been as follows:

Dr Inventory – Statement of financial position
Cr Statement of Profit or Loss A/C

QUESTION THREE

The general performance on the question was excellent. Of the 195 that attempted the question, only 176 managed to obtain at least 10 out of the available 20 marks. A pass rate of 90.2% was recorded. The highest score was 20 while the lowest was 2 out of 20.

- (a) Required candidates to prepare a statement of profit or loss account. Candidates had challenges on calculating the following:
 - Profit on disposal of motor vehicle.
 - Carrying value
 - Depreciation expense
- (b) Required candidates to prepare a statement of financial position: many candidates did not add K3000 proceeds from the sale of motor vehicle to the bank account.

QUESTION FOUR

The general performance on the question was poor. Of the 106 that attempted the question, only 16 managed to obtain at least 10 out of the available 20 marks. A pass rate of 15.1% was recorded. The highest score was 13 while the lowest was 0 out of 20.

- (a) Required candidates to prepare an opening journal entry to establish the capital amount at start. This part was well done.
- (b) Required candidates to prepare a statement of profit or loss account. Candidates had challenges on calculating the sales figure and purchases figure. Detailed workings are given in the solution.

QUESTION FIVE

The general performance on the question was poor. Of the 59 that attempted the question, only 12 managed to obtain at least 10 out of the available 20 marks. A pass rate of 20.3% was recorded. The highest score was 19 while the lowest was 0 out of 20.

Candidates are encouraged to make an effort to understand key terms of the subject such as ordinary shares, loan notes and integrated accounting terms.

QUESTION SIX

The general performance on the question was very good. Of the 188 that attempted the question, only 113 managed to obtain at least 10 out of the available 20 marks. A pass rate of 60.1% was recorded. The highest score was 20 while the lowest was 0 out of 20.

- (a) (i) Required candidates to prepare a manufacturing account. Candidates were able to calculate the figure for prime cost of production but many were subtracting the overheads instead of adding them to the prime cost.
(ii) Required candidates to prepare a statement of profit or loss account. Many candidates failed to calculate the cost of sales i.e. inventory + cost of production – closing inventory of finished goods.
- (b) (i) Required candidates to prepare an updated cash book. This was well done.
(ii) Required candidates to prepare a bank reconciliation statement. This was well done by well-prepared candidates.
- (c) Required candidates to state two (2) reasons why a bank reconciliation statements are important. Many candidates failed to state any.
98 candidates passed representing 57% pass rate while 75 candidates failed representing 43% failure rate.

Overall performance of the candidates

Highest mark obtained in this paper is: **79%**

Lowest mark obtained in this paper is: **10%**

Overall pass rate in this paper is: **46.8%**

SUBJECT: DA2 QUANTITATIVE ANALYSIS

QUESTION ONE

The general performance on the question was excellent. Of the 141 that attempted the question, only 118 managed to obtain at least 10 out of the available 20 marks. A pass rate of 83.6% was recorded. The highest score was 20 while the lowest was 2 out of 20.

The questions in this section were multiple choices and covered the entire syllabus. The performance was fairly good on this section. The question covered the entire syllabus hence students had a wide range of questions to answer. In most cases, candidates lost marks for using wrong formulae when computing the required tasks.

QUESTION TWO

The general performance on the question was very good. Of the 129 that attempted the question, only 89 managed to obtain at least 10 out of the available 20 marks. A pass rate of 68.9% was recorded. The highest score was 20 while the lowest was 0 out of 20.

This question was divided into two parts;

Part (a) required candidates to use the method of annuities to solve a problem involving simple interests. The general performance in this part of the question was poor because candidates were observed to be using wrong formulae. There is need to emphasis on differences between simple interest, compound interest and annuities to help candidates to choose the correct method when solving problems involving monetary investment and interest rates.

Part (b) required candidates to use the given ungrouped data to find the range, sample mean, variance and standard deviation. Most candidates managed to solve the question correctly, the ones who failed made errors in their computations and others used wrong formulae.

QUESTION THREE

The general performance on the question was very good. Of the 100 that attempted the question, only 68 managed to obtain at least 10 out of the available 20 marks. A pass rate of 68% was recorded. The highest score was 20 while the lowest was 0 out of 20.

Part (a) of the question required candidates to use the maximax criterion and the minimax regret rule to determine the best farming block from the given data. Most of the candidates demonstrated a fairly good level of knowledge to the topic of study as they could answer this part of the question, the candidates who answered the question wrongly were observed to mix up concept of the maximax, mini max and Hurwich criterion hence lost some marks.

Part (b) required candidates to use the method of normal distribution to solve a given scenario. There was good performance in this problem though there was an observed failure to correctly use the Z tables in finding probabilities.

Part (c) of this question gave a scenario of an investment broker. Candidates were required 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 inconsistency in using correct formula.

QUESTION FOUR

The general performance on the question was good. Of the 136 that attempted the question, only 77 managed to obtain at least 10 out of the available 20 marks. A pass rate of 56.6% was recorded. The highest score was 20 while the lowest was 2 out of 20.

This question was divided into two parts;

Part (a); candidates were required to use the given data to find the regression line and the estimate the value of y when $x = 4$. 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 especially when computing the summations.

Part (b) of the question required candidates to find a future value using the compound interest method. It was observed that most candidates knew the correct formula but could not use correct conversions of rates using the given compounding method which was annually. Marks were therefore lost as the correct answer was not being found if the number of compounding were not used appropriately.

QUESTION FIVE

The general performance on the question was poor. Of the 126 that attempted the question, only 74 managed to obtain at least 10 out of the available 20 marks. A pass rate of 58.7% was recorded. The highest score was 15 while the lowest was 20 out of 20.

This question was divided into two parts;

Part (a) required candidates to calculate the median, the mean and standard deviation from a given scenario of ungrouped data. The first and second part of the question were solved without much struggle, but application of concepts emphasized in the third part of the question was not well done. There was an observed lack of understanding of the question as most candidates could not find the correct standard deviation despite using the correct mean. There is need to emphasize the difference between population standard deviation and sample standard deviation formula.

Part (b) required candidates to use the geometric distribution to calculate the required probabilities. It was observed that the candidates used wrong distributions and were not able to solve the questions correctly.

QUESTION SIX

The general performance on the question was poor. Of the 72 that attempted the question, only 7 managed to obtain at least 10 out of the available 20 marks. A pass rate of 9.7% was recorded. The highest score was 16 while the lowest was 0 out of 20.

This question was divided into two parts;

Part (a) of the question required candidates to calculate the internal rate of return using the net present value method. Candidates were required to calculate future value of the invested money given the initial value. There was an observed lack of understanding of correct formula to be used hence most candidates got wrong answers.

Part (b) required candidates to calculate the mode, median, the mean and standard deviation from a given scenario of ungrouped data. The first and second part of the question were solved without much struggle, but application of concepts emphasized in the third part of the question was not well done. There was an observed lack of understanding of the question as most candidates could not find the correct standard deviation despite using the correct mean. There is need to emphasize the difference between population standard deviation and sample standard deviation formula.

Overall performance of candidates

Highest mark obtained in this paper: **82%**
Lowest mark obtained in this paper: **21%**
Overall pass rate in this paper: **54.4%**

SUBJECT: DA3 BUSINESS ECONOMICS

QUESTION ONE

The general performance on the question was good. Of the 112 that attempted the question, only 60 managed to obtain at least 10 out of the available 20 marks. A pass rate of 53.6% was recorded. The highest score was 20 while 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 the question was poor. Of the 66 that attempted the question, only 13 managed to obtain at least 10 out of the available 20 marks. A pass rate of 19.6% was recorded. The highest score was 15 while the lowest was 0 out of 20.

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

(a) Required candidates to use the given demand and supply functions to:

- (i) Find the market equilibrium price and quantity. Correctly answered by many.
- (ii) Determine the price elasticity of demand and supply. Performance on this part of the question was very poor. Majority of the candidates could not calculate elasticities from the given functions. All that was needed was to differentiate the functions and then substitute the calculated equilibrium quantity and price values calculated in (a) (i) above.
- (iii) State the law of demand. This was correctly answered by majority of candidates.

(b) Required candidates to distinguish between public goods and merit goods and giving an example of each of the four distinctions outlined. Performance was fair. Some candidates, though, interchanged the examples for the two above. Yet other candidates, couldn't provide any closer examples. Interestingly, some candidates failed to bring out the distinctions but provided the correct examples.

QUESTION THREE

The general performance on the question was very good. Of the 81 that attempted the question, only 50 managed to obtain at least 10 out of the available 20 marks. A pass rate of 61.7% was recorded. The highest score was 20 while the lowest was 1 out of 20.

The question was divided into four parts (a) to (d) as follows:

- (a) Required candidates to state the type of integration for two manufacturing firms in the same industry and give any two advantages. Performance was mixed. Some candidates failed to understand that the types of integration is horizontal and could not, therefore give correct advantages.
- (b) Required candidates to outline any four features of a private limited company. Performance was fair.
- (c) Required candidates to complete the given table for Average Product and Marginal Product. Performance was poor. Candidates simply need to use the following formulae to complete the table: Average Product = Total Product/ Number of workers while Marginal Product = Change in Total Product/Change in number of workers

(d) Required candidates to give any two sources of diseconomies of scale. Fairly done.

QUESTION FOUR

The general performance on the question was poor. Of the 78 that attempted the question, only 28 managed to obtain at least 10 out of the available 20 marks. A pass rate of 35.8% was recorded. The highest score was 20 while the lowest was 0 out of 20.

The question was divided into four parts (a) to (c) as follows:

- (a) Required candidates explain using an appropriate diagram how a perfectly competitive firm maximizes profit in the long run. Performance was poor. Many of the graphs were wrong and the explanations given too. In the long run, a perfectly competitive firm can only make normal profit. This occurs at a point where the three curves namely MC, MR, AC intersect. Some candidates draw downward sloping demand curves!
- (b) Required candidates to explain any three (3) key characteristics of a monopolistic firm. Performance was mixed. Many candidates mistook monopolistic competition for either monopoly or perfect competition. Candidates need to read and understand the question and address the specific requirements.
- (c) Required candidates to write short notes on the concepts given below. The answers leave much to be desired as these are common economic concepts used in over and over.
 - (i) Microeconomics
 - (ii) Market Surplus
 - (iii) Normal profit
 - (iv) Kinked demand

QUESTION FIVE

The general performance on the question was good. Of the 46 that attempted the question, only 27 managed to obtain at least 10 out of the available 20 marks. A pass rate of 58.7% was recorded. The highest score was 20 while the lowest was 0 out of 20.

The question was divided into four parts (a) to (c) as follows:

- (a) Required candidates to explain the infant industry, anti-dumping and national interest arguments in support of restricting imports. This was fairly done.
- (b) Required candidates to state and explain the meaning of the given symbols in the consumption function. Performance on this part of the question was poor as many candidates failed to state and explain symbols for autonomous consumption (a), Marginal Propensity to Consume (b) and the Disposable income (y_d).
- (c) Required candidates to discuss the effects on macro-economy of an increase in government spending. Performance was fair.

QUESTION SIX

The general performance on the question was very good. Of the 100 that attempted the question, only 61 managed to obtain at least 10 out of the available 20 marks. A pass rate of 61% was recorded. The highest score was 20 while the lowest was 0 out of 20.

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

- (a) Required candidates to define unemployment rate. Performance was fair though some candidates defined unemployment instead of unemployment rate as required.
- (b) Required candidates to state the formula for calculating unemployment. There was mixed performance. Largely the formula was either wrong or incomplete as a multiplication by 100% was missing from many correct scripts.
- (c) Required candidates to explain any four types of unemployment. Performance was very good though some weak candidates merely listed the types hence lost some marks. Candidates are strongly urged to pay particular attention to the key question verbs used. Outlining and listing are not the same thing
- (d) Required candidates to explain the meaning of flexible exchange rate system. This was a mixed grill. Some candidates seemed completely lost indicating that they did not cover this topic!

QUESTION SEVEN

The general performance on the question was poor. Of the 73 that attempted the question, only 19 managed to obtain at least 10 out of the available 20 marks. A pass rate of 26% was recorded. The highest score was 18 while the lowest was 1 out of 20.

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

- (a) Required candidates to calculate (i) Gross Domestic Product and (ii) National Income at market prices. Performance was very poor. $\text{GDP at market prices} = \text{wages and salaries} + \text{Profits} + \text{Mixed incomes} + \text{Taxes on products} - \text{subsidies on products}$. Similarly, $\text{Gross national income at market prices} = \text{GDP at market prices} + \text{Net income from abroad}$
- (b) Required candidates to explain the uses of national income statistics. Fairly done.
- (c) Required candidates to illustrate with a diagram the five sector circular flow model of national income. Performance was mixed. Some candidates only identified two sectors namely Households and Firms without even showing the direction of movements required. The five sectors are Households, Firms, Government, Financial institutions and the Rest of the world. Key is also to identify the flows and the direction of those flows.

Overall performance of candidates

Highest mark obtained in this paper: **81%**

Lowest mark obtained in this paper: **7%**

Overall pass rate in this paper: **45.4%**

SUBJECT: DA4 INFORMATION TECHNOLOGY AND COMMUNICATION

QUESTION ONE

The general performance on the question was good. Of the 144 that attempted the question, only 87 managed to obtain at least 10 out of the available 20 marks. A pass rate of 60.4% was recorded. The highest score was 18 while the lowest was 0 out of 20.

Most candidates performed very well on multiple choice questions.

QUESTION TWO

The general performance on the question was fair. Of the 102 that attempted the question, only 43 managed to obtain at least 10 out of the available 20 marks. A pass rate of 42% was recorded. The highest score was 14 while the lowest was 0 out of 20.

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

Part (a) required candidates to:

- (i) Distinguish between physical and logical network topology.
- (ii) State four (4) network topologies that an organization could use.

In part (b) candidates were required to explain two (2) types of main memory and their functions and part (c) required them to state three (3) disadvantages of real-time systems.

The following were noted as common mistakes:

- Candidates did not understand logical topology.
- Failure provide the disadvantages of spread sheets

QUESTION THREE

The general performance on the question was very. Of the 60 that attempted the question, only 38 managed to obtain at least 10 out of the available 20 marks. A pass rate of 63.3% was recorded. The highest score was 19 while the lowest was 0 out of 20.

Candidates were requested to:

Write the keyboard short cut for copy, save, undo and inserting a superscript in part(a) of the question. In part (b), candidates were required to Write short notes Intrusion detection, Identification and Authentication while the last part (c) required them to Outline any four (4) advantages an organizational accounting system can derive from using a database.

Common mistakes observed were:

In part (b) candidates failed to explain the term intrusion:

- Mixed up contents of Authentication and identification
- Failure to understand the question

In Part (c) most candidates gave generic responses which were not really applicable to the data base.

QUESTION FOUR

The general performance on the question was fair. Of the 122 that attempted the question, only 50 managed to obtain at least 10 out of the available 20 marks. A pass rate of 40.9% was recorded. The highest score was 14 while the lowest was 0 out of 20.

Question four (4) was attempted by almost all candidates

In this question candidates were required to State any five (5) disadvantages of using spread-sheets in part (a). In part (b) outline four (4) security concerns organization face when using social networks and List five (5) Principles of data quality. The last part required them to give two (2) examples of Knowledge work systems (KWS).

The common mistakes observed on this question were:

- (a) Most candidates failed to state the disadvantages of spread sheets
- (b) Some candidates wrote on security measures which was not the case
- (c) Mixed answers with good will communication
- (d) Some candidates omitted this part of the question

QUESTION FIVE

The general performance on the question was very good. Of the 87 that attempted the question, only 67 managed to obtain at least 10 out of the available 20 marks. A pass rate of 77% was recorded. The highest score was 20 while the lowest was 3 out of 20.

This question required candidates to require to Write a letter of complaint to the manager of a service provider while part (b) required them to outline three (3) reasons a letter would be appropriate in this case.

common mistakes were:

- wrong content in the letter for example, some letters included 7c's of communication which was completely off what was requested in the question
- Incomplete addresses on the letter. In some cases, no addresses were included in some answers
- Mismatching of the letter elements.
- Very poor opening statement in the letter
- Very poor language used as part of the letter content
- Generally, failure to understand the question as a result wrong content was included.

QUESTION SIX

The general performance on the question was excellent. Of the 134 that attempted the question, only 112 managed to obtain at least 10 out of the available 20 marks. A pass rate of 83.6% was recorded. The highest score was 19 while the lowest was 0 out of 20.

Candidates were requested to write in part (a), a notice informing the general public about change of office location from a scenario provided in the question. In part (b) candidates were required to explain the following business documents: Memo, Agenda, Minutes, Meeting notice and Chairperson's agenda

(a) In the first part of the question the following mistakes were observed;

- Wrong content was mostly presented on this question. For example, the responses appeared as though offices have been closed forever due to covid 19. (failure to link the scenario provided and the question)
- Incomplete answers
- information was not logically presented with a lot of irrelevant information presented
- Generally, failure to express ideas very clearly, for example, there was failure to include relocation of new offices, reasons for relocation, place and date of relocation on the notices that were written
- Wrong format or layout was used. For example, memo layout was used. Which was not the case. The message in a notice was for public consumption outside the organization.
- A notice was presented as though it was a notice for a meeting

(b)

- Repeated answers
- Wrong definitions of business documents were provided
- Some business documents were mixed up.
- The definition of an agenda was presented as a programme for an event

QUESTION SEVEN

The general performance on the question was very good. Of the 74 that attempted the question, only 50 managed to obtain at least 10 out of the available 20 marks. A pass rate of 67.6% was recorded. The highest score was 18 while the lowest was 1 out of 20.

This question required candidates to Explain the following communication

pattern Circle, Chain, Y, Wheel and Network in part (a) and in part (b) to state the difference between communication patterns and direction of communication while the last part required them to explain the following directions of communication, Vertical communicate, Lateral communication and Diagonal communication.

The Common mistakes on this question were:

- (a) Some communication patterns were mixed up
- (b) Wrong and repeated differences between communication patterns and direction of communication
- (c) Some candidates drew organization structures instead of explaining

Overall performance of candidates

Highest mark obtained in this paper: **80%**

Lowest mark obtained in this paper: **9%**

Overall pass rate in this paper: **52.2%**

SUBJECT: DA5 COSTING ACCOUNTING

QUESTION ONE

The general performance on the question was poor. Of the 112 that attempted the question, only 24 managed to obtain at least 10 out of the available 20 marks. A pass rate of 21.4% was recorded. The highest score was 14 while the lowest was 2 out of 20.

This is a compulsory question with 10 multiple choice questions with four possible answers. The performance on this question was below average.

QUESTION TWO

The general performance on the question was poor. Of the 99 that attempted the question, only 68 managed to obtain at least 10 out of the available 20 marks. A pass rate of 68.6% was recorded. The highest score was 18 while the lowest was 0 out of 20.

This question required had two parts; in part (a), candidates required calculate materials, labour, variable overheads, fixed overheads variances and outline possible reasons for direct labour rate and efficiency variances.

Poorer candidates struggled to calculate fixed overhead expenditure and fixed overhead volume variances. They flexed the budgeted expenditure instead of simply comparing the budgeted total overhead cost in the original budget with the actual fixed overhead incurred. For the fixed volume variance, the common error was calculating the volume variance only. The volume variance in units should have been valued at the budgeted fixed overhead rate per unit.

In part (b), very few candidates could give correct reasons for labour rate and labour efficiency variances. The majority of candidates left out this part. Future candidates should refer to the suggested solutions.

QUESTION THREE

The general performance on the question was poor. Of the 60 that attempted the question, only 9 managed to obtain at least 10 out of the available 20 marks. A pass rate of 15% was recorded. The highest score was 10 while the lowest was 0 out of 20.

This question was on labour. The following were notable issues:

Part (a), some candidates were using volume (units) to compute the basic pay and others left out the bonuses hence failed to score the maximum marks.

Part (b), candidates could not differentiate the two methods of remuneration.

Part (c), this part was well attempted though some candidates either stated more or less reasons instead of restricting themselves to the requirement.

QUESTION FOUR

The general performance on the question was very good. Of the 107 that attempted the question, only 79 managed to obtain at least 10 out of the available 20 marks. A pass rate of 73.8% was recorded. The highest score was 20 while the lowest was 0 out of 20.

Part (a), was well answered by the majority but surprising a good number of candidates were multiplying the units with the total cost of the units instead of dividing whereby their calculations were completely wrong and those candidates' lost marks on FIFO and LIFO Calculation which is straight forward.

A good number of candidates had issues in solution layout as this made them get lost with the calculation of balances of the units whereby they ended up of having wrong closing units and wrong values.

Part (b), had required candidates to prepare inventory control account indicating clearly the closing raw material balance.

This part was averagely answered as a good number of candidates were swapping entries completely debiting and crediting wrong sides

Part (c), was theoretical question to explain the integrated system of book keeping. Most candidates did not answer this part and those who attempted did not adequately address the question.

Candidates should adequately prepare for the exams to avoid losing marks on obvious parts of the syllabus like FIFO and LIFO questions.

QUESTION FIVE

The general performance on the question was poor. Of the 66 that attempted the question, only 33 managed to obtain at least 10 out of the available 20 marks. A pass rate of 50% was recorded. The highest score was 19 while the lowest was 0 out of 20.

Question Five examined process costing. Three process accounts, abnormal gain and loss accounts were required.

Common errors included:

- Preparing equivalent units statements. Such statements are not prepared if there are no opening inventories and/or closing work-in-progress.
- Valuing normal loss at the process cost per unit and crediting the same to the process accounts. Valuation is done using the scrap value; where the selling price for scrapped units is given.
- Failing to calculate the correct process cost per unit. The correct formula is total process costs less scrap value, if any, divided by the expected output.
- Not preparing abnormal gain and loss accounts thereby losing precious marks.

QUESTION SIX

The general performance on the question was fair. Of the 90 that attempted the question, only 44 managed to obtain at least 10 out of the available 20 marks. A pass rate of 48.8% was recorded. The highest score was 19 while the lowest was 1 out of 20.

This question examined overheads accounting. It had four (4) parts.

Part (a), required the preparation of a statement showing the distribution of overheads to various departments. The most common mistake here was using a wrong basis of apportioning overheads.

Part (b), required the preparation of a statement showing the re-distribution of service departments' expenses to production departments. The majority of the candidates failed to identify the method used in redistribution of overheads.

Part (c), required the computation of the machine hour rates for production departments. This was well attempted except for some candidates failing to utilize the information given in the question more especially on the available machine hours.

Part (d), required outlining advantages and disadvantages of using machine hour rates to absorb overheads. The majority could not answer this part and those who answered were confusing themselves on advantages and disadvantages.

Overall performance of candidates

Highest mark obtained in this paper: **83%**

Lowest mark obtained in this paper: **8%**

Overall pass rate in this paper: **45.2%**

SUBJECT: DA6 BUSINESS LAW

QUESTION ONE

The general performance on the question was very good. Of the 144 that attempted the question, only 93 managed to obtain at least 10 out of the available 20 marks. A pass rate of 64.5% was recorded. The highest score was 8 while the lowest was 4 out of 20.

The question was made up of multiple choice and covered the whole syllabus.

QUESTION TWO

The general performance on the question was good. Of the 53 that attempted the question, only 27 managed to obtain at least 10 out of the available 20 marks. A pass rate of 50.9% was recorded. The highest score was 18 while the lowest was 2 out of 20.

The question was made up of three parts (A), (B) and (C) covering contracts formation, exclusion clauses and insurance contracts. Most students mistook the contents of the question to types of contracts hence the dismal performance. For the future, candidates must understand the question before attempting to answer as the issues in the question are in fact drawn from the ZICA manual where any candidate who properly read and understood it would not have difficulties understanding the issues in the question.

QUESTION THREE

The general performance on the question was poor. Of the 88 that attempted the question, only 33 managed to obtain at least 10 out of the available 20 marks. A pass rate of 37.5% was recorded. The highest score was 18 while the lowest was 0 out of 20.

This question was based on general principles of the law. Part "a" focused on ratio decidendi and obiter dicta, part "b" focused on the distinction between civil law and criminal law. Part "c" demanded students to distinguish public law from private law. Of interest in this question was the mix up students had when giving examples of the two. Part "d" focused on damages in the law of torts and part "e" focused on injunctions. Most candidates were able to deal with this question. They were also able to discuss the differences with ease. However, some 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.

QUESTION FOUR

The general performance on the question was excellent. Of the 111 that attempted the question, only 96 managed to obtain at least 10 out of the available 20 marks. A pass rate of 86.5% was recorded. The highest score was 18 while the lowest was 0 out of 20.

This was a four-part question on partnership. The first part required the students to discuss what constitutes a partnership as provided by the Partnership Act 1890, the second part required them to explain the liabilities and duties that accrue under a partnership agreement and the third part required them to explain ways of winding up the partnership agreement. While most of the students demonstrated understanding of the other two parts, 40% of the students seem not to understand what constitutes a partnership as their performance on

that was not very good. Future students should be advised to study the salient features of the Partnership Act 1980. The Zica study manual contains information on Partnerships and all other parts under this question. With proper studies on the subject students would not have any challenges addressing the issues in the question.

QUESTION FIVE

The general performance on the question was very good. Of the 106 that attempted the question, only 74 managed to obtain at least 10 out of the available 20 marks. A pass rate of 69.8% was recorded. The highest score was 19 while the lowest was 0 out of 20.

(a) This question focused on agency law. To be precise, it demanded students to demonstrate knowledge on the types of agency available at law. Students were expected to demonstrate understanding of agency and how agency relationship is created. Most students managed to get the answers correctly. Other students exhibited ignorance on the subject a sign that they may not have read widely. For the future, candidates are implored to read questions and understand them before attempting any question. It is equally imperative to properly study the ZICA manual as it contains a lot of the information required to effectively answer the question. About 80% of the candidates got the question correct.

(b) This question was based on tort. Candidates were expected to deal with Volenti non fit injuria and Contributory negligence. Students exhibited good knowledge on the subject. They were able to explain the meaning of the subjects of discussion that is, volenti and contributory negligence. For the students that did not perform well on this part of the question, they should be encouraged to read further on the subject from the student manual where the questions were in fact drawn from. About 85 % of candidates got the question correct.

QUESTION SIX

The general performance on the question was excellent. Of the 96 that attempted the question, only 84 managed to obtain at least 10 out of the available 20 marks. A pass rate of 87.5% was recorded. The highest score was 18 while the lowest was 0 out of 20.

This question had two parts, the first one was on sale by description and the second part was on vicarious liability. 75% could not identify the principles behind vicarious liability and sale by description. Further students could not address situational questions effectively as presented especially under the part on vicarious liability. For the future, students should be taught how to answer situational questions and also how to identify the principles in the question.

Overall performance of candidates

Highest mark obtained in this paper: **79%**

Lowest mark obtained in this paper: **23%**

Overall pass rate in this paper: **56.8%**

SUBJECT: DA7 PRINCIPLES OF MANAGEMENT

QUESTION ONE

The general performance on the question was poor. Of the 133 that attempted the question, only 120 managed to obtain at least 10 out of the available 20 marks. A pass rate of 90.2% was recorded. The highest score was 18 while the lowest was 4 out of 20.

This was a multiple choice question, with a total of twenty (20) questions.

QUESTION TWO

The general performance on the question was excellent. Of the 127 that attempted the question, only 123 managed to obtain at least 10 out of the available 20 marks. A pass rate of 96.8% was recorded. The highest score was 20 while the lowest was 2 out of 20.

This question had two (3) parts: (a), (b).

Part (a) required candidates to state any five (5) types of business organizations. This was well answered by most candidates.

Part (b) required candidates to state any five (5) stakeholders of an organization. This was well answered by most candidates as it was the easiest part. The majority of the candidates did very well on this question.

QUESTION THREE

The general performance on the question was very good. Of the 113 that attempted the question, only 80 managed to obtain at least 10 out of the available 20 marks. A pass rate of 70.8% was recorded. The highest score was 20 while the lowest was 0 out of 20.

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

This question was on organizations.

Part (a) required candidates to identify four (4) main objectives and characteristics of the public corporations.

Part (b) asked candidates to explain the four (4) advantages of private limited company form. This question was attempted by almost half of all the candidates who also scored good marks.

QUESTION FOUR

The general performance on the question was very good. Of the 115 that attempted the question, only 82 managed to obtain at least 10 out of the available 20 marks. A pass rate of 71.3% was recorded. The highest score was 20 while the lowest was 0 out of 20.

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

Part (a) asked candidates to explain how the micro-environment of a business can be assessed using the SWOT analysis tool.

Most candidates did not do well on this part.

Part (b) required candidates to discuss the functional organizational structure, its advantages and disadvantages.

QUESTION FIVE

The general performance on the question was very good. Of the 80 that attempted the question, only 53 managed to obtain at least 10 out of the available 20 marks. A pass rate of 66.3% was recorded. The highest score was 20 while the lowest was 0 out of 20.

This question had three parts: (a), (b), (c). About 90% of the candidates attempted this question.

Part (a) asked candidates to state two (2) methods that are commonly used by organizations in order to achieve effective training among employees.

Part (b) asked candidates to explain four (4) methods that are used to achieve on the job training. Most candidates failed to answer this part correctly.

Part (c) asked candidates to explain five (5) purposes of induction training in an organization.

QUESTION SIX

The general performance on the question was poor. Of the 93 that attempted the question, only 23 managed to obtain at least 10 out of the available 20 marks. A pass rate of 24.7% was recorded. The highest score was 20 while the lowest was 0 out of 20.

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

Part (a) asked candidates to suggest six (6) psychological requirements to their managers that may help them experience the job satisfaction they seek.

Part (b) asked candidates to define the following....

- (i) Strategic plan
- (ii) Corporate strategy
- (iii) Business Strategy
- (iv) Operational Strategy

This was a very popular question. But only about a quarter of the candidates answered this question well and scored high.

Overall performance of candidates

Highest mark obtained in this paper: **86%**

Lowest mark obtained in this paper: **22%**

Overall pass rate in this paper: **59.9%**

SUBJECT: DA8 FINANCIAL REPORTING

QUESTION ONE

The general performance on this question was fair. 78 of the 172 candidates that attempted the question got 13 and above marks out of 25. A pass rate of 45.3% was recorded. The lowest mark recorded was 0 while the highest was 23.

This was a compulsory question that required the candidates to prepare the statement of profit and loss and other comprehensive income for Maanga Limited and a statement of financial position as at 31 December 2021. Overall, this question was attempted fairly as it a predictable type of question for section A. Most of the candidates were able to correctly perform required calculations except few with the following challenges:

- Inability to correctly account for gain on fair value of investment property despite correctly calculating it. Future candidates are reminded that this figure goes right to the statement of profit or loss as a standalone item, added if a gain and subtracted if a loss.
- Candidates hardly calculated the finance cost figure correctly, with most of them applying nominal interest on the nominal value of loan. Future candidates are reminded to apply the effective interest rate on fair value of proceeds less any issue costs, less any discount on issue, in order to correctly calculate the finance cost for profit and loss.
- Candidates were mistakenly treating bank balance as a liability instead of as an asset. Future candidates are reminded that if a bank balance figure is listed on the debit of the trial, its an asset but if listed on the credit of trial balance, it's a liability.
- While a good number of candidates managed to correctly calculate the revaluation surplus on property, plant and equipment, only a handful of those were able to bring the revaluation surplus under other comprehensive income. The majority ended on mere calculation of it. Further, a reasonable number could not identify correct time when revaluation took place, that is, at the beginning of the year. Future candidates are reminded that if revaluation takes place at the beginning of the year, no depreciation charge for the year needs to be calculated and applied on carrying amount at the beginning to calculate revaluation surplus, unless revaluation takes place at the end of the reporting period.
- Some inconsistency was noted on the knocking off of zeros when presenting amounts, that is, some amounts had figures knocked off while others no figures were knocked off. Future candidates are reminded to desist from such inconsistencies.

QUESTION TWO

The general performance on this question was good. 97 of the 171 candidates that attempted the question got 13 and above marks out of 25. A pass rate of 56.7% was recorded. The lowest mark recorded was 0 while the highest was 24.

This was a compulsory question that required the candidates to prepare the statement of consolidated statement of profit and loss and other comprehensive income for Malasa Plc group of companies for the year ended 31 December 2020. The question further required candidates to calculate the carrying amount of investment in associate at same reporting date as well as Goodwill that arose on the acquisition of the subsidiary Nsamba. Overall, this question was attempted fairly as it is one of the predictable types of question

for section (A). Most of the candidates were able to correctly perform required calculations except few with the following challenges:

- Part (a) required a calculation of the goodwill on acquisition of subsidiary Nsamba Plc. for inclusion in the consolidated statement of financial position. This part, though a very commonly asked question at DA8, was only less fairly done. It was disappointing to note that a significant minority of candidates could not correctly calculate share exchange and contingent considerations. This was because they opted to use total shares in issue at subsidiary (10 million shares) instead of using acquired shares of 7 million.
- Candidates also had problems with the discounting of contingent consideration. A fraction of candidates used 1 year to discount when question was clear about two (2) year period before payment could be made. Future candidates are reminded to pay extra attention to these small things in a question.
- It was also unfortunate to note that candidates continue to proportionate the contingent consideration and share exchange consideration according to parent ownership percentage. This treatment is not correct as the good will calculation is computed at a particular point in time rather than throughout the year where proportionating applies especially in the Profit and loss.
- Some weaker candidates used the acquired K7 million ordinary share capital in the calculation of NCI instead of the book of value of K10 million.
- Most candidates were confused on impairment loss of goodwill, the amount of impairment loss of investment in associate was instead being used, instead of applying full impairment of goodwill as the question stated.
- Minority candidates had challenges in the computation of pre-acquisition retained earnings and they mistakenly did $(K26,800 - K4,500) \times 3/12$ instead of simply $K26,800 \times 3/12$. It was also strange to see candidates include the PUP in the Net Asset at Acquisition calculation and yet the parent sold. Sadly, this can only reflect a failure to look at past examinations and their examiner's reports where these errors of understanding have been pointed out on many occasions.
- Part (b) required a calculation of the value of the investment in the associate, Mubanga Plc. This part was well done except a reasonable number of candidates could not subtract dividends paid to Malasa amounting to $K100,000(25\% \times K400,000)$.
- Part (c) was the main question which required candidates to prepare the statement of profit or loss and other comprehensive income for the Malasa Plc Group. This part was well done as candidates were aware of the format and the necessary required adjustments. However, significant number of candidates exhibited lack of understanding in proportionating the subsidiary where they used 8/12 instead of 9/12. Some weaker candidates still found a way of including the goodwill and investment in the associate in the Profit and loss statement which was incorrect.
- Some candidates had challenges with the calculation of finance cost.
- The calculation for the cost of sales was also another challenge that noted for most students. Some students were deducting the closing inventory from the figure given as cost of sales in the trial balance instead of just adjusting for the inventory that was understated.
- All future candidates are hereby reminded to familiarize themselves with common adjustments for this type of question to improve performance on it.

QUESTION THREE

The general performance on this question was fair. 70 of the 162 candidates that attempted the question got 13 and above marks out of 25. A pass rate of 43.2% was recorded. The lowest mark recorded was 0 while the highest was 23.

The question had two parts (a) and (b). Part a required candidates to prepare statement of cash flows and part (b) required candidates to state examples of material noncash transactions that need to be disclosed in the financial statements and to explain importance of such disclosure. The following common mistakes were noted from candidates who sat for this exam:

- A handful of candidates could not bring in the statement the dividends paid amount which was readily provided in the question.
- There was display of ignorance on presentation of information in the statement of cash flows by a large proportion of candidates. This display was through the bringing of all movements of the statement of financial position items to the statement of cash flow, e.g movement in retained earnings, movement in revaluation surplus etc. Future candidates are reminded that not all item movement go to statement of cashflows and so adequate preparation for this exam is important.
- Another common mishandled area was the calculation of cash and cash equivalents at the beginning and at the end of the accounting period. Future candidates are reminded that cash and bank balances including overdrafts and short-term investments that are highly liquid are to be included in the computation of cash and cash equivalents. Bear in mind that bank overdraft is a subtraction.

Part (b) of this question was generally poorly attempted as majority candidates could not even bother write anything. Future candidates are reminded to always pay particular attention to theory parts of each topic as they prepare for this exam.

QUESTION FOUR

The general performance on this question was poor. 3 of the 28 candidates that attempted the question got 13 and above marks out of 25. A pass rate of 10.7% was recorded. The lowest mark recorded was 1 while the highest was 18.

This question required the candidates to provide brief explanatory notes with associated simple calculations as well as financial statement extracts on the four (4) accounting standards among them were IAS 32, IAS 38, IAS 37 and IAS 41/IAS16. Overall, this question was poorly done by a very few candidates that attempted it.

Client One had an issue of a convertible loan that required a split in order to ascertain recognizable amounts per IAS 32/IFRS 9 classification of financial instruments. Candidates did not attempt this part and those that attempted had challenges in the calculation of present value of the principal, and interest. Future candidates are encouraged to have a full understanding of this standard and it has become a regular feature of the DA8 exam.

Client two had an issue involving *IAS 38 Intangible assets*. The question required candidate to explain the treatment of training costs and marketing costs. This part was well done as most candidates were able to explain the correct treatment, but they had problems of giving reasons such as absence of control over employees and customers responses. However, few weaker students capitalized the costs rather than treating them as periodic expenses.

Client three had an issue involving *IAS 37 provisions, contingent liabilities* and contingent assets. This part was poorly done. There was plenty of information given in the scenario

that pointed to the direction of no provision being required due to the absence of legal and constructive obligation, but candidates still went ahead to create a provision rather than a disclosure of the contingent liability.

Client four was about *IAS 16 property, plant and equipment* and *IAS 41 Agriculture*. This part was well done as candidates were able to explain the correct treatment of PPE that it was initially recognized at cost and subsequent measurement was on revaluation as well as the treatment of bearer plants which required the initial recognition at cost followed by the subsequent recognition at fair value. However, weaker students had fundamental problems with basic knowledge and distinguishing between the two standards.

Future candidates are urged to study thoroughly all accounting standards within the DA8 syllabus.

QUESTION FIVE

The general performance on this question was poor. 46 of the 131 candidates that attempted the question got 13 and above marks out of 25. A pass rate of 35% was recorded. The lowest mark recorded was 1 while the highest was 22.

Part (a) required candidates to discuss the benefits of a conceptual framework for financial reporting and the extent to which it can be used to resolve practical accounting issues. Most candidates were able to provide answers on benefits, but majority failed to address the second part of the question completely. Future candidates are reminded to ensure questions of this nature – two part, are addressed fully.

Part (b) required candidates to outline three criticisms that emerged from the 2010 conceptual framework for financial reporting. This part was equally scanty in the way majority candidates responded. It showed how much candidates for this paper do not really pay attention to the theory part of the subject.

Part (c) required candidates to prepare briefing notes on the qualitative features of financial information. A good number scored well with appropriate classification of the features into fundamental and enhancing but a reasonable proportion of candidates expressed total ignorance on the characteristics as well as on the classification.

The whole question was a mark spinner for those candidates who were prepared with this part of the syllabus. Like it has been said on all questions, future candidates are reminded not to let easy marks like those that came with this question to bypass them.

Overall performance of candidates

Highest mark obtained in this paper: **79%**

Lowest mark obtained in this paper: **11%**

Overall pass rate in this paper: **45.5%**

SUBJECT: DA9 MANAGEMENT ACCOUNTING

QUESTION ONE

The general performance on this question was poor. 20 of the 174 candidates that attempted the question got 13 and above marks out of 25. A pass rate of 11.5% was recorded. The lowest mark recorded was 0 while the highest was 25.

Part (a), required the determination of the shortfall in theatre hours. Most candidates had a challenge to compute the hours required for each procedure later on the shortfall. The common mistake was to use the available hours instead of the required hours.

Part (b), required the computation of contribution for each surgical procedure. A number of candidates erroneously included the apportioned general overheads which were all fixed in determining the contribution.

Part (c), candidates were required to calculate contribution per theatre hour. The challenge was on how to determine the hours.

Part (d), needed the ranking for each surgical procedure. Most candidates rightly ranked the products.

Part (e), candidates were required to prepare an optimal plan for surgical procedures for the next year. Again a number of students failed to compute the annual hours available (16hrs/day x 365 days) and this led to wrong optimal plan.

Part (f), required candidates to state four general qualitative factors that may be considered in short-term decision making, very few able to answer this part as the majority could not attempt it despite being generic.

QUESTION TWO

The general performance on this question was very good. 44 of the 181 candidates that attempted the question got 13 and above marks out of 25. A pass rate of 24.3% was recorded. The lowest mark recorded was 0 while the highest was 25.

In part (a), to calculate variances relating to labour rate, labour efficiency, variable overhead expenditure and fixed overhead volume variances.

In part (b), it required candidates to calculate the labour rate into planning and operational variances.

In part (c), candidates were required to calculate the labour efficiency variance into planning and operational variances.

In part (d) the requirement was to explain the meaning of the fixed overhead volume variance.

Poorer candidates had challenges with part (a) (iv) regarding fixed overhead volume variances and part (d) regarding explanation of the same variance. For parts (b) and (c) some candidates could only state the formulae.

QUESTION THREE

The general performance on this question was poor. 44 of the 142 candidates that attempted the question got 13 and above marks out of 25. A pass rate of 30.9% was recorded. The lowest mark recorded was 2 while the highest was 21.

This question examined breakeven analysis.

In part (a), candidates were required to calculate breakeven points (BEP) and margins of safety (MOS) in each case of original estimates, Managing Director's (MD's) suggestion and Sales Director's (SD) suggestion.

In part (b), a choice (on financial grounds) between the original estimates, MD's and SD's suggestions were required. And in part (c) a definition of the MOS and the stating of the advantages and disadvantages of BEP were required.

However, common mistakes were:

- Not knowing the BEP formula ,i.e. $\text{Total Fixed Costs} \div \text{CS ratio}$
- Not knowing the MOS formula ,i.e. $[\text{Budgeted Sales} - \text{BEP Sales}] \div \text{Budgeted Sales}$
- Swapping formulae:
 - contribution/FC instead of FC/Contribution
 - $[\text{Sales} - \text{CS}] \div \text{Sales}$ instead of $[\text{Sales} - \text{BEP}] \div \text{Sales}$
- Not calculating the original estimates in part (a) and, therefore, not including it in the evaluation in part (b). This omission meant that the adoption of the strategies was made between the MD's and SD's suggestions only instead of the choice being made between the original, the MD's and the SD'S.

Part (e) was reasonably well answered. Poorer candidates presented assumptions of break-analysis instead of the advantages.

QUESTION FOUR

The general performance on this question was poor. 47 of the 151 candidates that attempted the question got 13 and above marks out of 25. A pass rate of 31% was recorded. The lowest mark recorded was 1 while the highest was 23.

Part (a) was about Sales budget and 80% of candidates got all the marks allocated but 20% of candidates did not convert the selling price per 2.5 liters of each fruit type whereby their calculation was wrong.

Part (b) was about calculating production budget in litres and all candidates who attempted got this part correct with minor miscalculations.

Part (c) Material purchases budget was not were answered as many candidates seemed not to know how to calculate it and which figure to use. Others did not even know how to use opening Inventory and closing inventory in the calculation and some marks were lost as a result.

Part (d) was well answered at least majority candidates obtained good marks on this part although small number of candidates could just calculate but could not total the figures.

Part (e) this part was poor answered and less than 5 candidates obtained all the marks here the common mistake was candidates' failure to add up the cost that makes up the denominators for both Cutting and blending depart and Packaging.

Part (f) required Candidates to produce a standard costs and profit for each guava and Lemonade fruit juice. This part was a challenge to all the candidates as no one managed to get all the marks here and only one obtained 4 marks while the majority who tried obtained only 3 marks. Most candidates left this part unanswered while those who tried to answer did not know what to do as majority were just copying the figures from the question and pasting as an answer.

QUESTION FIVE

The general performance on this question was poor. 18 of the 75 candidates that attempted the question got 13 and above marks out of 25. A pass rate of 24% was recorded. The lowest mark recorded was 0 while the highest was 22.

Question Five examined working capital management and required candidates to explain the term 'overtrading', the three approaches to investment in working capital and the factors that could be considered in credit control policy.

The following are the observations:

- The term 'overtrading' was generally well explained.
- On approaches to investment in working capital, most candidates had never heard of the three approaches, namely, conservative, moderate and aggressive. They gave a variety of non - relevant approaches.
- In part (c), factors to consider in credit control policy were rarely mentioned. Most of the candidates explained methods to use when engaging new clients such as obtaining bank references, trade bureaus, visits to customer premises and ways of improving liquidity such as letter reminders, prompt invoicing, chasing slow payers, etc.

Correct answers included administrative cost of debt collection, savings or incremental costs of operating such policy, debt collection procedures, financing cost of extending credit.

Overall performance of candidates

Highest mark obtained in this paper: **73%**
Lowest mark obtained in this paper: **8%**
Overall pass rate in this paper: **36%**

SUBJECT: DA10 TAXATION

QUESTION ONE

The general performance on this question was excellent. 80 of the 99 candidates that attempted the question got 13 and above marks out of 25. A pass rate of 80.8% was recorded. The lowest mark recorded was 2 while the highest was 25.

This question was on the taxation of a public listed company and it had three parts (a), (b) and c.

In part (a) candidates were required to compute wear and tear allowances of the company related to buildings and plant and machinery which involved identifying a commercial building and balancing charges and allowances for the disposal of office and a motor vehicle.

Some of the candidates had challenges to compute the qualifying cost of buildings. Generally it was a well answered part

In parts (b) and (c) candidates were required to calculate adjusted business profit and company income tax which involved premium payments and housing benefits for company directors

A well answered part despite a few candidates having challenges to compute the balancing charge on Office furniture.

In part (b) a good number of candidates failed to compute the correct rental premium

QUESTION TWO

The general performance on this question was poor. 33 of the 96 candidates that attempted the question got 13 and above marks out of 25. A pass rate of 34.3% was recorded. The lowest mark recorded was 0 while the highest was 20.

This question was based on an individual running a farming business and had four (4) parts namely: (a), (b) (c) and (d).

In part (a) candidates were required to calculate the provisional income tax per quarter and the relevant due dates for payment.

In part (b) candidates were required to compute the capital allowances with restrictions on dwelling accommodation for workers and delivery van.

Part (c) and (d) required candidates to compute the taxable farming profit and income tax payable.

(a) Most of the candidates had challenges to compute the provisional income tax especially on the excess income. However a good number of them stated the correct due dates for provisional tax to be paid

(b) A good number of candidates did compute the capital allowances correctly, despite a few of them failed to compute the dwelling houses by restricting them. Others failed to include the K20,000 on the tractor computation .

- (c) A well answered part of the question. However a good number of candidates failed to compute the goods taken for personal use.
- (d) This was poorly answered by most candidates and scored below average marks

QUESTION THREE

The general performance on this question was poor. 10 of the 28 candidates that attempted the question got 13 and above marks out of 25. A pass rate of 35.7% was recorded. The lowest mark recorded was 4 while the highest was 21.

This question was based on Turnover Tax and Value added Tax. It had two (2) parts, (a) and (b).

In part (a) candidates were required to describe Persons not liable to turnover tax and in part (b) (i) and (ii) to compute the VAT payable and the conditions to be met in order to claim Input VAT.

- (a) Well prepared candidates mentioned all the persons who are not liable to turnover tax. however, a few could not state all the six (6) persons as per question requirement
- (b) Most candidates had challenges to compute the output and Input VAT especially the goods purchased, overheads and Bad debts write off this did cost them vital marks.

QUESTION FOUR

The general performance on this question was good. 44 of the 80 candidates that attempted the question got 13 and above marks out of 25. A pass rate of 55% was recorded. The lowest mark recorded was 4 while the highest was 22.

This question was based on the sources of Tax law and its regulations. And the computation of employee individual income tax payable

There were two (2) parts, (a) and (b)

In part (a) candidates were required to explain the sources of the Tax laws and regulations, while in part (b) they were required to compute the income tax payable by an employed person engaged for a period less than twelve (12) months

- (a) This was well answered by most candidates, however some of them failed to state the headings and to follow it up by an explanation in order to earn the full marks
- (b) Well prepared candidates did manage to apportion the employee's time frame of eleven (11) months and managed to score high marks. A few of the candidates failed to compute the Royalties received income.

QUESTION FIVE

The general performance on this question was very good. 72 of the 93 candidates that attempted the question got 13 and above marks out of 25. A pass rate of 77.4% was recorded. The lowest mark recorded was 3 while the highest was 25.

This question was based on Property Transfer Tax (PTT), claimable; farm works capital allowances and Computation of income Tax payable by a sole trader.

There were three parts: (a), (b) and (c)

In part (a) candidates were required to state the categories of properties where PTT is chargeable.

In Part (b) the candidates were required to explain the meaning of farm works and state the examples.

In Part (c) the candidates were required to compute the income tax payable by a sole trader.

- (a) Most of the candidates stated the full properties where PTT is chargeable. However a few failed to explain the entire properties.
- (b) In part (b) some candidates were interpreting farm improvements instead of farm works as per question requirement and lost the vital marks.
- (c) Some candidates failed to compute the motor vehicle running expenses and added back the allowable expenses such as legal fees for the recovery of bad debts relating to trade debts.

Overall performance of candidates

Highest mark obtained in this paper: **90%**

Lowest mark obtained in this paper: **11%**

Overall pass rate in this paper: **56.2%**

SUBJECT: DA11 PRINCIPLES OF AUDITING

QUESTION ONE

The general performance on this question was good. 99 of the 180 candidates that attempted the question got 13 and above marks out of 25. A pass rate of 55% was recorded. The lowest mark recorded was 0 while the highest was 22.

- (a) Candidates were asked to identify and explain five (5) audit risks relating to the audit of Bentos Ltd. Despite the question on audit risks repeating in most examinations in the past, most candidates are struggling to identify an audit risk. An audit risk should be a risk that can affect the elements of financial statements or can cause a misstatement. Examples could be lack of Finance Director which can affect the preparation and quality of financial statements. Common misstates involved identifying weaknesses as audit risks. This was a common and such candidates ended up losing marks.
- (b) This was a follow up to the first question as it asked what appropriate response was required to part (a).
Most of the responses were wrong due to the wrong audit risks in (a) above. Others wrong answers included safeguards which were not required.
- (c) Candidates were required to explain the meaning of the term 'Information Technology audit' and then give one example. This is an audit that is conducted in order to confirm or verify whether internal controls that are embedded in the computerized system are indeed operating effectively. For instance, to test whether, anyone can access entry using any password other than one that the user has kept. Wrong answers stated that an information technology audit is CAAT and that it difficult to implement.
- (d) The question simply asked for two disadvantages of Internal Control Questionnaires (ICQs) and Internal Control Evaluation Questionnaires (ICQEs) and despite the question being clear, some candidates included advantages which were not asked for. This earned such candidates zero marks. Further wrong answers stated that ICQs and ICQEs are difficult to implement and expensive to acquire. These are just a list of questions on internal controls. They are not computer software packages as wrongly stated by a good number of candidates.
- (e) The question required specific information required at the planning stage. These include industry data and laws and regulations affecting this industry. However most candidates thought this was about gaining an understanding and its environment as per ISA 315 *Understanding and Entity and Its Environment*. They ended up stating that enquiries, inspection and observation should be used. These were not the correct answers. Others wrote about of risk assessment which was not required.

QUESTION TWO

The general performance on this question was poor. 62 of the 181 candidates that attempted the question got 13 and above marks out of 25. A pass rate of 34.3% was recorded. The lowest mark recorded was 0 while the highest was 24.

- (a) The question asked about the difference between a Review and external audit engagement. This was well attempted by most of the candidates who attempted question two.
- (b) The question asked candidates on the benefits of setting up an internal audit department. This was fairly attempted .However wrong answers included comments

such as being cheaper as if it is an outsourced service. This earned no marks for those who explained as if the question was about outsourcing and internal audit.

- (c) Candidates were asked to identify five weaknesses in internal controls, explain the consequences and provide a recommendation to address each of those weaknesses. This question consisted of three parts. Most candidates were only able to identify weaknesses from the scenario but failed to explain consequences and give appropriate recommendations. Others were able to go straight to recommendations without giving an explanation.
- (d) Candidates were asked to explain substantive procedures on bank balance. Instead of concentrating of substantive procedures such as confirmations and recalculating for accuracy, wrong answers included inspections without explaining what is being inspected and why the inspection is being done. Some wrong answers included observations and reviewing minutes of the meetings. You cannot observe a figure that was recorded a long time ago!

QUESTION THREE

The general performance on this question was poor. 40 of the 109 candidates that attempted the question got 13 and above marks out of 25. A pass rate of 36.6% was recorded. The lowest mark recorded was 0 while the highest was 23.

- (a) (i) The question required candidates to explain five (5) potential indicators of going concern issues in Makolo Co. The scenario had a lot of indicators such as 70% of customers lost to a competitor which affected the revenue collections. Further major suppliers terminated credit facilities. Despite all these being visible in the scenario, most candidates just recalled what they read in the text book without using relevant details from the question. This costed a lot who could not score reasonable marks.
(ii) This is the part that required candidates to describe audit procedures in relation to going concern. Some of the expected audit procedures are such as having a discussion with management regarding going concern issues and reviewing cash flows statements. However some candidates wrongly stated that there was a need for an expert to evaluate going concern and inspect relevant documents. This was completely wrong. Others simply repeated audit procedures such as recalculate as this is not practical regarding audit of going concern. It shows that syllabus coverage was not comprehensive.
- (b) (i) there are a lot of assertions that could have been applied in relation to audit of Revenue. Despite others stating correctness, existence and occurrence, a good number failed to explain how those assertions can be used in the audit of Revenue. Therefore marks were lost.
(ii) This was a question that did not involve application but simply recalling facts from the text book regarding standard audit procedures for payroll. Despite some stating correct audit verbs such as recalculate and agreeing, they failed to explain how those can be used or applied to obtain audit evidence. Stating a procedure is not enough as one needs to explain how to use that audit procedure in order to obtain full marks.
(iii) Receivable audit procedure was partially answered by most candidates. Most candidates just described audit procedures on how to record receivables from the accounting point of view but failed to explain actual audit work regarding receives such as conformations. Other was explaining internal controls relating to receivables such as credit ratings for customers which were wrong. It's important that candidates stick to the requirements in order to pass this examination.

QUESTION FOUR

The general performance on this question was good. 99 of the 167 candidates that attempted the question got 13 and above marks out of 25. A pass rate of 59.3% was recorded. The lowest mark recorded was 0 while the highest was 24.

Part (a), (i) The question asked candidates to identify and explain ethical threats. This was well answered by most of the candidates. However others simply stated and explained familiarity, self-interest and other terminology relating to threats as per text book. They did not apply it to the given scenario and ended missing easy marks.

(ii) This was a follow up question and only those who scored well in part (a) above equally got this part correct. However, there are some that only who answered (a) and failed to tackle part (b). This could be attributed to poor time management as they approached end of the examination.

(iii) This was the last part that involved audit procedures for revaluation of property. Instead of concentrating on verifying capabilities and competencies of value, most candidates just went on to explain audit procedures such as recalculations without stating what was being recalculated and for what reasons. Other wrong answers included general audit procedures for non-current assets without realizing that this was on revaluations. Verifications of transfers to the profit and loss account were going to be helpful in tracing the entries regarding revolutions of property.

Part (b), (i) The question asked candidates to explain matters to be communicated to those charged with governance. These matters have been documented in the text book. It seems most candidates do not read and understand which matters were being referred to. Others even went to describe audit risks assessment procedures which were completely irrelevant and no amount of guessing helped such the candidates.

(ii) Most candidates who attempted this question got the answers correct. The only problem was in the last part of the answers involving two advantages of random sampling. Some explained that a random sample is efficient without explain how a random sample can be efficient if that was possible.

(iii) The question related to reliability of audit evidence. The focus point should have been on the source and how reliable that source could have been. However incorrect answers included definition and sufficiency of audit evidence. Other stated a list of audit evidence such as financial statement and documentation which was not even near to the question.

QUESTION FIVE

The general performance on this question was poor. 30 of the 86 candidates that attempted the question got 13 and above marks out of 25. A pass rate of 34.8% was recorded. The lowest mark recorded was 0 while the highest was 18.

(a) The question asked candidates to comment on the appropriateness of audit opinions that were given and stating an appropriate one in case there was a wrong one given already. Very few candidates identified the correct opinion and made correct recommendations, For example, when a matter was material and not pervasive, the opinion given in the question on Antelope was adverse. The correct one should have been a qualified one as the matter was, arterial and not pervasive. This was a common error for those who got this part wrong.

(b)(i) This was well answered. However as in the other questions, some candidates failed to attempt both requirements of the question. It is important to identify how many *parts* of the questions are stated in the requirements. Most of the questions are composite or a mix type where there is more than one requirement.

(b)(ii) This was poorly answered as most candidates appeared not to have studied adequately issues relating to good corporate governance as recommended by the Economic Organization for Economic Cooperation (OECD) and its recommendations. Wrong answers stated that audit committees are required and there should be segregation of duties without

using the scenario as a context or source of answers.

(iii). This was well answered except a few that only differentiated permanent and current files which was not even a requirement and earned zero marks.

Overall performance of candidates

Highest mark obtained in this paper: **82%**

Lowest mark obtained in this paper: **9%**

Overall pass rate in this paper: **45.8%**

SUBJECT: DA12 GOVERNANCE AND COMPANY LAW

QUESTION ONE

The general performance on this question was excellent. 83 of the 93 candidates that attempted the question got 13 and above marks out of 25. A pass rate of 89.2% was recorded. The lowest mark recorded was 4 while the highest was 22.

Most candidates who answered this question performed quite well though others struggled to understand this type of business model. This is an indication that these few candidates are somehow not quite familiar with the subject matter. The way forward for all prospective candidates is to take enough time to study the topic in full. This will help them appreciate fairly well the matters arising from all forms of business associations a topic which is highly examinable.

This part of the question required students to explain concepts of good governance. Candidates must continue with the habit of paying attention to all questions. Students must take time to study all topics in full, this topic can only be dealt with by candidates who thoroughly go through topics and mastering the principles under each topic.

This part of the question was focusing on Capital of a company. It is important for all candidates to revise the Zica manual on this topic as it is highly examinable. Most candidates got this question correct, a sign that they are familiar with this topic. For the future, candidates must take time to study all topics in full, this topic like any other can only be dealt with by candidates who thoroughly go through topics and mastering the principles under each topic.

QUESTION TWO

The general performance on this question was poor. 16 of the 90 candidates that attempted the question got 13 and above marks out of 25. A pass rate of 17.7% was recorded. The lowest mark recorded was 0 while the highest was 16.

This was a three-part question. The first part required the students to state the strengths of an effective board, the second part required them to explain the role of non-executive Directors and the third part required them to explain the implications of changing the company's share structure from being limited by shares to being limited by guarantee. From the way the students answered the question, it would be the case that students may not have properly read this topic. It should be emphasised that the Zica manual has almost all the issues raised in the questions contained in it and therefore it is just a matter of studying to understand what the issues are as raised by the question. Going forward, emphasis should be placed the need to use the Zica manual even as students may use other materials to study but they must always focus on the units contained in the manual as their exams are drawn from there.

QUESTION THREE

The general performance on this question was very good. 69 of the 88 candidates that attempted the question got 13 and above marks out of 25. A pass rate of 78.4% was recorded. The lowest mark recorded was 4 while the highest was 25.

The question was made up of three parts (a), (b) and (c) which were on duties of a chief executive officer, attributes of a director and importance/business of a general meeting. All parts were well answered, except Part A where candidates were putting fiduciary duties of a director. Further Part had two questions in one and candidates mainly attempted only the first part. In future examiners must be encouraged to avoid asking two or more questions in one question.

QUESTION FOUR

The general performance on this question was very good. 50 of the 68 candidates that attempted the question got 13 and above marks out of 25. A pass rate of 73.5% was recorded. The lowest mark recorded was 0 while the highest was 23.

This question had four parts covering functions of the audit committee, explanation of a debenture and debenture stock, fixed and floating charge, and principle that guide payment of dividends.

QUESTION FIVE

The general performance on this question was very good. 21 of the 29 candidates that attempted the question got 13 and above marks out of 25. A pass rate of 72.4% was recorded. The lowest mark recorded was 5 while the highest was 23.

This was a five-part question and was only attempted by 20% of the students. The first part required the students to explain what incorporation is, the second part required them to explain the difference between an incorporated company and a partnership, the third part required them to define bankruptcy, the fourth part required them to identify a receiver and his powers and the last part required them to explain what a state of affairs is. All the students who attempted this question did pretty well except for a few who had challenges explaining incorporation and what a statement of affairs is. For the future students should pay attention to all the units in the Zica manual so that they have a broader understanding of the issues raised in the questions during exams. Otherwise, the overall performance was fine.

Overall performance of candidates

Highest mark obtained in this paper: **79%**

Lowest mark obtained in this paper: **5%**

Overall pass rate in this paper: **56.5%**