



JUNE 2022

CHIEF EXAMINERS' REPORTS

TAXATION PROGRAMM

SUBJECT: C1 BUSINESS MANAGEMENT

QUESTION ONE

The general performance on this question was poor. 1 out of the 3 candidates who attempted the question achieved a pass (that is a score of at least 10 out of 20 marks), representing a pass rate on the question of 33%. The lowest score was 2, whilst the highest was 10 out of 20 marks.

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

Part (a) asked the candidates to state six (6) barriers to effective communication in an organization.

Part (b) was about describing the process of performance appraisal.

Part (c) requested candidates to list three (3) benefits of planning to the organization. Most candidates did very well on this question.

QUESTION TWO

The general performance on this question was poor. 0 out of the 3 candidates who attempted the question achieved a pass (that is a score of at least 10 out of 20 marks), representing a pass rate on the question of 0%. The lowest score was 0, whilst the highest was 2 out of 20 marks.

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

Part (a) asked the candidates to list the steps in the control process.

Part (b) asked candidates to state the five (5) factors that are closely related to cognitive intelligence.

Part (c) asked candidates to outline any three (3) forms of divisional structures. None of the candidates got this right.

QUESTION THREE

The general performance on this question was very good. 2 out of the 3 candidates who attempted the question achieved a pass (that is a score of at least 10 out of 20 marks), representing a pass rate on the question of 66.6%. The lowest score was 0, whilst the highest was 13 out of 20 marks.

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

Part (a) had four (4) subparts and asked candidates to explain the macro-environment influence on the following but they couldn't:

- (i) Change in demand for products and services
- (ii) Change in production and distribution of outputs
- (iii) Price and availability of key inputs
- (iv) Competition in the industry

Part (b) asked candidates to state the three (3) things an organization needs to be aware of in order to cope with changes in the environment. They failed to do this.

Part (c) required candidates to explain buyer power and how it affects the business and industry. They failed to do so.

QUESTION FOUR

The general performance on this question was excellent. 3 out of the 3 candidates who attempted the question achieved a pass (that is a score of at least 10 out of 20 marks), representing a pass rate on the question of 100%. The lowest score was 1, whilst the highest was 5 out of 20 marks.

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

Part (a) required candidates to explain five (5) powers Managers have because of their official status or position in the organization's hierarchy of authority.

Part (b) required candidates to describe the differences between the Board of Directors and Executive Directors.

Part (c) asked candidates to define Corporate Governance.

QUESTION FIVE

The general performance on this question was poor. 1 out of the 3 candidates who attempted the question achieved a pass (that is a score of at least 10 out of 20 marks), representing a pass rate on the question of 33%. The lowest score was 7, whilst the highest was 13 out of 20 marks.

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

Part (a) asked the candidates to describe the four (4) characteristics of an organization.

Part (b) asked candidates to briefly discuss the following organizational structures:

- (i) Functional Structure
- (ii) Divisional structure
- (iii) Hybrid structure
- (iv) Matrix structure.

The majority of candidates answered this question correctly.

Overall performance of candidates

Highest mark obtained in this paper: **40%**

Lowest mark obtained in this paper: **15%**

Overall pass rate in this paper: **27.2%**

SUBJECT: C2 ECONOMICS & FINANCIAL MATHEMATICS

QUESTION ONE

The general performance on this question was poor. 2 out of the 11 candidates who attempted the question achieved a pass (that is a score of at least 10 out of 20 marks), representing a pass rate on the question of 18.2%. The lowest score was 2, whilst the highest was 14 out of 20 marks.

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

- (a) Required candidates to distinguish between withdraws and leakages in the circular flow of income, giving two examples of each. Majority of the candidates understood withdraws and even gave correct examples. However, none was able to understand the fact that withdrawals and leakages literally mean the same thing in the circular flow of income.
- (b) Required candidates to distinguish between merit goods and public goods. Performance was fair.
- (c) Required candidates to outline any three advantages of direct taxes. This was fairly done.

QUESTION TWO

The general performance on this question was poor. 4 out of the 11 candidates who attempted the question achieved a pass (that is a score of at least 10 out of 20 marks), representing a pass rate on the question of 36.4%. The lowest score was 0, whilst the highest was 17 out of 20 marks.

The question was divided into three parts (a) to (b) as follows:

- (a) Required candidates to state and explain any two reasons international trade is important for a country like Zambia. Performance was very good on this part.
- (b) Required candidates to explain any three terms of payment in international trade. Majority of candidates seemed not to know what the terms of payment are. This indicates selective studying of the syllabus. Performance was average.
- (c) Required candidates to describe i) free On Board) FOB), Cost and freight (C and F) and (iii) Cost, Insurance and Freight (CIF) as modes of transport in international trade. Performance was poor. This again indicated evidence of selective studying of the syllabus. Candidates are urged to study the entire syllabus for better results.

QUESTION THREE

The general performance on this question was poor. 2 out of the 11 candidates who attempted the question achieved a pass (that is a score of at least 10 out of 20 marks), representing a pass rate on the question of 18.2%. The lowest score was 0, whilst the highest was 15 out of 20 marks.

Part (a): This question required candidates to use the given data to estimate the values of a and b and write the least squares regression line. All the candidates attempted the question,

though the performance was poor. It was observed that most candidates made minor computation errors when calculating the totals and that resulted in getting wrong estimates. Part (b): this required candidates to use the formula $S = P(1 + \frac{r}{100})^t$, and simply calculate for the value of r . Most candidates got this question wrong due to wrong use of formulae.

QUESTION FOUR

The general performance on this question was poor. No candidate who attempted the question achieved a pass (that is a score of at least 10 out of 20 marks), representing a pass rate on the question of 0%. The lowest score was 0, whilst the highest was 8 out of 20 marks.

Part (a): required candidates to use the given information to compute the probabilities on Normal distribution. Very few candidates managed to correctly compute the required probabilities. Candidate struggled to find the correct values on this question due to use of wrong z values. It was observed that most candidates were unable to use the normal distribution tables correctly.

Part (b): required the candidates to use the given data to compute the Net Present Values for the project and conclude whether the project is worthwhile or not. The performance of candidates on this part of the question was not so good. Most of the candidates computed wrong NPV's and concluded wrongly. The other part of the question required candidates to use the correct compound interest formula to find the rate. Most of the candidates failed this part of the question due to use of the wrong formula.

QUESTION FIVE

The general performance on this question was poor. No candidate who attempted the question achieved a pass (that is a score of at least 10 out of 20 marks), representing a pass rate on the question of 0%. The lowest score was 0, whilst the highest was 6 out of 20 marks.

Part (a) of the question involved the use of the concept of supply and demand to calculate equilibrium price and quantity of the given scenario. Most of the candidates managed to get good marks on this question as they demonstrated good knowledge in the topic. The other part of the question required candidates to find the new equilibrium price and quantity after an ad valorem tax of 50% was imposed by the government. Most candidates lost marks on this part of the question because they did not know what to do or to go about the question.

Part (b): required candidates to use the method of binomial distribution to solve probability question. It was noted that most candidates failed this question due to inability to effectively

use the binomial distribution formula. It was noted that some candidates swapped the probability of success with that of failure in the formula hence an increased chance of making errors in the calculations.

Overall performance of candidates

Highest mark obtained in this paper: **53%**

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

Overall pass rate in this paper: **32.3%**

SUBJECT: C3 ACCOUNTING FOR TAX PRACTITIONERS

QUESTION ONE

The general performance on this question was poor. 1 out of the 5 candidates who attempted the question achieved a pass (that is a score of at least 10 out of 20 marks), representing a pass rate on the question of 20%. The lowest score was 1, whilst the highest was 11 out of 20 marks.

Candidates were required to complete the following ledger accounts:

- (a) Bank account.
- (b) Trade receivables control account.
- (c) VAT control account.
- (d) Administration expenses account

Performance was generally below expected skill. This is an indication that candidates failed to post transactions using the golden rule of double entry system and balance off the ledger accounts. This is core knowledge at certificate level which must be understood. Candidates are encouraged to learn the double entry system.

- (e) Required candidates to extract a trial balance. This was equally poorly handled.

QUESTION TWO

The general performance on this question was fair. 2 out of the 5 candidates who attempted the question achieved a pass (that is a score of at least 10 out of 20 marks), representing a pass rate on the question of 40%. The lowest score was 7, whilst the highest was 18 out of 20 marks.

- (a) Required candidates to prepare a statement of profit or loss account with the gross profit already calculated. The account presentation was poor. The candidates failed to calculate the increase in allowance for receivables. The depreciation expense of 10% x K320 000 could not be correctly calculated.
- (b) Required candidates to prepare a statement of changes in equity for the year. This part was not done by all candidates.

- (c) Required candidates to prepare a statement of financial position for the year. Candidates did not add the depreciation expense for the year to accumulated depreciation amount at start thereby failing to get the correct carrying amount on Fixtures and Fittings.

QUESTION THREE

The general performance on this question was poor. No candidate who attempted the question achieved a pass (that is a score of at least 10 out of 20 marks), representing a pass rate on the question of 0%. The lowest score was 0, whilst the highest was 4 out of 20 marks.

This question required candidates to prepare a cash flow statement. Candidates failed to show knowledge on the format for a statement of cash flow. The three (3) parts for the statement must be shown i.e.

- Cash flow from operating activities.
- Cash flow from investing activities.
- Cash flow from financing activities.

This format is given IAS 7. This standard gives where each item appearing on the cash flow statement should be shown and how it is calculated.

QUESTION FOUR

The general performance on this question was excellent. 5 out of the 5 candidates who attempted the question achieved a pass (that is a score of at least 10 out of 20 marks), representing a pass rate on the question of 100%. The lowest score was 11, whilst the highest was 14 out of 20 marks.

- (a) Required candidates to prepare a statement of profit or loss for the year. This part was well answered apart from year-end adjustments. Candidates are encouraged to learn the year-end adjustments.
- (b) Required candidates to prepare a statement of financial position. Candidates obtained good marks in this part.
- (c) This was a theory question. Candidates did not attempt this part.
All candidates passed the question representing 100% pass rate.

QUESTION FIVE

The general performance on this question was poor. No candidate who attempted the question achieved a pass (that is a score of at least 10 out of 20 marks), representing a pass rate on the question of 0%. The lowest score was 0, whilst the highest was 8 out of 20 marks.

This question required candidates to prepare ledger accounts related to non-current assets, accumulated depreciation, disposal of non-current asset and revaluation reserve accounts.

The performance by candidates was very, very poor as most of them scored well below 50%. Candidates have difficulties in applying the rules of double-entry on transactions involving non-current assets. Candidates are advised to read IAS 16 for this type of questions in future.

Overall performance of candidates:

Highest marks obtained in this paper: **50%.**

Lowest mark obtained in this paper: **24%**

Overall pass rate in this paper: **36.4%.**

SUBJECT: C4 DIRECT TAXES

QUESTION ONE

The general performance on this question was very good. 13 out of the 18 candidates who attempted the question achieved a pass (that is a score of at least 10 out of 20 marks), representing a pass rate on the question of 72%. The lowest score was 7, whilst the highest was 19 out of 20 marks.

This question was on the taxation of a limited company and had three parts (a), (b) and (c). In these parts, candidates were required to compute capital allowances, taxable business profits and income tax payable for the tax year 2022.

The computation of the capital allowances involved wear and tear allowances for the various items of plant and machinery and a balancing charge on the disposal of a Toyota Allion. The computation of taxable business profits required adding back disallowable items and subtracting investment income and capital allowances which were computed in part (a) of the question.

The income tax payable was then to be calculated at the 30% tax rate from which tax which was suffered at source on Royalties was deducted.

Candidates' performance:

- (a) Ill prepared candidates experienced challenges to fully calculate the Capital allowances showing serious lack of knowledge on this subject
- (b) Most of the candidates managed to score good results on this part of the question as they were able to add back the disallowable expenses.
- (c) A good number of candidates failed to compute the correct income tax payable because of the wrong business profit brought forward.

QUESTION TWO

The general performance on this question was excellent. 15 out of the 18 candidates who attempted the question achieved a pass (that is a score of at least 10 out of 20 marks), representing a pass rate on the question of 83.3%. The lowest score was 2, whilst the highest was 18 out of 20 marks.

This question related to the taxation of employment income and had three parts (a) (i) and (ii), (b) and (c).

In part (a) candidates were required to explain the meaning of emoluments and to state the time period when director's emoluments are normally deemed to have been received by the director in question. Emoluments are all salaries, wages, fees, commissions, overtime pay, leave pay, gratuity, benefits and advantages, allowances and all payments which an individual receives as a result of being employed or being a holder of an office. And payments of directors' emoluments are deemed to have been received by each director on the earliest of the time when payment is actually made, the time when the employee becomes entitled to the emoluments, the time when the amount payable is decided, the time when the amount payable is credited in the company's accounting records and the end of the company's accounting period.

In part (b) candidates were required to explain the obligations of the employer under the Pay as You earn tax regime which encompass those of correctly calculating the taxable emoluments of employees, and income tax and to forward the tax to ZRA.

And in part (c) of the question candidates were required to calculate the income tax that would be payable by a given individual for the tax year 2022 which looked at both taxable earned and unearned income.

- (a) (i) Was well answered part by most of the candidates as they ably explained the meaning of emoluments.
- (ii) A good number of candidates were able to state when payments of directors are deemed to have been received.

- (b) Most of the candidates answered this question well as they correctly stated the employer's obligations under PAYE.

- (c) The performance of most candidates was good as they managed to compute the total emoluments correctly.

QUESTION THREE

The general performance on this question was excellent. 16 out of the 18 candidates who attempted the question achieved a pass (that is a score of at least 10 out of 20 marks), representing a pass rate on the question of 88.8%. The lowest score was 5, whilst the highest was 20 out of 20 marks.

This question was on Property Transfer Tax and had two parts (a) and (b).

In part (a) candidates were required to explain the meaning of the term chattels and the time period when transfer of property is deemed to have occurred and to state the categories of property on which PTT is chargeable.

- (i) Well prepared candidates managed to explain the correct meaning of Chattels. However a few candidates gave well off meaning.
- (ii) This was a well-balanced, answered question by most of the candidates. They indeed correctly stated the categories of property which attract PROPERTY TRANSFER TAX (PTT).
- (iii) A well answered question on the part of good number of candidates.

Chattels are tangible movable property which do not attract. However, categories of property chargeable to PTT includes any Land in Zambia (including any building on that land), any share issued by a company in Zambia that is not listed on LUSE, any mining right or an interest in a mining right, any mineral processing license and any intellectual Property such as trademarks, patents and brands

For purposes of PTT, a transfer of property occurs when there is a change in the ownership of that property, which includes a disposal of property or part thereof and a gift of the property (in the case of family members generally)

In part (b) candidates were required to explain the property transfer tax implication of given transactions and to compute the amount of any property transfer tax arising in each case.

This was well answered by a good number of candidates. However, a number of them failed to property transfer tax implication on the transfer to a family member (Transfer to a Daughter)

QUESTION FOUR

The general performance on this question was very good. 12 out of the 18 candidates who attempted the question achieved a pass (that is a score of at least 10 out of 20 marks), representing a pass rate on the question of 66.6%. The lowest score was 1, whilst the highest was 19 out of 20 marks.

This question related to the taxation of partners and had two parts (a) and (b).

In part (a) candidates were required explain the tax treatment of losses suffered by partners which is that such losses are divided between the existing partners using an existing profit sharing ratio which each partner can then claim loss relief on that individual's share of the future profits emanating from the same trade to a maximum period of five years.

This part was not well answered by some candidates as they failed to state how to deal with losses arising on each partner.

In part (b) of the question candidates were required to calculate the tax payable by each of the partners for tax year ended 31 December 2022 which involved a change in the partnership during the charge year.

Performance by some candidates was not satisfactory in that they failed to correctly share the residual profit among the partners in both periods.

QUESTION FIVE

The general performance on this question was very good. 11 out of the 18 candidates who attempted the question achieved a pass (that is a score of at least 10 out of 20 marks), representing a pass rate on the question of 61%. The lowest score was 1, whilst the highest was 16 out of 20 marks.

This question had two parts (a) and (b) and covered the tax treatment of rental income and the classification of taxes.

In part (a) candidates were required to explain the categories of tax as between capital, revenue, and progressive, regressive and direct taxes.

High knowledge was shown by most candidates on this part of the question as they fully explained the tax classifications. However, a few candidates failed to explain the Capital taxes and give wrong examples.

In part (b) candidates were required to the way rental income was to be taxed in relation to the turnover tax regime.

- (i) A good number of candidates were able to explain the new tax treatment of rental income. However, a few failed to do so.
- (ii) A well answered question despite a few candidates failure to explain the reason why JCM could not register under Normal income tax.
- (iii) The application by a good number of candidates was shown as the correctly calculated the Turnover Tax.

Overall performance of candidates

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

Lowest mark obtained in this paper: **28%**

Overall pass rate in this paper: **60.8%**

SUBJECT: C5 INDIRECT TAXES

QUESTION ONE

The general performance on this question was very good. 13 out of the 21 candidates who attempted the question achieved a pass (that is a score of at least 10 out of 20 marks), representing a pass rate on the question of 61.9%. The lowest score was 1, whilst the highest was 18 out of 20 marks.

This question was on the taxation of a VAT registered limited company and had Five (5) parts (a), (b), (c), (d) and (e).

In parts (a), (b) and (c) candidates were required to explain Briefly the persons who are eligible to register for Value Added Tax (VAT) purposes, two (2) types of registration for Value Added Tax purposes and the circumstances under which each one (1) of them applies and the effective date of registration when a business becomes eligible for VAT.

Persons who can register for Value Added Tax (VAT) purposes are traders who make taxable supplies and include sole traders, limited companies, partnerships, members' clubs and other bodies of persons and the two types of registration for Value Added Tax (VAT) are the statutory and voluntary registrations. The effective date of registration for a new business is the date of commencement of trading if the turnover thresholds are likely to be exceeded and for a continuing business it is when the turnover threshold is exceeded.

In parts (c) and (d) candidates were required to calculate the VAT payable by the given limited company and to state the payment due date of the VAT so calculated which is the 18th day of the following month.

The calculation involved standard, zero and exempt sales and purchases including motor vehicle expenses, general expenses and office equipment some of which were said to be VAT inclusive or exclusive.

This part of the question proved daunting and challenging to a good number of candidates as they could not correctly calculate, especially the INPUT VAT and hence failed to calculate the VAT PAYABLE . The general overheads calculation was difficult for most candidates.

- (a) Most of the candidates fully explained the persons who may register for VAT and scored the full marks
- (b) A good number of the candidates were able to explain the two types of registration; however some of them were omitting the wording taxable supplies which cost them full marks.
- (c) Well knowledgeable candidates stated the correct start date of the business as for a continuing business a good number failed to state the correct date of registration.

QUESTION TWO

The general performance on this question was very good. 14 out of the 21 candidates who attempted the question achieved a pass (that is a score of at least 10 out of 20 marks), representing a pass rate on the question of 66.6%. The lowest score was 1, whilst the highest was 16 out of 20 marks.

The examination content of this question encompassed various aspects of Value Added Tax and had Three (3) parts (a), (b) and (c).

In parts (a) candidates were required to define and explain how taxable supply is determined as well as differences between zero-rated and exempt supplies.

A taxable supply is a supply of goods or services sold by a VAT registered supplier and zero rated supplies is a taxable supplier at 0% where an exempt supply is not a taxable.

In part (b) candidates were required to state three (3) conditions which should be met for a trader to claim a bad debt relief and to explain five (5) steps to be followed in claiming the bad debt relief which are that the claim is made on or after 27 January 1996, the debt must have been outstanding for 18 months or more and the debtor must have been declared insolvent by a Court of law.

And in part (c) candidates were required to calculate penalty and the interest payable by a limited company for a late payment of VAT. In this regard, the late submission of the VAT return attracts a penalty of 1,000 penalty units; the late payment of VAT attracts a penalty. 5% of the amount paid late and an overdue tax attracts a interest charge of the discount rate plus 2%.

- (a) (i) A good number of candidates showed high knowledge on persons who can register for VAT, However some of them failed to include or state the wording taxable supplies and henceforth lost vital marks, (ii) A high number of candidates managed to explain the differences between zero rated and exempt supplies and gave examples, this resulted in scoring high marks
- (b) A good number of candidates managed to explain the conditions required for claiming bad debt relief. However a number of them failed to state "The claim is made on or after 27 January 1996"
- (c) This was poorly answered by most candidates as they failed to correctly calculate both the penalty and interest

QUESTION THREE

The general performance on this question was fair. 10 out of the 21 candidates who attempted the question achieved a pass (that is a score of at least 10 out of 20 marks), representing a pass rate on the question of 47.6%. The lowest score was 1, whilst the highest was 17 out of 20 marks.

This question was on the Preferential Trade Area and input tax broken into Four (4) parts (a), (b), (c) and (d).

In these parts candidates were required to list non- claimable input tax and strategies of PTA in pursuit to achieving their objective and to explain the mechanisms put in place by SADC and COMESA member states to promote intraregional integration and main areas of focus of the Customs Union

Supplies on which INPUT VAT is not claimable includes motor cars and expenses thereon, consumables such as stationery, lubricants and spare parts, entertainment of customers, telephone and internet connectivity bills as well as entertainment of suppliers.

The strategies used to attain the PTA objectives includes cooperation in developing coordinated and complementary policies and systems in transport and communications , industrial development and agricultural development and reduction in trade barriers and transit rights.

In this regard, mechanism to promote intraregional integration can be achieved by well-established stock exchange, and reserve fund under the PTA Bank to support the operations of the clearing house.

The five (5) main focus areas of the Customs Union includes the internal free trade area, relations with third countries including application of the CET, trade remedies, export promotion and dispute settlement

(a) Knowledgeable candidates managed to explain the required strategies used by PTA in order to attain their objectives and henceforth scored high marks. However, some of the candidates stated off the mark strategies and could not earn the marks.

(b) The response by a high number of candidates was poor and lost the three (3) marks.

(c) Most of the candidates easily stated the main focus areas of Custom Union and collected the full marks.

QUESTION FOUR

The general performance on this question was very good. 15 out of the 21 candidates who attempted the question achieved a pass (that is a score of at least 10 out of 20 marks), representing a pass rate on the question of 71.4%. The lowest score was 7, whilst the highest was 18 out of 20 marks.

This question was on aspects of the Customs and excise division of The Zambia Revenue Authority and had Four (4) parts (a),(b), (c) and (d) and candidates were required to explain any five (5) functions of the Customs and Excise Division of the Zambia Revenue Authority (ZRA) in relation to trade taxes, any four (4) powers of the Customs and Excise officer, any four (4) main matters a Customs Manager will consider when inspecting a Bonded Warehouse and how a cash discount offered to customers is treated for VAT purposes.

Functions of the customs and excise division of Zambia Revenue Authority (ZRA) includes revenue Collection, protection of local industry , prevention of smuggling , providing trade data and statistics and protecting the public from harmful goods.

The Customs and Excise officers have powers to enter any shop, office, store, structure or enclosed area for making such examination and enquiry as he considers necessary, demand for any book, document or thing which is required under the Act., examine and make extracts from and copies of such books and documents and to take with him in such premises an Assistant who may be a police officer.

The main matters a Customs station manager will consider when inspecting a Bonded Warehouse convenient location, security, strong doors and restricted access

For the purposes of VAT, a cash discount is always deducted in arriving at the taxable value of the supply whether or not payments are made within stipulated time frame.

- (a) Well prepared and knowledgeable candidates correctly stated the functions of Customs and excise division and managed to score the full marks. However a few of them did not do so.
- (b) This was well stated by a good number of candidates but of note were some of them mentioning powers of customs officer not prescribed in the STATUE
- (c) A well stated part of the question by a number of candidates and managed to score full marks.
- (d) A number of the candidates stated this correctly. However a few of them failed to explain that it is a deductible in arriving at the taxable value

QUESTION FIVE

The general performance on this question was excellent. 17 out of the 21 candidates who attempted the question achieved a pass (that is a score of at least 10 out of 20 marks), representing a pass rate on the question of 80.9%. The lowest score was 8, whilst the highest was 20 out of 20 marks.

This question related to import taxes and had three parts (a), (b) and (c).

In part (a) candidates were required to calculate import taxes for a second hand car. And in parts (b) and (c) candidates were required to explain Three (3) conditions which should be met for new returning resident to claim tax rebate and to state the goods that are allowed entry into the country without payment of import taxes for a new or returning resident.

The three conditions which should be met by returning residents are that the person claiming rebate has been resident outside Zambia for a period of not less than two (2) years before the date of arrival in or returns to Zambia , the effects including all personal effects, household effects and one motor vehicle per family were the property of that person before the date of departure for Zambia from the previous country of residence and that these effects must be imported at the time of arrival in Zambia or within six (6) months from the date of arrival of that person .

Documents which can be examined by VAT officers would, books of accounts and VAT records.

- (a) A high number of candidates managed to compute the Value for Duty Purposes and import taxes. However a few of them did not do so because of using a wrong exchange rate.
- (b) This part of the question was well answered by most candidates.
- (c) Most of the candidates managed to state documents required, however they did not mention all them required and lost a few marks.

Overall performance of candidates

Highest mark obtained in this paper: **87%**

Lowest mark obtained in this paper: **27%**

Overall pass rate in this paper: **55.4%**

SUBJECT: C6 LAW FOR TAX PRACTITIONERS

QUESTION ONE

The general performance on this question was very good. 14 out of the 19 candidates who attempted the question achieved a pass (that is a score of at least 10 out of 20 marks), representing a pass rate on the question of 73.6%. The lowest score was 7, whilst the highest was 17 out of 20 marks.

This question had four parts. The first part required students to state the pre-requisites of a valid contract, the second part required them to explain the conditions to be fulfilled for ratification of agency, the third part required them to state the classes of shares in a company and the fourth part required them to explain a floating charge. 75% of the Students had challenges in the third and fourth parts as they failed to properly explain the classes of shares there are in the third part and equally failed to properly explain what a floating charge is. Under corporate finance in the Zica manual both the classes of shares and floating charges are properly explained and hence a well read and prepared student would not really have had challenges correctly answering the questions. Going forward, students should study the manual widely so that they are able to answer questions from whichever topic they may be brought.

QUESTION TWO

The general performance on this question was very good. 15 out of the 19 candidates who attempted the question achieved a pass (that is a score of at least 10 out of 20 marks), representing a pass rate on the question of 78.9%. The lowest score was 3, whilst the highest was 16 out of 20 marks.

Part (a) of this question demanded students to demonstrate knowledge of functions of the three organs of the state. Most candidates were able to deal with this question. They were also able to discuss the functions from a constitutional law perspective with ease. 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. For the future students are advised to revise the topic and appreciate all its incidents. The Zica manual is adequate for this topic 85 % of candidates got the question correct.

Part (b) of this question required students to explain the two functions of judicial decisions under common law. Most students managed to get the correct answers but others exhibited total ignorance. Future candidates are implored to read questions and understand them before attempting any question.

Part (c) of this question, Students were expected to state any three advantages and disadvantages of delegated legislation. Under this question, most students performed very well whereas a few failed completely to understand the question. Future candidates are implored to read questions and understand them before attempting any question. Roughly 75% managed to answer it correct.

Part (d) of this question required students to define a mercantile agent at law. The performance under this question was good. Future candidates are implored to read questions and understand them before attempting any question.

QUESTION THREE

The general performance on this question was very good. 12 out of the 19 candidates who attempted the question achieved a pass (that is a score of at least 10 out of 20 marks), representing a pass rate on the question of 63.2%. The lowest score was 1, whilst the highest was 14 out of 20 marks.

Question 3 required students to explain by way of brief notes the following; stoppage in transit, Act of God, share capital and parties in agency arrangement. Most candidates got this part of the question correctly whereas a few exhibited ignorance especially on parties to agency arrangement. Students and future candidates in particular are called upon to read the manual with the view of understanding as opposed to just reading for the examinations or selective study.

QUESTION FOUR

The general performance on this question was fair. 8 out of the 19 candidates who attempted the question achieved a pass (that is a score of at least 10 out of 20 marks), representing a pass rate on the question of 42%. The lowest score was 2, whilst the highest was 12 out of 20 marks.

The question had three parts A, B and C.

(a) This part was on *res judicata* a doctrine that matters brought before court must be able to be decided conclusively to avoid re-litigation over the same matter. However, only about 5% of candidates got it rightly and the rest responded as if the question was on judicial precedence.

(b) This part of the question was on the powers of the Industrial Relations Court. The question well answered by 90% of the students.

(c) The question was on Tortious liability, and well understood and attempted by the candidates. No challenges were observed.

QUESTION FIVE

The general performance on this question was very good. 13 out of the 19 candidates who attempted the question achieved a pass (that is a score of at least 10 out of 20 marks),

representing a pass rate on the question of 68.4%. The lowest score was 2, whilst the highest was 20 out of 20 marks.

The question had five parts covering a variety of topics such as Receivership, information required on a memorandum, distinction between nominal and general partners and principles of natural justice.

Overall performance of candidates

Highest mark obtained in this paper: **70%**

Lowest mark obtained in this paper: **28%**

Overall pass rate in this paper: **57.4%**

SUBJECT: D1 BUSINESS INFORMATION MANAGEMENT

QUESTION ONE

The general performance on this question was good. 3 out of the 6 candidates that attempted it managed to get at least 13 marks out of 25. The pass rate recorded was 50%. The highest mark scored was 17 out of 25 while the lowest was 9.

The question was about Office automation, problems and benefits associated with projects and security risks with Information Systems.

The common mistakes were as follows:

- (a) Some students misunderstood the business processes affected by office automation – Routing manual data operations and data operations
- (b) Some students were writing advantages of MIS instead of characteristics

QUESTION TWO

The general performance on this question was good. 3 out of the 6 candidates that attempted it managed to get at least 13 marks out of 25. The pass rate recorded was 50%. The highest mark scored was 20 out of 25 while the lowest was 4.

The general performance on this question was average.

The question was about characteristics of EIS, explaining how Data Warehousing approach improves information management in organisations and downsizing feature of competitive advantage.

The common mistakes were as follows:

- (a) Some students could not explain the Data Warehousing concept and how it improves information Management in an organisation
- (b) Some students couldn't explain the downsizing concept, rational and problems related to it.

QUESTION THREE

The general performance on this question was good. 4 out of the 6 candidates that attempted it managed to get at least 13 marks out of 25. The pass rate recorded was 66.6%. The highest mark scored was 17 out of 25 while the lowest was 12.

The question was about how an information system could be re-designed to support the CSF, web-based technologies used for advertising and system implementation

The following were the common mistakes noted in this question:

- (a) Some students could not explain the relevant decision made on how an IS could be re-designed to support the CSF. They were failing to explain how to keep customers.
- (b) Project management tools were poorly answered. Some students were writing about methodologies.
- (c) Some student didn't understand how groupware could be used in a business organisation.

QUESTION FOUR

The general performance on this question was excellent. 5 out of the 6 candidates that attempted it managed to get at least 13 marks out of 25. The pass rate recorded was 83.3%. The highest mark scored was 19 out of 25 while the lowest was 8.

The question was about the common crimes committed by the users of the internet, implementation of a new computer system and factors that affect the overall risk of failure of IT projects within organisations:

The following were the common mistakes noted in this question:

- (a) Some students didn't explain well how the legislation that guides the proper use of IT. Students didn't understand the laws that exist in the Zambian legal system
- (b) Some students misunderstood the question. They were giving descriptions of the general system development process instead of steps or procedures of the implementation stage

Overall performance of candidates

Highest mark obtained in this paper: **61%**
Lowest mark obtained in this paper: **34%**
Overall pass rate in this paper: **54%**

SUBJECT: D2 FINANCIAL MANAGEMENT

QUESTION ONE

The general performance on this question was good. 5 out of the 10 candidates that attempted it managed to get at least 13 marks out of 25. The pass rate recorded was 50%. The highest mark scored was 17 out of 25 while the lowest was 0.

Part (a) asked candidates to calculate the Net Present Value (NPV) of investing in the new machine and advise whether the investment is financially acceptable. The performance was poor and the following were the challenges:

- Candidates did not multiply the monthly demand by 12 months to make it annual demand.
- Fixed costs given was per month and again here candidates did not multiply by 12 to make it annual fixed cost.
- Candidates had challenges calculating the working capital injections. Candidates should be aware that it's the working capital injections required in the evaluation of project and not just working capital.
- Inflation was not properly adjusted for. Candidates are encouraged to use compounding formula to adjust for inflation.

Part (b) required candidates to calculate the Internal Rate of Return (IRR) of investing in the new machine and advise whether the investment is financially acceptable. This part of the question was only attempted by few candidates and those who attempted failed to get full credit because they failed to calculate the correct cash flows.

QUESTION TWO

The general performance on this question was poor. 3 out of the 10 candidates that attempted it managed to get at least 13 marks out of 25. The pass rate recorded was 30%. The highest mark scored was 16 out of 25 while the lowest was 5.

Part (a) asked candidates to calculate the value per share of the company based on the present value of future cash flows. Most candidates did not even attempt this question showing lack of preparedness. Candidates calculated the cost of capital wrongly. A few candidates who calculated the cash flow correctly discounted the cash flows using a wrong discount rate because they did not get the correct cost of capital. This cost of capital is the discount rate used to discount the cash flows in order to get the Present values. The present values of years 1-4 should be added with the present value beyond year 4 to get the value of Company.

Part (b) asked candidates to explain the relationship between the interests of shareholders, managers and a company's long term creditors. Candidates failed to bring out clearly the relationship among these company stakeholders.

QUESTION THREE

The general performance on this question was poor. No candidate that attempted it managed to get at least 13 marks out of 25. The pass rate recorded was 0%. The highest mark scored was 11 out of 25 while the lowest was 0.

Part (a) asked candidates to calculate the after-tax cost of debt of the 9% bonds. The performance was poor. The following were the challenges:

- Candidates did not take into account the premium on redemption.
- Tax on interest was ignored by most candidates.
- Candidates were not using the internal rate of return rate of return to calculate the cost of redeemable debt and that resulted into loss of marks.

Part (b) required candidates to calculate and comment on the effect of the bond issue on the weighted average cost of capital of iCONS Ltd, clearly stating any assumptions that you make. The performance was poor because candidates failed to calculate current market capitalization of K41 million (10 million x K4.10).

Part (c) asked candidates to calculate the effect of using the bond issue to finance the reduction in the overdraft on: (i) the interest coverage ratio; (ii) gearing. Candidates failed completely to calculate the interest cover ratio and gearing ratio and this is because candidates failed to calculate the current interest K225,000 per year (K4.5m X 5%) and market capitalization of K41 million (10 million x K4.10).

Part (d) required candidates to evaluate the proposal to use the bond issue to finance the reduction in the overdraft and discuss alternative sources of finance that could be considered by iCONS Ltd, given its current financial position. The performance was equally poor because candidates did not bring out the alternative sources of finance such as increasing retained earnings by reducing the amount of dividend paid out and also reducing costs and increase income through improved working capital management.

QUESTION FOUR

The general performance on this question was poor. 1 out of the 10 candidates that attempted it managed to get at least 13 marks out of 25. The pass rate recorded was 10%. The highest mark scored was 13 out of 25 while the lowest was 3.

Part (a) required candidates to calculate the weighted average cost of capital for TOP Plc. In order for WACC to be calculated, the candidates needed to calculate first the cost of equity, the cost of debt and determine the Market Values of both Equity and Debt. In calculating the cost of equity, some candidates used a correct formula, but used past dividend of 42 ngwee instead of 58 ngwee and also calculated the dividend growth which was already provided in the question of 6%. Computational errors were also prevalent on this part of the question. Some candidates completely avoided this question showing lack of preparedness.

The candidates' incorrect calculation of the cost of equity and cost of debt lead to incorrect calculation of WACC. Further, some of the candidates were not able to correctly calculate the Market Values of equity and Debt, whose figure are also part of the formula for the WACC, Incorrect Market Values of Equity and Debt will result into a wrong WACC.

Part (b) asked candidates to distinguish between weak form and semi-strong form of stock market efficiency. Some candidate's responses did not adequately respond to this question as they were unable to satisfactorily explain and distinguish the difference between Stock Market efficiency and Semi-strong form of market efficiency.

Part (c) required candidates to explain the reasons consolidated financial statements are useful to the users of financial statements (as opposed to just the parent company's separate (entity) financial statements). The common mistakes were largely due to inadequate identification of the reasons and for those that identified the reasons, they concentrated only on the general reasons and not specifically connected to those for consolidated firms.

Overall performance of candidates

Highest mark obtained in this paper: **50%**

Lowest mark obtained in this paper: **19%**

Overall pass rate in this paper: **30.4%**

SUBJECT: D3 BUSINESS TAXATION

QUESTION ONE

The general performance on this question was good. 5 out of the 10 candidates that attempted it managed to get at least 13 marks out of 25. The pass rate recorded was 50%. The highest mark scored was 17 out of 25 while the lowest was 0.

This question was based on a local Limited Bank which was wholly owned subsidiary by an international bank. And the question had a component of income tax payable by a farming company and insurance business.

There were three (3) parts: (a), (b) and (c)

- (a) In part (a) some candidates failed to compute the capital allowances on Ford Ranger vehicles and did not apply the correct company income tax rate of 30%. Generally most of them scored good marks.
- (b) Some candidates failed to separate and compute the income tax payable on farming income and income tax on investment income.
- (c) This part of the question was poorly answered by most candidates as they exhibited lack of knowledge.

QUESTION TWO

The general performance on this question was poor. 3 out of the 10 candidates that attempted it managed to get at least 13 marks out of 25. The pass rate recorded was 30%. The highest mark scored was 16 out of 25 while the lowest was 5.

This question was based on a manufacturing company which was listed on the stock market and had four (4) parts: (a), (b) (c) and (d)

In part (a) the candidates were required to compute the capital allowances and in (b) the VAT implications on Reverse Tax.

In part (c) the candidates were required to state the tax implications on the sale of a subsidiary and the purchase of a new company.

In part (d) the candidates needed to state the tax implication arising from the transfer of land to a subsidiary.

- (a) Most candidates did score good marks on this part of the question. However a few of them failed to compute the capital allowances on Ford ranger vehicle.
- (b) In part (b) some candidates were unable to compute the reverse charges and the VAT payable.
- (c) A good number of candidates were unable to state correctly the tax implications on a going concern and also on a subsidiary.

(d) Most candidates stated the correct position of PTT. However, failed to compute the PTT payable by the company.

QUESTION THREE

The general performance on this question was excellent. No candidate that attempted it managed to get at least 13 marks out of 25. The pass rate recorded was 0%. The highest mark scored was 11 out of 25 while the lowest was 0.

This question was based on the income Tax payable by a sole trader and the VAT payable and the bad debt relief.

There were three (3) parts: (a), (b) and (c)

In part (a), a few candidates were unable to fully explain the full applicable conditions in order to claim bad debt relief and lost a few marks.

In part (b), A good number of candidates had challenges in computing the Output VAT and Input VAT especially on the expenses components.

In part (c), Challenges were shown by some candidates when computing the capital allowances on motor vehicles.

QUESTION FOUR

The general performance on this question was poor. 1 out of the 10 candidates that attempted it managed to get at least 13 marks out of 25. The pass rate recorded was 10%. The highest mark scored was 13 out of 25 while the lowest was 3.

This question was based on a listed mining company: there were three parts: (a), (b) and (c).

In part (a) and (b) candidates were required to calculate the tax adjusted mining profit for company and the total income tax payable for the tax year 2022.

And in part (c) candidates were required to describe the liquidation process of a company.

In part (a) and (b) some candidates failed to correctly compute the capital allowances because of applying wrong capital allowances rates. Generally most of the candidates scored high marks.

In part (c) most of the candidates scored good marks other than a few who did not fully state the entire liquidation process

Overall performance of candidates

Highest mark obtained in this paper: **73%**

Lowest mark obtained in this paper: **31%**

Overall pass rate in this paper: **51.2%**

SUBJECT: D4 PERSONAL TAXATION

QUESTION ONE

The general performance on this question was poor. 1 out of the 5 candidates that attempted it managed to get at least 13 marks out of 25. The pass rate recorded was 20%. The highest mark scored was 13 out of 25 while the lowest was 7.

This question was based on the computation of income tax payable by an employee who also has received foreign investment income and candidates were required to compute the income tax payable by an employee who was also in receipt of investment income for the tax year 2022.

In this question some candidates had challenges in discerning that the employment period was ten (10) months during the tax year. And the computation of the double taxation Relief was a challenge to most of the candidates. This resulted in a wrong computation of a final income Tax payable

QUESTION TWO

The general performance on this question was excellent. 4 out of the 5 candidates that attempted it managed to get at least 13 marks out of 25. The pass rate recorded was 80%. The highest mark scored was 18 out of 25 while the lowest was 10.

This question was based on the computation of income tax payable of persons running a business alternatively as a partnership and as a limited company.

There were three (3) parts: (a), (b) (i), (ii) and (c).

In parts(a) and (b) candidates were required to calculate the amount of income tax payable by two partners assuming that the business was is run as a partnership and as a limited company respectively including the amount of NAPSA contributions which were payable by either the partnership or the limited company.

In part (a), some candidates had challenges in computing the allocation of profits by partners due to wrong computation of adjustable business profit. The resultant was a wrong income tax payable and as such, vital marks were eventually lost.

In part (b), some candidates had challenges to compute the company tax payable because wrong deductions.

In part (c), a number of candidates performed badly on this part of the question because of wrong computation of income tax payable. Candidates were required to advise the most financially viable option of running the business as between a partnership and a limited company.

QUESTION THREE

The general performance on this question was very good. 3 out of the 5 candidates that attempted it managed to get at least 13 marks out of 25. The pass rate recorded was 60%. The highest mark scored was 17 out of 25 while the lowest was 9.

This question was based on an individual running a Public transport business. And there was an element of the Tax appeal procedure and the tax treatment of rental income.

The question had five (5) parts: (a), (b), (c), (d) and (e).

In parts (a) and (b) candidates were required explain the tax treatment of the expenses incurred wholly and exclusive in running the transportation business and to compute the amount of tax payable by a given individual for tax year 2022.

In parts (c), (d) and (e) candidates were required to explain five (5) benefits of presumptive taxes, the tax appeals process a tax payer should follow and the treatment of rental income respectively.

In part (a), some of the candidates were unable to state, that expenses incurred in public transport business are not allowable deductions.

In part (b), this part of the question was a poorly answered part as most of the candidates failed to compute the tax payable and lost vital marks.

In part (c), a well answered part of question with a few who could not fully state entire benefits of presumptive taxes.

In part (d), most of the candidates managed to explain the entire appeals procedure, despite some of them merely stating a few and off tangent procedures.

In part (e), here answers were well balanced and knowledgeable candidates scored full marks.

QUESTION FOUR

The general performance on this question was excellent. 5 out of the 5 candidates that attempted it managed to get at least 13 marks out of 25. The pass rate recorded was 100%. The highest mark scored was 17 out of 25 while the lowest was 13.

This question was based on the tests conducted by ZRA to distinguish self-employment from employment and the reasons why it is important to do so for income tax and NAPSA contributions purposes. A component of share option scheme was also included.

This question had Three (3) parts (a), (b) and (c).

In part(a) and (b) candidates were required to explain the tax implications of participating in a share option scheme that is not approved for tax to the to either the employer or employee and the reasons why it is important to distinguish between employees and self-employed persons for income tax and NAPSA contributions purposes.

In part (c) candidates were required to discuss any Six (6) tests used by the ZRA to distinguish self-employment from employment.

- (a) This was not fully answered correctly by some candidates due to lack of knowledge.
- (b) This part of the question was poorly answered by most candidates as they did not fully state the Tax consequences of the events. This resulted in the loss of vital marks. A fair number of candidates stated the main reason for the distinction despite of a few totally failing showing lack of understanding.
- (c) Well knowledgeable candidates managed to state the headings and explanation for each test used by ZRA and earned them the full marks. however, a few did not have the headings and the explanations were not convincing enough to warrant the full marks

Overall performance of candidates

Highest mark obtained in this paper: **59%**

Lowest mark obtained in this paper: **50%**

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

SUBJECT: D5 INTERNATIONAL TAXATION

QUESTION ONE

The general performance on this question was very good. 2 out of the 4 candidates that attempted it managed to get at least 13 marks out of 25. The pass rate recorded was 50%. The highest mark scored was 16 out of 25 while the lowest was 11.

This question had two (2) parts; (a) and (b):

In part (a) candidates were required to explain the tax treatment of foreign mission.

The performance on this part of the question was poor as most of the candidates seemed not to be knowledgeable of the tax treatment of foreign missions. One of the weaknesses they showed was giving the general comment that foreign missions are exempt from paying tax. They didn't really indicate that tax exemptions are based on the Diplomatic relations amongst different countries and also based on Vienna Convention on diplomatic relations and the Vienna Convention on Consular Relations

In part (b) (i) candidates were required to calculate the final income tax payable by the tax payer for the tax year 2022.

The performance was not below average. They exhibited some weaknesses such as failure to calculate the double taxation relief provided to the tax payer for the income received from a foreign country.

Some candidates could not realize that the tax payer did not work for the full twelve (12) months and hence the salary and allowances were only applicable for only seven (7) months as opposed to a full twelve (12) months.

In part (b) (ii) candidates were required to explain the reasons for taxing residents on their worldwide income in a country such as the Republic of Zambia.

The performance on this part of the question was also unsatisfactory as most of the candidates expressed ignorance of what was required by the question. The majority of them failed to bring out the main points bordering around fairness and neutrality.

QUESTION TWO

The general performance on this question was excellent. 2 out of the 4 candidates that attempted it managed to get at least 13 marks out of 25. The pass rate recorded was 50%. The highest mark scored was 16 out of 25 while the lowest was 10.

This question had three (3) parts (a), (b), and (c):

In part (a) candidates were required to explain the significance of the law of Comparative Advantage and the Practical perspective of the Law of Comparative Advantage.

The performance on this part of the question was at least average as the majority of candidates were quite aware of the meaning of comparative advantage except a few who failed to explain the Law of Comparative Advantage and its significance that each country should concentrate on the production of that good in which it has the greatest comparative cost advantage and that each country should export goods in which it has a comparative cost advantage.

In part (b), candidates were required to explain the International Covenant on Civil and Political Rights and taxation.

The majority of candidates could not clearly explain the International Convention on Civil and Political Rights and taxation. They failed to explain that the covenant was based on three (3) clauses which are:

- Regulation of Freedom of Travel and Taxation in the European Convention on Human Rights.
- The 2nd clause of Article 2 of Protocol 4 in the ECHR states that everyone can freely move within a country once lawfully there and have a right to leave any country.
- The 3rd clause of the Convention stipulates that the said right may be subject to limitations in order to maintain national security, public security, public order, or to prevent crime or to protect well-being, morals and the rights and freedoms of others.

In part (c), candidates were required to discuss money laundering and the tax avoidance. The performance was average. However, most candidates concentrated more on money laundering and nothing was discussed on international tax avoidance.

QUESTION THREE

The general performance on this question was very good. 3 out of the 4 candidates that attempted it managed to get at least 13 marks out of 25. The pass rate recorded was 75%. The highest mark scored was 22 out of 25 while the lowest was 5.

This question had four (4) parts; (a), (b), (c) and (d):

In part (a), candidates were required to explain what is meant by Regional Economic Groupings and state four (4) disadvantages of Regional Economic Groupings.

The performance on this part of the question was quite good. Most candidates were able to provide the meaning and also to explain the disadvantages. Those who did not perform well concentrated most on the explanation of Economic groupings.

In part (b), candidates were required to explain what is meant by Transfer Pricing and the Organization for Economic Co-operation Development (OECD) Transfer Pricing Guidelines.

The performance on this part of the question was below average. The majority of them were able to explain the meaning of transfer pricing but failed to give Economic co-operation Development (OECD) guidelines on transfer pricing and as a result could not score good marks on this part of the question.

In part (c), candidates were required to explain any two (2) ways in which a cross-border merger can be effected.

The majority of candidates performed better on this part as they were able to explain the way in which cross border merger could be effected. Some candidates of course were too general in their explanations and they could not clearly bring out the required points such as merger by absorption, merger by acquisition and merger by formation of a new company.

In part (d), candidates were required to explain four (4) possible effects of practicing tax evasion by the taxpayer on the economy.

The candidates performed quite well on this part of the question as they were able to state the effects of tax evasion and were able to score good marks.

QUESTION FOUR

The general performance on this question was excellent. 4 out of the 4 candidates that attempted it managed to get at least 13 marks out of 25. The pass rate recorded was 100%. The highest mark scored was 24 out of 25 while the lowest was 15.

This question had two (2) parts (a) and (b):

In part (a) candidates were required to explain five (5) key benefits of Double Taxation Agreements (DTAs).

The performance on this part was not very good. The main weakness was failure to provide the major benefits of Double Taxation Agreements (DTAs) such as:

Provide certainty of treatment for cross –border trade and investment. Certainty is one of the good qualities of a good tax system. Taxes should be certain. If tax rules are complex, they can be subverted and evaded.

- Protect against the risk of double taxation where the same income is taxed in two states. This could present a “huge” burden on the taxpayers and effectively work against the promotion of globalisation and its resulting benefits.
- Provide certainty of treatment for cross –border trade and investment. Certainty is one of the good qualities of a good tax system. Taxes should be certain. If tax rules are complex, they can be subverted and evaded.
- Prevent excessive foreign taxation and other forms of discrimination against business interests abroad. This could have an adverse impact on economic performance of the respective countries.
- Protect the government’s taxing rights and protect against attempts to avoid or evade tax. Aggressive tax avoidance and/or tax evasion could result in significant reduction in tax revenues. This could result in reduced service delivery, in key sectors of the economy, by the government.
- They also contain provisions for the exchange of information between national taxation authorities. This could boost tax revenue and impact positively on the respective economies.

In part (b) (i), candidates were required to explain the factors used to identify Tax Havens according to the Organization for Economic Co-operation and Development (OECD) guidance.

The performance of this part of the question was at least average as most candidates were able to explain the factors used to identify tax Havens according to EOCD guidelines.

In part (b), (ii), candidates were required to explain the main co-operation models between revenue authorities.

The performance on this part was also average except some of them could not really bring out the points required by the question and their explanations were too general.

In part (b), (iii) candidates were required to explain the international origin and destination principles as a basis for indirect taxation.

The performance was quite good on this part of the question. Most candidates seemed to be knowledgeable the meaning of international origin and destination principles as a basis for indirect taxation.

Overall performance of candidates

Highest mark obtained in this paper: **78%**

Lowest mark obtained in this paper: **41%**

Overall pass rate in this paper: **62.8%**

SUBJECT: D6 TAX AUDIT AND INVESTIGATION

QUESTION ONE

The general performance on this question was very good. 5 out of the 7 candidates that attempted it managed to get at least 13 marks out of 25. The pass rate recorded was 71.4%. The highest mark scored was 25 out of 25 while the lowest was 6.

This question was based on auditing theories that have developed over time and how industries can be bench marked using ratio analysis. The other component was on self-assessment and administrative assessment. There were four (4) parts; (a), (b), (c) and (d).

In part (a), most candidates were able to highlight the sub headings separately and the explanations below them to earn the full marks. However, a few candidates failed to do so and lost the marks.

In part (b), Fair explanations were stated by most candidates to earn the full marks.

In part (c), a good number of candidates managed to state the required explanations.

In part (d), some candidates were unable to state the full audit program by indicating the sub heading and explanations and ended up losing the marks.

QUESTION TWO

The general performance on this question was excellent. 6 out of the 7 candidates that attempted it managed to get at least 13 marks out of 25. The pass rate recorded was 85.7%. The highest mark scored was 25 out of 25 while the lowest was 10.

This question was based on how to conduct an audit in a Telecommunications company, the factors to consider, computing the capital allowances and the adjusted business profit. There were five (5) parts: (a) (b) (c) (d) and (e).

(a) Most candidates had challenges to fully answer this part of the question as they failed to score the full marks.

(b) This was well articulated by most candidates and scored the full marks.

(c) Some candidates were unable to compute the tax allowances due to lack of applying the correct rate of 25/29 especially on plant and machinery and furniture.

(d) Some candidates failed to apply the correct discount rate.

(e) This was well answered by most candidates despite a few of them who could not fully exhaust the explanations and failed to score the full marks.

QUESTION THREE

The general performance on this question was very good. 5 out of the 8 candidates that attempted it managed to get at least 13 marks out of 25. The pass rate recorded was 62.5%. The highest mark scored was 23 out of 25 while the lowest was 2.

This question was on Transfer pricing and categories of lease agreements
There were four parts: (a), (b), (c) and (d).

(a) This part had some candidates who could not fully state the entire circumstances and lost the marks.

The component of Arm's length principle had some candidates merely stating off tangent issues and could not earn any marks.

(b) In this part of the question candidates failed to state the requirement as per question and not earn the marks.

(c) In this part some candidates were failing to include the Tax treatment of each transaction as per question requirement. Most of them merely wrote the general comments about the lease agreements. This cost them vital marks.

(d) This was well answered by most candidates despite a few who failed to do so.

QUESTION FOUR

The general performance on this question was very good. 6 out of the 8 candidates that attempted it managed to get at least 13 marks out of 25. The pass rate recorded was 75%. The highest mark scored was 21 out of 25 while the lowest was 2.

This question was based on the Banking sector and treatment from Telecommunications sector.

There were two (2) parts (a) and (b), (i), (ii) (iii).

(a) This was poorly answered by most candidates as they failed to fully state the question requirement and failed to earn the full marks.

(b) Some candidates failed to compute the capital exchange loss and failed to state the reasoning on general provision for bad debts and exchange losses.

Overall performance of candidates

Highest mark obtained in this paper: **84%**

Lowest mark obtained in this paper: **4%**

Overall pass rate in this paper: **56%**