



**SEPTEMBER 2022 EXAMINATION SESSION**

**CHIEF EXAMINERS' REPORTS**

**CHARTERED ACCOUNTANT ZAMBIA PROGRAMM**

## **SUBJECT: CA 1.1 FINANCIAL ACCOUNTING**

### **QUESTION ONE**

The general performance on this question was fair. 30 out of the 81 candidates that attempted the question passed (got at least 10 out of the total 20 marks available). The pass rate recorded was 37%. The highest mark scored on this question was 18 out of 20 and the lowest was 0 out of 20.

### **QUESTION TWO**

The general performance on this question was very poor. Only 13 out of the 81 candidates that attempted the question passed (got at least 10 out of the total 20 marks available). The pass rate recorded was 16%. The highest mark scored on this question was 14 out of 20 and the lowest was 1 out of 20.

This was a compulsory question requiring candidates to prepare financial statements for a Limited company. 80 candidates attempted the question but only 8 candidates passed representing 10% pass rate. Candidates' performance was below the average expected. This can be attributed to the following:

- (i) Inability to comply with the presentation formats as provided by IAS 1 presentation.
- (ii) Failure to deal with adjustments related to depreciation, allowance for trade receivables, prepayments and accruals.
- (iii) Inability to prepare proper workings for line items on the face of the financial statements.

Candidates are encouraged to prepare themselves adequately before attempting the examinations.

### **QUESTION THREE**

The general performance on this question was very good. 48 out of the 71 candidates that attempted the question passed (got at least 10 out of the total 20 marks available). The pass rate recorded was 67.6%. The highest mark scored on this question was 19 out of 20 and the lowest was 1 out of 20.

The question required candidates to prepare Bank reconciliation and preparing brief notes to explain how the Petty Cash Book operates. Candidates had challenges on preparing notes on how the Petty Cash Book operates.

## QUESTION FOUR

The general performance on this question was very poor. 0 out of the 30 candidates that attempted the question passed (got at least 10 out of the total 20 marks available). The pass rate recorded was 0%. The highest mark scored on this question was 6 out of 20 and the lowest was 0 out of 20.

The question had two parts. Part (a) (i) required candidates to prepare Capital accounts for the partners. Candidates had challenges on how to deal with Revaluation Surplus and Goodwill.

- (i) Revaluation Surplus – This benefits the old partners only, i.e. credit the Capital accounts of old partners with K50,000 each.
- (ii) Goodwill – First old partners share the Goodwill i.e. K75,000 each  
– On writing off Goodwill, all partners are debited with K50,000 each.

Part (a) (ii) required candidates to prepare appropriation account for the old partners only. There was no challenge on this part.

Part "b" required candidates to prepare the following accounts:-

- Motor vehicle at cost
- Motor vehicle accumulated depreciation
- Disposal account for Motor vehicle C.

The following mistakes were noted:

- i. On motor vehicle at cost Account, candidates failed to bring out clearly the part-exchange value i.e.  $K71,400 - K40,000 = K31,400$ .
- ii. On motor vehicle accumulated depreciation, candidates failed to calculate the share of accumulated Depreciation on the disposed motor vehicle i.e.

2017	:	$80,000 \times 20\% \times \frac{4}{12}$	=	5,334
2018 to 2020	:	$80,000 \times 20\% \times 3 \text{ yrs}$	=	48,000
2021	:	$80,000 \times 20\% \times \frac{1}{2}$	=	<u>1,334</u>
				<u>K54,668</u>

## QUESTION FIVE

The general performance on this question was also very poor. Only 8 out of the 60 candidates that attempted the question passed (got at least 10 out of the total 20 marks available). The pass rate recorded was 13.3%. The highest mark scored on this question was 15 out of 20 and the lowest was 1 out of 20.

The question was divided in parts (a) and (b). Part "a" (i) required candidates to explain the meaning of "Error of principle" and "Error of Single Entry". No special challenge was noticed.

Part "a" (ii) required candidates to prepare the Journal Entries to correct the given Errors. Error number two particularly presented a challenge to candidates. Candidates did not realize that there were two Errors in one.

- Reversing the wrong entry in discount received A/c of K50,520 (Dr).
- Completing the double entry in the discount allowed K50,250 (Dr)
- Crediting the suspense account with the two values.

Part "a" (iii) required candidates to prepare a suspense account. Some candidates posted the opening balance to the credit side as if they were completing a double entry from the question.

Part "b" required candidates to explain the recognition criteria for a contingent liability and a contingent asset. This requirement was testing candidates on IAS 37 Provision. This part was poorly done by candidates.

## **QUESTION SIX**

The general performance on this question was very poor. 5 out of the 61 candidates that attempted the question passed (got at least 10 out of the total 20 marks available). The pass rate recorded was 8.2%. The highest mark scored on this question was 18 out of 20 and the lowest was 0 out of 20.

The question was on incomplete records. Lack of knowledge on double entry bookkeeping records in the ledger is the major contributor to poor performance in this section of syllabus.

Part (a) required candidates to prepare the statement of Profit or Loss account. Candidates failed to establish the sales figure and purchases figure. Candidates are encouraged to use Trade Receivables control account, Cash account and Trade Payables control account to establish the sales figure and purchases figure.

Part (b) required candidates to prepare a statement of Financial Position. Candidates had challenges in dealing with cash drawings figure i.e.  $K60 \times 52 \text{ weeks} = K3,120$ .

### **Overall performance of candidates**

- i. Highest mark obtained in this paper: 61%
- ii. Lowest mark obtained in this paper: 12%
- iii. Overall pass rate in this paper: 12.3%

## **SUBJECT: CA 1.2 BUSINESS STATISTICS**

### **QUESTION ONE**

The general performance on this question was very good. 38 out of the 49 candidates that attempted the question passed (got at least 10 out of the total 20 marks available). The pass rate recorded was 77.6%. The highest mark scored on this question was 18 out of 20 and the lowest was 2 out of 20.

The multiple choice questions were short answer phrases and calculations on a wide range of topics from the syllabus. The topics covered included numerical data calculation such as the mean, calculation involving concept of Regression and correlation, random values and probability distribution. The performance was fairly good as most candidates were able to give correct solutions. The few who performed badly failed on parts that required calculation. It is therefore suggested that candidates should familiarize themselves with short statistical calculation in order to improve on performance in this section of the examination

### **QUESTION TWO**

The general performance on this question was fair. 25 out of the 49 candidates that attempted the question passed (got at least 10 out of the total 20 marks available). The pass rate recorded was 51%. The highest mark scored on this question was 14 out of 20 and the lowest was 2 out of 20.

The question was in two parts. Part (a) required candidates to use the given ungrouped data to calculate the mean, median and standard deviation. It was observed that most candidates scored high marks on this part. Few failed to computation errors but showed great ability to solve the problem.

Part (b) required candidates to apply the concept of probability rules such as addition, union, conditional probability to solve questions on data given in the table. Use of wrong totals when solving probabilities costed most of the candidates of vital marks. For others it was mis-application of probability formulas and lack of understanding on when to use some probability formula.

### **QUESTION THREE**

The general performance on this question was fair. 17 out of the 36 candidates that attempted the question passed (got at least 10 out of the total 20 marks available). The pass rate recorded was 47.2%. The highest mark scored on this question was 17 out of 20 and the lowest was 0 out of 20.

This question required candidates to use regression and correlation to calculate the coefficient of correlation and the least square regression line. Candidates showed knowledge of the subject as most of them were able to get high scores on this question. It was also observed that some candidates left unanswered the part requiring calculation of the coefficient of determination. The most probable reason could be lack of understanding of the statistic being required to be calculated as most candidates are comfortable with the term R squared rather than coefficient of determination.

Computation errors in compiling totals were also noticed but occurred scarcely.

### **QUESTION FOUR**

The general performance on this question was excellent. 44 out of the 48 candidates that attempted the question passed (got at least 10 out of the total 20 marks available). The pass rate recorded was 91.7%. The highest mark scored on this question was 20 out of 20 and the lowest was 0 out of 20.

The first part of the question required the candidates to construct the multiple bar chart which was solved with minor errors such as attaching bars for the charts.

The second part of the question required candidates to use the grouped data to calculate the mean, standard deviation and the median. The success rate on this part was 50% due to computation errors in finding total in the frequency table hence the required statistics were affected.

### **QUESTION FIVE**

The general performance on this question was very poor. 1 out of the 12 candidates that attempted the question passed (got at least 10 out of the total 20 marks available). The pass rate recorded was 8.3%. The highest mark scored on this question was 18 out of 20 and the lowest was 0 out of 20.

Part (a) required candidates to use time series to calculate the regression line. Most candidates avoided attempting this question, but for the few that attempted the question, it was noted that few were able to use the method of regression correctly to find the equation which can be used for prediction of sales per required quarter. The candidates who failed used wrong concepts and showed lack of understanding of the work required.

Part (b) required candidates to use the method of random variable and probability distribution to find the expected value and draw the graph of the probability distribution. Most candidates failed this question with the major reason being inability to formulate the probability distribution table as they showed lack of understanding of the work required from the question.

### **QUESTION SIX**

The general performance on this question was good. 24 out of the 46 candidates that attempted the question passed (got at least 10 out of the total 20 marks available). The pass rate recorded was 52.3%. The highest mark scored on this question was 20 out of 20 and the lowest was 0 out of 20.

Part (a) of the question required candidates to use the method of normal distribution to find the required probability. It was noted the value of the standard deviation given was too small hence lead to very large z-values which do not appear on the Z-tables, but nevertheless the probability could still be calculated to be equal to zero. Candidates were mostly getting half of the total marks on this question due to inability to solve completely the required probability

Part (b) required the candidates to use the method of finding means, standard deviation, and coefficient of variation from ungrouped data of results performance of two people. Candidates were required to interpret the results and state who among the people whose test performance was a better performing candidates. Most candidates were seen to be using the mean for interpretation while few used the coefficient of variation which was actually the correct approach to determine the better performing student.

### **Overall performance of candidates**

- i. Highest mark obtained in this paper: 86%
- ii. Lowest mark obtained in this paper: 6%
- iii. Overall pass rate in this paper: 61.2%

## **SUBJECT: CA 1.3 BUSINESS ECONOMICS**

### **QUESTION ONE**

The general performance on this question was very good. 27 out of the 38 candidates that attempted the question passed (got at least 10 out of the total 20 marks available). The pass rate recorded was 71.1%. The highest mark scored on this question was 18 out of 20 and the lowest was 4 out of 20.

### **QUESTION TWO**

The general performance on this question was poor. 14 out of the 38 candidates that attempted the question passed (got at least 10 out of the total 20 marks available). The pass rate recorded was 36.8%. The highest mark scored on this question was 13 out of 20 and the lowest was 2 out of 20.

This was a compulsory question attempted by all candidates. It was divided into three (3) parts namely (a),(b) and (c) as follows:

- a) Required candidates to distinguish between a price floor and a price ceiling. Performance was very good as the answers were given in the scenario.
- b) This was divided into three (3) parts:
  - i) Required candidates to find the equilibrium quantity and price. Performance was average. The common problem was failure to solve the equations  $100 - Q/100 = Q/100$  to find Q and the substituting in one of the equations to find P.
  - ii) Required candidates to find the units consumers would purchase following an imposition of K60 price floor. Performance was poor. Most candidates used the supply function ( $P = Q/100$ ) instead of the required demand function ( $P = 100 - Q/100$ ). With P given as K60, the consumer would purchase 4,000 units.
  - iii) Required candidates to find the total cost to the government if it cost K10 per unit to store cotton. Performance was very poor on this part of the question. Using the supply function, at K60 supply is 6,000 units while demand is 4,000 giving a surplus of 2,000 units. Government expenditure, therefore is  $(K60 + K10) \times 2,000 = K140,000$
- c) Required candidates to distinguish between change in supply and change in quantity supplied. Performance was mixed. The common problems included (i) poor diagrams, (ii) correct diagrams but wrong explanations, (ii) interchanging or swapping the graphs and explanations. The key point to notes is that a change in supply shifts the supply curve while a change in quantity supplied leads to movement along a supply curve.

### **QUESTION THREE**

The general performance on this question was very poor. 3 out of the 27 candidates that attempted the question passed (got at least 10 out of the total 20 marks available). The pass rate recorded was 11.1%. The highest mark scored on this question was 12 out of 20 and the lowest was 2 out of 20.

This was an optional question divided into six (6) parts namely (a) to (f) as follows:

- a) Required candidates to define and calculate explicit costs. This was well answered. Many candidates were able to identify that explicit costs are out of pocket or actual cost incurred. However, some candidates couldn't define first as required before calculating the explicit costs
- b) Required candidates to define and calculate implicit costs. Majority of the candidates failed to define let alone calculate implicit costs. This is the revenue foregone or opportunity cost, that is, K512,250.
- c) Required candidates to find the economic costs of retaining the job. Performance was poor. Economic costs = Explicit + Implicit costs. Since many candidates failed to find implicit costs in (b), they got this one wrong as well.
- d) Required candidates to calculate the economic profit. Performance was poor for the same reason as (c). Economic profit = Total Revenue – Economic costs.
- e) Required candidates to calculate the accounting profit for retaining the job. Performance was fair. Accounting profit = Total revenue – explicit costs.
- f) Required candidates explain the reason for the difference between economic and accounting profits calculated. For many candidates, this was poorly answered because it required the use of answers to questions (d) and (e) which were wrongly calculated. However, as is always the case, accounting profit is greater than economic profit by the implicit cost value.

### **QUESTION FOUR**

The general performance on this question was very good. 30 out of the 38 candidates that attempted the question passed (got at least 10 out of the total 20 marks available). The pass rate recorded was 78.9%. The highest mark scored on this question was 20 out of 20 and the lowest was 4 out of 20.

This was the most attempted optional question. The question was divided into three (3) parts namely (a),(b) and (c) as follows:

- a) Required candidates to describe the four factors of production. Performance was excellent.
- b) Required candidates to explain any four (4) ways of allocating the factors of production in a mixed economy. Performance was fair. Some candidates, however, seemed not to

know what a mixed economic system is all about. A mixed economy is an economic system where resources are partly owned by the state and partly by the private sector.

- c) Required candidates to give any two (2) reasons why governments regulate the functioning of markets. Performance was below average. None economic reasons were given, by majority of candidates. Market failure as well as to protect either the buyers or sellers are the main reasons why governments intervene in markets.

### **QUESTION FIVE**

The general performance on this question was poor. 4 out of the 13 candidates that attempted the question passed (got at least 10 out of the total 20 marks available). The pass rate recorded was 30.8%. The highest mark scored on this question was 16 out of 20 and the lowest was 0 out of 20.

The question was divided into four (4) parts namely (a) to (d) as follows:

- a) Required candidates to calculate the equilibrium level of national income from the given data. Performance was fair though many candidates failed to solve the identity correctly, even after proper substitutions hence couldn't get the full marks allocated. This is a popular question which candidates must learn and understand
- b) Required candidates to find the multiplier for this economy. This was poorly done. Very few candidates were able to recognize that the Marginal Prop (MPC) in this economy was 0.65 from the  $C = 80 + 0.65(Y - T)$  and use to find the multiplier. Multiplier =  $1/(1 - MPC)$
- c) Required candidates to advise the businessman and recommend the government to increase its expenditure from 500 to 1,000. This was poorly done. The question was similar to (a) except that now G is 1,000 instead of 500. The same working was required to arrive at the figure which was required to be used to advise and recommend. Majority of the candidates who attempted the question didn't see the need to calculate using the identity hence the advice or recommendations were not supported
- d) Required candidates to explain the term 'equilibrium GNP'. Disappointingly, majority of the candidates got this wrong. A lot of answers not connected with macroeconomics were given! Equilibrium GNP is simply GNP where Aggregate Demand = Aggregate Supply.

### **QUESTION SIX**

The general performance on this question was fair. 14 out of the 33 candidates that attempted the question passed (got at least 10 out of the total 20 marks available). The pass rate recorded was 42.4%. The highest mark scored on this question was 20 out of 20 and the lowest was 0 out of 20.

This was another non-compulsory question attempted by **32** candidates. The pass rate was below average at **47% (15/32)**. The highest mark scored was **20/20** and the lowest was **0/20**.

The question was divided into four (4) parts namely (a) to (d) as follows:

- a) Required candidates to define the Macroeconomic objective of full employment. There was fair performance though many candidates failed to explain clearly what full employment is all about.
- b) Required candidates to explain why unemployment may still exist even after meeting the objective of full employment. A good number of candidates were able to state that frictional unemployment would still exist even at full employment.
- c) Required candidates to describe the characteristics of recession and boom periods of the business cycle. There was mixed performance. To understand the characteristics of a recession and a boom, candidates needed to understand what these are. A recession occurs when the economy is not doing very well (slow growth) while a boom is the opposite.
- d) Required candidates to explain how (i) Fiscal policy, and (ii) Monetary policy can be used to off-set a recession. Performance was fair. On average candidates were able to explain how these policies could be used to off-set a recession. However, some candidates merely explained what fiscal and monetary policies are all about! This was not what the question required.

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

- i. Highest mark obtained in this paper: 82%
- ii. Lowest mark obtained in this paper: 18%
- iii. Overall pass rate in this paper: 50.0%

## **SUBJECT: CA 1.4 COMMERCIAL AND CORPORATE LAW**

### **QUESTION ONE**

The general performance on this question was excellent. 83 out of the 83 candidates that attempted the question passed (got at least 10 out of the total 20 marks available). The pass rate recorded was 100%. The highest mark scored on this question was 20 out of 20 and the lowest was 10 out of 20.

This question was compulsory and required all candidates to attempt it. The questions were drawn from all topics in the syllabus. The topics are adequately covered in the manual. From the performance, it can be concluded that candidates studied widely hence were able to point out the correct options of the different options they had in the question.

### **QUESTION TWO**

The general performance on this question was very good. 55 out of the 83 candidates that attempted the question passed (got at least 10 out of the total 20 marks available). The pass rate recorded was 66.3%. The highest mark scored on this question was 20 out of 20 and the lowest was 2 out of 20.

The question had three parts covering Procedure for Capital Reduction, Powers of a Liquidator and Redundancy. It was attempted by all the candidates and was well answered. However, some candidates lost marks because they just explained the general effects of a reduction in capital which was not the question. For the future, candidates must pay attention to what the requirements of the question are and address the issues arising adequately.

### **QUESTION THREE**

The general performance on this question was very good. 51 out of the 69 candidates that attempted the question passed (got at least 10 out of the total 20 marks available). The pass rate recorded was 73.9%. The highest mark scored on this question was 18 out of 20 and the lowest was 1 out of 20.

Question three was on employment law and was fairly attempted the candidates. The question equally was well presented and easy to be understood by any properly prepared student.

#### **QUESTION FOUR**

The general performance on this question was good. 13 out of the 22 candidates that attempted the question passed (got at least 10 out of the total 20 marks available). The pass rate recorded was 59.1%. The highest mark scored on this question was 17 out of 20 and the lowest was 3 out of 20.

- a) The question required candidates to exhibit knowledge on how a contract can be discharged. Most candidates got the answer correct which means they understood the question well. For the future candidates are encouraged to read broadly on the topic as is it usually examined on.
- b) This part required candidates to differentiate between an implied warranty and an implied condition. Most candidates who answered this question performed quite well an indication that candidates were familiar with the topic. For the future candidates should be encouraged to study the topic under the sale of goods in full and avoid selective studying because they do not know where questions would be drawn from in syllabus.
- c) This question was based on vicarious liability in Employment law. The question required candidates to display understanding of circumstances giving rise to vicarious liability. Most candidates addressed the question correctly and were equally able to correctly discuss the circumstances that would give rise to vicarious liability. However, few candidates 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 FIVE**

The general performance on this question was excellent. 74 out of the 78 candidates that attempted the question passed (got at least 10 out of the total 20 marks available). The pass rate recorded was 94.9%. The highest mark scored on this question was 20 out of 20 and the lowest was 7 out of 20.

This question was on employment law and was attempted most of the candidates. Over 50% of them candidates got this question correct. From the performance on the question, it appears most candidates were adequately prepared on the topic and were hence able to address the issues arising in the question effectively. The question equally was properly set and was clear to understand though not to say others were not.

The overall performance on this question was fine but that notwithstanding, candidates must be encouraged to study hard on the Zica student handbook for them to even better understand issues in the CA1.4 syllabus.

## **QUESTION SIX**

The general performance on this question was excellent. 75 out of the 76 candidates that attempted the question passed (got at least 10 out of the total 20 marks available). The pass rate recorded was 98.7%. The highest mark scored on this question was 19 out of 20 and the lowest was 8 out of 20.

This was a five-part question. The first part required the candidates to state the meaning of Sole trader, Partnership, and Company. They did pretty well. The second one required them to give 2 rights and 2 duties of a partner. They equally performed well in this question. The third part required candidates to discuss the effects of incorporating a company. 40% of the candidates appear not to have known what the effects of incorporation are as they struggled to answer the question correctly. The fifth part required them to explain the process of compulsory winding up at law. This part of the question was fairly answered by most candidates except for a few who do not seem to understand the process. The overall performance of the candidates on this question was fine save for the third part where candidates struggled as already highlighted. For the future, candidates must know that company law is mainly about incorporation hence the need for them to pay particular attention during their course of study and preparation for exams as they can be rest assured that in almost every exam, there is a question on incorporation.

### **Overall performance of candidates**

- i. Highest mark obtained in this paper: 90%
- ii. Lowest mark obtained in this paper: 29%
- iii. Overall pass rate in this paper: 94.0%

## **SUBJECT CA 1.5 – MANAGEMENT THEORY AND PRACTICE**

### **QUESTION ONE**

The general performance on this question was very poor. 0 out of the 30 candidates that attempted the question passed (got at least 10 out of the total 20 marks available). The pass rate recorded was 0%. The highest mark scored on this question was 8 out of 20 and the lowest was 0 out of 20.

The Question in main paper (b) section should have been rephrase to read and understood clearly by candidates. The word "these" Characteristics should have read "the" characteristics. This may have led to most candidates getting less than 5 out of 10 marks for question 1 which had multiple choice questions.

### **QUESTION TWO.**

The general performance on this question was poor. 10 out of the 30 candidates that attempted the question passed (got at least 10 out of the total 20 marks available). The pass rate recorded was 33.3%. The highest mark scored on this question was 20 out of 20 and the lowest was 0 out of 20.

A very impressive performance was noted in most candidates who attempted this question. The few candidates who did not pass did fail because they were completely ignorant of the concepts of Managerial Grid and Maslow motivation theory.

This question was very popular and has been asked in previous examinations.

It was obvious that those who had challenges with the question were not ready for the examination.

### **QUESTION THREE**

The general performance on this question was excellent. 19 out of the 23 candidates that attempted the question passed (got at least 10 out of the total 20 marks available). The pass rate recorded was 82.6%. The highest mark scored on this question was 20 out of 20 and the lowest was 4 out of 20.

The question was divided into parts (a) to (c). The following was noted:

- (a) This part of the question was well done with majority of candidates who attempted it gaining full marks.
- (b) This part was also well answered but some candidates losing marks because they were unable to give clear explanations of the components of SWOT construct.
- (c) This part was well answered.

#### **QUESTION FOUR**

The general performance on this question was fair. 8 out of the 20 candidates that attempted the question passed (got at least 10 out of the total 20 marks available). The pass rate recorded was 40%. The highest mark scored on this question was 20 out of 20 and the lowest was 3 out of 20.

#### **QUESTION FIVE**

The general performance on this question was excellent. 23 out of the 29 candidates that attempted the question passed (got at least 10 out of the total 20 marks available). The pass rate recorded was 79.3%. The highest mark scored on this question was 20 out of 20 and the lowest was 2 out of 20.

#### **QUESTION SIX**

The general performance on this question was excellent. 15 out of the 18 candidates that attempted the question passed (got at least 10 out of the total 20 marks available). The pass rate recorded was 83.3%. The highest mark scored on this question was 20 out of 20 and the lowest was 6 out of 20.

The following was noted:

- (a) This part was fairly answered;
- (b) Most candidates failed to give a satisfactory explanation on the objectives of purchasing;
- (c) An attempt was made to give a correct answer to this part of the request.

### **Overall performance of candidates**

- i. Highest mark obtained in this paper: 70%
- ii. Lowest mark obtained in this paper: 27%
- iii. Overall pass rate in this paper: 56.7%

## **SUBJECT CA 1.6 BUSINESS COMMUNICATION**

### **QUESTION ONE**

The general performance on this question was excellent. 35 out of the 41 candidates that attempted the question passed (got at least 10 out of the total 20 marks available). The pass rate recorded was 85.4%. The highest mark scored on this question was 20 out of 20 and the lowest was 6 out of 20.

This question required candidate to select the best answers from the options that were provided since it was multiple choice. The most common mistakes observed on this question were that candidates simply failed to select the best answers from the options that were provided in the question although they attempted to select answers that were close to the best ones.

### **QUESTION TWO**

The general performance on this question was fair. 20 out of the 41 candidates that attempted the question passed (got at least 10 out of the total 20 marks available). The pass rate recorded was 48.8%. The highest mark scored on this question was 19 out of 20 and the lowest was 0 out of 20.

The question required candidates to explain any five (5) advantages of using a database as well as recommend a type of information system that would be ideal for the Finance Manager that would be used to generate information for monitoring performance and routine coordination among team members. Candidates were further required to mention any four (4) characteristics that the recommended type of system in (b) that possess that would makes it ideal for that purpose.

The common mistakes observed on this question were:

- i. Some candidates answered advantages of using database correctly.
- ii. Candidates were supposed to identify a particular information system to be used in a given scenario and majority of candidates got it wrong
- iii. Most candidates who identified a wrong information system in (b) gave a wrong answer in the characteristics of the information system recommended to be used.

### **QUESTION THREE**

The general performance on this question was good. 18 out of the 30 candidates that attempted the question passed (got at least 10 out of the total 20 marks available). The pass rate recorded

was 60%. The highest mark scored on this question was 18 out of 20 and the lowest was 1 out of 20.

This question required candidates to:

- a) Outline four (4) things that the main storage of a computer holds.
- b) Distinguish copy from cut in Microsoft Word
- c) State any five (5) ways in which information is used or required in an organisation.

The common mistakes observed on this question were :

- i. Some candidates could not write what the computer main memory stores, some candidates were writing what a computer can do
- ii. Most candidates were able to distinguish Copy from Cut correctly
- iii. Some candidates did not understand the question. They were writing properties of good information instead of use of information in an organisation.

#### **QUESTION FOUR**

The general performance on this question was very good. 17 out of the 25 candidates that attempted the question passed (got at least 10 out of the total 20 marks available). The pass rate recorded was 68%. The highest mark scored on this question was 18 out of 20 and the lowest was 4 out of 20.

Question 4 required candidates to answer the following from a scenario that was presented in the question:

(a)

- (i) Explain what the role of processing controls is.
- (ii) List the two (2) types of processing controls and briefly state what each type is used for.
- (iii) Briefly explain what technical controls are and why they are necessary.
- (iv) Provide two (2) examples of technical controls that you would implement in an organization.

(b) Briefly discuss the following types of processing

- (i) Batch Processing
- (ii) Online Processing

The common mistakes that were observed on this question were :

- i. Very few candidates explained processing control correctly but were able to list the two types of processing controls.
- ii. Most candidates could not explain the technical controls that could be implemented in an organization.
- iii. A few candidates could not correctly explain batch and online processing.

## **QUESTION FIVE**

The general performance on this question excellent. 29 out of the 33 candidates that attempted the question passed (got at least 10 out of the total 20 marks available). The pass rate recorded was 87.9%. The highest mark scored on this question was 18 out of 20 and the lowest was 5 out of 20.

The question required candidates to answer the following from a scenario that was provided in the question:

- (a) Define any two (2) formal channels of communication.
- (b) Write a memo to remind Mr Masheke ( an employee) about any five (5) disadvantages of grapevine.

Some of the common errors that were observed on this question were :

- i. Candidates presented Medium of communication ( examples) such as oral and visual communication instead of formal channels of communication in an organization.
- ii. Defined memos and letters instead preparing the memo.
- iii. Wrong layout
- iv. Failure to include important details especially in the main body of the memo.
- v. Wrong subject line and in some cases it was not included at all.
- vi. Including advantages and disadvantages of both oral and written communication which was not supposed to be the case.
- vii. Very poorly structured information in the memo.

## **QUESTION SIX**

The general performance on this question was excellent. 28 out of the 35 candidates that attempted the question passed (got at least 10 out of the total 20 marks available). The pass rate recorded was 80%. The highest mark scored on this question was 19 out of 20 and the lowest was 5 out of 20.

From a scenario that was presented in the question paper, candidates were required to answer the following:

- (a) Prepare a Curriculum Vitae (CV) that would be presented to a supervisor.
- (b) State the use of a covering letter
- (c) State three (3) reasons a CV should be kept up-to-date

The common mistakes that were observed on this question were :

- (i) The main headings of curriculum vitae were illogically presented
- (ii) Failure to include important main headings such as personal information, educational background, referees and contact details.
- (iii) Incomplete information mostly under each main heading
- (iv) In some cases letters were written instead of curriculum vitae.
- (v) The contents on the curriculum vitae had unnecessary details or just wrong contents.
- (vi) Repetition of the main headings of curriculum vitae.
- (vii) Wrong content or answers such as "a cover-up to protect someone from danger"
- (viii) Most candidates presented answers that suggested that a cover letter was only meant for a job application letter and nothing else.
- (ix) Wrong content in most cases where unnecessary details were presented.
- (x) Answers in part (b) of the question was mixed up with part (c)
- (xi) Repeated answers were also observed.

### **Overall performance of candidates**

- i. Highest mark obtained in this paper: 75%
- ii. Lowest mark obtained in this paper: 33 %
- iii. Overall pass rate in this paper 78.0 %

## **SUBJECT: CA 2.1 FINANCIAL REPORTING**

### **QUESTION ONE**

The general performance on this question was good. 49 out of the 81 candidates that attempted the question achieved a pass (that is a score of at least 20 out of 40 marks), representing a pass rate on the question of 60.5%. The lowest score was 0, whilst the highest was 37 out of the available 40 marks.

This was a compulsory question testing candidates' skills on the key syllabus area of consolidated financial statements. The 40 marks split among three areas of (a) preparation of the consolidated statement of profit or loss for 15 marks, (b) preparation of the consolidated statement of financial position for 20 marks as well as definition of Control and indication of four circumstances in which one entity may not have acquired majority equity interest of another entity but be able to exercise control, for 5 marks.

The following was observed on part (a) of the question:

- i. Forgetting to time-apportion entries in the consolidated statement of profit or loss,
- ii. Calculating the group share of all figures in the statement of profit or loss and using these figures in the consolidation statement.
- iii. Picking of wrong figures from the trial balance onto some parts of the statement clearly showing lack of paying attention to details,
- iv. A few candidates wrongly used five months instead of six months as post acquisition period.
- v. Poor examination techniques thereby losing-out on easy marks in figures with no adjustments.
- vi. Not showing all necessary workings by simply dropping compound figures in the statement of profit or loss without showing how these were derived, and sheer inadequate preparation for the exam.

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

- i. Not showing workings in some situations, thereby losing part marks for wrong final figures.
- ii. Showing aggregated figures for PPE, Current assets, Current liabilities, etc.
- iii. Wrongly time apportioning and using proportion of group shareholding in the statement of financial position.
- iv. Few candidates computed depreciation at acquisition to determine the goodwill figure.
- v. Inadequate preparation on this key aspect of the curriculum.

In part (c), marks were lost by sheer lack of technical information on consolidation basics. Also, candidates exhibited little understanding of question requirement, e.g. when asked to define

Control and “indicate four circumstances in which the entity may not have acquired majority equity interest but is able to exercise control” was met with answers like: “when an entity will not have control” in another yet the opposed was asked.

## **QUESTION TWO**

The general performance on this question was very good. 41 of the 61 candidates that attempted the question managed to obtain at least 10 marks out of a total of 20 available marks. A pass rate of 67.2% was recorded. The highest score was 20 out of 20 marks while the lowest was 0.

This was a published question with two sub-questions: (a) preparation of the entity statement of profit or loss for 8 marks and (b) preparation of the statement of financial position for 12 marks. Total marks available were 23 with maximum obtainable being 20. The following were the common mistakes noted:

- i. Calculating the group share of all figures in the statement of profit or loss and using these figures in the consolidation statement,
- ii. Picking of wrong figures from the trial balance onto some parts of the statement clearly showing lack of paying attention to details; e.g. some candidates were using the opening inventory figure from the trial balance in the statement of financial position instead of closing inventory. This is so basic a reporting procedure of which a candidate at CA2.1 should not struggle with.
- iii. Poor examination techniques thereby losing-out on easy marks in figures with no adjustments,
- iv. Not showing all necessary workings by simply dropping compound figures in the statement of profit or loss without showing how these were derived.

## **QUESTION THREE**

The general performance on this question was good. 42 of the 70 candidates that attempted the question managed to obtain at least 10 marks out of a total of 20 available marks. A pass rate of 60% was recorded. The highest score was 20 out of 20 marks while the lowest was 0.

The question required candidates to prepare a statement of cash flows for Lute for the year to 31 December 2022 in accordance with IAS 7 statement of cash flow. The following were the common mistakes noted:

- i. Calculating the group share of all figures in the statement of profit or loss and using these figures in the consolidation statement,

- ii. Picking of wrong figures from the trial balance onto some parts of the statement clearly showing lack of paying attention to details; e.g. some candidates were using the opening inventory figure from the trial balance in the statement of financial position instead of closing inventory. This is so basic a reporting procedure of which a candidate at CA2.1 should not struggle with.
- iii. Poor examination techniques thereby losing-out on easy marks in figures with no adjustments,
- iv. Not showing all necessary workings by simply dropping compound figures in the statement of profit or loss without showing how these were derived, and sheer inadequate preparation for the exam.

#### **QUESTION FOUR**

The general performance on this question was fair. 16 of the 43 candidates that attempted the question managed to obtain at least 10 marks out of a total of 20 available marks. A pass rate of 37.2% was recorded. The highest score was 16 out of 20 marks while the lowest was 0.

The question had two (2) parts. Part (a) required candidates to briefly explain five steps under IFRS 15 and Part (b) required candidates to explain the effect of two transactions on the financial statements for the year ended 30 September 2021.

The question was either poorly answered or not attempted at all. It appeared that many candidates had little or no knowledge of IFRS 15. Most candidates had challenges with theory parts. Candidates are strongly advised to balance between theory and computations.

The most common mistakes were:

- i. Swapped the functions of IFRS foundation and IASB.
- ii. listed five steps in revenue recognition instead of conditions which should be met for a contract to be within the scope of IFRS 15.
- iii. Failed to discount the future revenue.

Candidates are, once again, reminded of the importance of reviewing past papers to identify the skills required in applying their knowledge in the examination. Covering the entire syllabus is a must as the exam is not going to discriminate syllabus areas.

Candidates are advised to have an understanding of each area of the syllabus (including theory part) in order to increase their chances of passing.

#### **QUESTION FIVE**

The general performance on this question was good. 38 of the 62 candidates that attempted the question managed to obtain at least 10 marks out of a total of 20 available marks. A pass rate of 61.3% was recorded. The highest score was 20 out of 20 marks while the lowest was 2.

The question had three (3) parts. Part (a) required candidates to briefly explain the underlying assumption in the preparation of financial statements. Part (b) required candidates to discuss faithful representation, relevance and comparability. The last part (c) required candidates to explain four functions of the International Financial Reporting Standards foundation.

It appeared that many candidates had little or no knowledge of the functions of the International Financial Reporting Standards Foundation. The Financial Reporting examination requires a deep understanding and knowledge of the Conceptual Framework and IFRSs.

Candidates are, once again, reminded of the importance of reviewing past papers to identify the skills required in applying their knowledge in the examination. Covering the entire syllabus is a must.

### **Overall performance of candidates**

- |      |                                      |       |
|------|--------------------------------------|-------|
| i.   | Highest mark obtained in this paper: | 86%   |
| ii.  | Lowest mark obtained in this paper:  | 7%    |
| iii. | Overall pass rate in this paper:     | 65.4% |

## **SUBJECT: CA 2.2 – MANAGEMENT ACCOUNTING**

### **QUESTION ONE**

The general performance on this question was very poor. 5 out of the 61 candidates that attempted the question achieved a pass (that is a score of at least 20 out of 40 marks), representing a pass rate on the question of 8.2%. The lowest score was 2, whilst the highest was 26 out of the available 40 marks.

The following were observations on the question.

#### Part (a)

- Candidates were not able to identify variable, semi-variable and fixed costs from the question. This had a significant bearing on preparing a flexed budget.
- For a flexed budget the majority of candidates did not show the workings which carried 7 marks out of 10. This affected their overall performance in this question.

#### Part (b)

- For revenue, cost and profit variance calculation, candidates were able to do the calculations though the follow through principle was used a lot. However, others lost marks here by just summing up cost elements.

#### Part (c)

- The explanations for fixed budget and flexible budget lacked substance. It seems candidates don't understand flexible budgets. They confuse flexible budgets with flexed budgets. Flexible budgets are prepared at the beginning of the budget period as a result of uncertainties with production levels and takes into account cost behavior. Flexed budgets are prepared at the end of the budget period when actual results are known. Candidates were leaning so much on flexed budgets.
- Candidates had challenges explaining the importance of using variance calculations on flexible budgeting principles.

#### Part (d)

- The majority of candidates failed to calculate the cost per unit. This calculation was very important for their subsequent requirements. Candidates seemed not to know how to treat the scrap value when calculating the cost per unit.
- The input side of the process account was nicely done the majority of candidates whereas the output side of the process account was poorly done.
- The normal loss account was correctly presented/answered by the majority of candidates, however, candidates had problems with presenting abnormal loss/gain account and scrap account.

#### Part (e)

With lifecycle costing, candidates performed better as they were able to explain the principles behind lifecycle costing and were also able to explain the benefits associated with it.

## QUESTION TWO

The general performance on this question was very poor. 6 of the 46 candidates that attempted the question managed to obtain at least 10 marks out of a total of 20 available marks. A pass rate of 13% was recorded. The highest score was 14 out of 20 marks while the lowest was 0.

This question had three parts. It was the one of the most attempted optional question with 15% pass rate.

It examined the following;

- a) Limiting factor decision making.
- b) Accept/Reject decision making
- c) Break even analysis for multiple products

The question was fairly attempted. Part(a) was very well attempted while part (b) was fairly well attempted and most candidates – including those who did not get accurate answers- advised the company not accept the contract.

Part (c) was very poorly attempted. This is in spite of breakeven analysis (BEA) with multiple products being well covered in the ZiCA CA2.2 study text. Some candidates did not have a clue on multiple break even analysis; although this is not the first time of examining BEA in this syllabus.

- Common errors included not calculating the contribution per mix and the mix ratio.
- So the right approach was to calculate the contribution per unit, i.e. K20 each. Optimal annual sales ratio was 48:16 or 3:1. Therefore, contribution per mix was  $K20 \times 3 + K20 \times 1 = K80$ .

BEP in terms of mixes =  $K200,000 \text{ per mth} \times 12 / K80 = 30,000 \text{ mixes}$ .

BEP in terms of products:

$30,000 \times 3 = 90,000 \text{ units}$

$30,000 \times 1 = 30,000 \text{ units}$

## QUESTION THREE

The general performance on this question was very poor. 7 of the 27 candidates that attempted the question managed to obtain at least 10 marks out of a total of 20 available marks. A pass rate of 25.9% was recorded. The highest score was 19 out of 20 marks while the lowest was 0.

The question examined overheads accounting. It had three (3) 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 computation of the appropriate absorption rates. This was well attempted except for some candidates failing to utilize the information given in the question.

Part (c), required the computation of the total price. A number of the candidates forgot to add the 25% mark-up to the total cost to arrive at the price.

#### **QUESTION FOUR**

The general performance on this question was very poor. 8 of the 52 candidates that attempted the question managed to obtain at least 10 marks out of a total of 20 available marks. A pass rate of 15.4% was recorded. The highest score was 20 out of 20 marks while the lowest was 0.

This question was the most attempted. The pass rate was 15% with highest score being 95%.

This question was on Marginal and Absorption costing. Part(a) was asking candidates to calculate the component cost using absorption costing method. This part was well answered by the majority and the common mistakes here was candidate's failure to use the given figures to arrive at the units cost, and the number of units.

Part (b) this part was also well answered with few candidates who did not know how to treat over absorption where instead of adding back as it reduced profit but they were subtracting. The computation of the overhead adjustment of over or under absorption also proved to be problematic. The candidates are reminded that the overhead absorbed is calculated as the pre-determined OAR x actual level of activities.

Part (c) this part required candidates to reconcile between marginal profit to absorption costing, however due to errors in inventory calculation many candidates failed to reconcile. The difference between the two methods is the fixed costs in the inventory.

Part (d) this part was well answered by the majority while others left this part blank. A good number of answers showed that candidates did not know the use of absorption costing.

#### **QUESTION FIVE**

The general performance on this question was good. 25 of the 45 candidates that attempted the question managed to obtain at least 10 marks out of a total of 20 available marks. A pass rate of 55.6% was recorded. The highest score was 16 out of 20 marks while the lowest was 0.

This question was on limiting factor analysis and breakeven analysis. Part (a), this part was well attempted with a few candidates having problems to identify the limiting factor hence the ranking was wrong.

Part (b), the performance in this part was poor as most candidates could not determine the net contribution to be achieved hence the maximum penalty.

Part (c), a number of the candidates managed to get reasonable scores on this part. The challenge was to determine the breakeven point of product Z. The comment was also at variance with most calculations.

Part (d), this required a candidate to point out non-financial factors to be considered. Most of the candidates were simply commenting on issues which did not relate to the scenario.

### **Overall performance of candidates**

- |      |                                      |     |
|------|--------------------------------------|-----|
| i.   | Highest mark obtained in this paper: | 62% |
| ii.  | Lowest mark obtained in this paper:  | 3%  |
| iii. | Overall pass rate in this paper      | 18% |

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

### **QUESTION ONE**

The general performance on this question was very poor. 19 out of the 143 candidates that attempted the question achieved a pass (that is a score of at least 20 out of 40 marks), representing a pass rate on the question of 13.3%. The lowest score was 0, whilst the highest was 31 out of the available 40 marks.

The question had multiple requirements. Part (a) of the question required candidates to explain the meanings of sampling and non-sampling risks in an audit of financial statements. It was very disappointing to note the level of lack of understanding of these two terms. Simply put, sampling risk is the risk that the auditor will give a wrong opinion because of the fact that the conclusion is based on the sample results. In other words had the whole population been tested a different conclusion would be reached. Non-sampling risk on the other hand means that the auditor will reach a wrong conclusion for reason not related to sampling.

Below are examples of answers showing lack of understanding of sampling and non-sampling risks these were extracted in the manner that they were given in the answers:

The following observations were made:

- i. Some candidates explained the different types of sampling methods used such as statistical and random sampling which earned them no marks.
- ii. A few candidates did not attempt this easy question which was rather disappointing for candidates taking the advisory level of the examination.

Part (b) required candidates to explain the responsibilities of the auditors with regards uncorrected misstatements. The second part of the question required candidates to explain the impact of uncorrected misstatements on the audit opinion. To answer this question satisfactorily, the candidates needed to know what uncorrected misstatements are and also the guidance of ISA 450 *Evaluation of misstatements identified during the audit*.

It was clear that a majority of the candidates did not know the meaning of uncorrected misstatements. The following observations were made:

- i. Some candidates instead discussed general responsibilities of the auditor including that of giving an opinion on the financial statements and obtaining sufficient appropriate audit evidence.
- ii. A number of candidates did not address the part of the question which required candidates to explain the impact on the opinion of uncorrected misstatements. Candidates needed to use the same logic that the auditor takes when for example not allowed to communicate with previous auditors or refused permission to carry out direct confirmation of receivables. The auditor would require that management corrects the uncorrected misstatement. In the event that this is not done, the auditor will need to consider the

impact of the uncorrected misstatements on the financial statements and may require to modify the opinion if the impact is considered material to the financial statements.

- iii. Some candidates focused on discussing the suggested opinions in the three clients in the question which was a requirement of part (c) of the question and so earned no marks.

Part (c) was on audit reports and required candidates to evaluate the information in the three cases in the scenario and to comment on the suggested opinions and make any recommendation where necessary. The performance in this part of the question was poor signifying the fact that candidates do not fully understand the provisions of auditing standards regarding audit reports. This is an important part of the syllabus which is likely to feature in future auditing examination in the same manner.

The following observations were made:

- i. Candidates in most cases made no reference to the suggested opinions and instead expressed their own opinions based on the information in each of the cases. The question specifically required reference to the suggestions made by the Audit Seniors.
- ii. A few candidates who attempted to answer the question in the correct context did not make any recommendations as required in the question.
- iii. Some candidates simply repeated the information in the scenario with no evaluation having been done for which no marks were given.

Part (d) of the question required candidates to explain the audit procedures that they expect to have been performed in a review of audit working papers. The performance was poor with many candidates showing lack of knowledge on this important topic. Candidates are once again reminded that in order to suggest suitable audit procedures they need to bring to bear their knowledge of financial reporting and the assertions relating to specific items contained in the financial statements.

This question was on audit procedures of three balances contained in the financial statements as follows:

- (i) Required candidates to state the audit procedures on warranty provisions:  
Candidates clearly did not know the guidance given in IAS 37 which gives guidance on the recognition criteria for provisions such as warranty provisions. Candidates should have considered the fact that these are accounting estimates and the audit procedures will aim at obtaining evidence on whether the estimates are reasonable and also whether the criteria in IAS 37 have been met.
- (ii) Required audit procedures the provision arising from the legal case:  
In most cases the candidates gave less than the required number of procedures required and got marks in proportion to the correct procedures expected given.
- (iii) Required audit procedures for the bank balance:

Generally candidates scored marks in this section and had little trouble explaining the evidence expected.

## **QUESTION TWO**

The general performance on this question was fair. 59 of the 138 candidates that attempted the question managed to obtain at least 10 marks out of a total of 20 available marks. A pass rate of 42.8% was recorded. The highest score was 17 out of 20 marks while the lowest was 0.

In part (a) the question was divided into two parts with Part (i) requiring candidates to explain internal controls expected in the purchases and inventory system while Part (ii) required candidates to suggest suitable tests of control for the controls suggested in (i).

These two parts could have been answered at the same time and referenced as (a) (i) (ii) so the control and related tests of control are next to each other. This is good examination practice and saves time.

The general performance was below expectation and most candidates scored less than half the available marks.

The following were observed:

- i. Presentation was poor in some cases with candidates dealing with each of the two sections separately. In a number of cases no tests of controls were suggested for the internal controls explained in the first part. A columnar format would be more appropriate showing the suggested control and the relevant test of control side by side.
- ii. Many candidates seemed not to know what tests of controls are and ended up repeating the controls in this part.
- iii. Some candidates explained only one or two controls and related tests of controls. For 6 marks candidates needed to explain at least four controls and tests of control and they are reminded to be guided by the number of marks in deciding on the number of points expected.
- iv. A sizeable number of candidates did not attempt this part of the question losing all the available marks.

Part (b) required candidates to explain the responsibilities of the auditor with regards the prevention and detection of fraud. Candidates needed to bring to bear their understanding of ISA 240 *The auditor's responsibilities relating to fraud in an audit of financial statements* which gives guidance in this area.

Most candidates showed lack of understanding on the guidance given in ISA 240 and simply stated that management is responsible detection and prevention of fraud without making any reference to the responsibilities of the auditor. Candidates should have noted that fraud could result in the financial statements being misstated and that for this reason the auditor requires to

obtain sufficient appropriate audit evidence that the financial statements are not misstated due to fraud. The auditor further, needs to respond to any suspected or actual fraud identified.

Part (c) was on the impact on the audit opinion where the auditor concludes that there is material uncertainty with regards the ability of a client company as a going concern.

ISA 570 *Going concern* gives guidance in this area. The impact on the opinion depends on the appropriateness of the basis for the preparation of the financial statements and the extent of the disclosure by management in the financial statements. The performance in this question was poor suggesting that candidates do not know the matrix used to decide on the impact of material uncertainty on the audit opinion.

The following were observed:

- i. Some candidates did not attempt to answer this part of the question.
- ii. Some candidates simply stated that the auditor would issue a qualified or adverse opinion without explaining the criteria that should be used to issue a specific form of modification.

### **QUESTION THREE**

The general performance on this question was excellent. 96 of the 107 candidates that attempted the question managed to obtain at least 10 marks out of a total of 20 available marks. A pass rate of 89.7% was recorded. The highest score was 19 out of 20 marks while the lowest was 1.

The question was divided into parts (a) to (c). Part (a) was a multi requirement question requiring candidates to explain the meaning of CAATs and to give three examples of the use of CAATs in obtaining audit evidence. The performance in this part of the question was satisfactory with a majority of candidates scoring above half the available marks.

The following were observed:

- i. A few candidates could not give examples of the use of CAATs in an audit as required by the question.
- ii. A few others did not attempt to answer this part of the question losing the easy marks.

Part (b) required candidates to explain the impact of auditing in a computerized environment on the overall objectives and scope of an audit. Candidates should have observed that the scope and objectives are the same and that the difference comes in with regards the methods used to gather sufficient appropriate audit evidence.

Generally most candidates scored maximum marks and noted that the scope and objectives of the auditors do not change in this situation.

Part (c) of the question required candidates to explain three possible reasons for the need to use CAATs in obtaining evidence in the audit of the financial statements of Mansa Plc. the question clearly states that the company's production and supporting functions were computerized and candidates should have had no problems suggesting three reasons for the use of CAATs.

A majority of the candidates could not give satisfactory justification for the use of CAATs in the audit of the financial statements of Mansa Plc. Others gave less than the required three reasons required in the question and so scored marks in proportion to the correct answers given.

Part (d) required candidates to evaluate the five inventory count instructions given in the question and suggest any amendments that may be necessary. Candidates needed to be skeptical on evaluating each of these and they should have commented appropriately on whether the instructions are adequate and where there is a weakness suggest a suitable improvement.

A majority of the candidates scored high marks in this part of the question. The following were observed for candidates who had challenges in answering this part of the question:

- i. A few did not address all the instructions given in the question as expected and they needed to state whether or not they agreed with the instruction and argue appropriately.
- ii. A few candidates evaluated the instructions and where necessary did not make any suggestions to amend the instructions as required.

#### **QUESTION FOUR**

The general performance on this question was very poor. 6 of the 61 candidates that attempted the question managed to obtain at least 10 marks out of a total of 20 available marks. A pass rate of 9.8% was recorded. The highest score was 14 out of 20 marks while the lowest was 0.

A total of 61 candidates attempted this question representing 45% of all the candidates who sat for this examination and this was the least attempted optional question. The general performance was poor with an average score was 5 marks out of the available twenty marks.

Part (a) of the question required candidates to explain the meaning of a representation letter and also state two elements contained in a letter of representation.

Candidates lost easy marks as observed below:

- i. Some candidates defined representation letters without stating the two elements that should be contained as required by the question.
- ii. Many of those who had problems answering this part of the question explained engagement letters or management letters instead for which no marks were awarded.

Part (b) required candidates to discuss the reliability of a letter of representation obtained as evidence in the audit of bank and cash as suggested in the question. Candidates should have noted that the purpose of a representation letter is stated here and this should have helped them answer part (a) of the question.

The main issue of concern here is the risk concerning bank and cash and that witnessing the physical count of cash balances would be more reliable as well as seeking direct confirmation with the bank which is third party evidence.

A majority of the candidates expressed lack of knowledge of written representations as guided by ISA 580 *Written representations*. Many candidates simply stated that a letter of representation is very reliable disregarding why the letter is being sought from management. In the context of the question there are other means of obtaining evidence such as witnessing the cash count and direct confirmation of the bank balance. Written representations on their own will not suffice as audit evidence and candidates should have argued on these lines.

Part (c) of the question required candidates to state and explain six procedure that may be performed in order to identify inventory that may be worth less than cost.

The performance in this part of the question was poor and most candidates scored less than half the available marks. The following were observed:

- i. Some candidates failed to give the required number of procedures.
- ii. Candidates simply gave any procedures related to inventory with no relevance to testing whether the inventory is worth less than cost.
- iii. Some candidates explained tests of controls and the inventory count which did not address the question requirements.

## **QUESTION FIVE**

The general performance on this question was very fair. 52 of the 121 candidates that attempted the question managed to obtain at least 10 marks out of a total of 20 available marks. A pass rate of 43% was recorded. The highest score was 16 out of 20 marks while the lowest was 2.

Part (a) of the question was on the topic of client acceptance and required candidates to describe five basic factors to consider when screening a new audit client in this case Kasempa Ltd. Those candidates who did not understand the meaning and importance of client screening did not answer this part of the question satisfactorily.

It was clear from the answers that many candidates did not understand the acceptance procedures and as a result a majority scored less than half the available marks. The following were observed:

- i. Many candidates discussed challenges faced by Kasempa Ltd such as declining profits and credit risk which are matters relevant after client acceptance.
- ii. Other candidates discussed matters relating to independence and particularly the threats to independence of self-interest, self-review and familiarity.
- iii. There were candidates who discussed components of internal controls of control activities, the control environment and monitoring of control which were not the question requirement.

Part (b) required candidates to explain the importance of the engagement letter to the client company and the auditors. A majority explained satisfactorily the importance of the engagement letter. There was a sizeable number of candidates that lost easy marks for the reasons observed below. The following were observed:

- i. A majority of the candidates listed the contents of the engagement letter without explaining the importance of the engagement letter to management and the auditors.
- ii. A number of candidates explained the importance of the engagement letter to one of the two parties only instead of dealing with both as per question requirement.
- iii. A minority of candidates confused engagement letters with representation letters and describing them as a source of evidence.

Part (c) of the question required candidates to suggest the action that the audit firm should take in the event that management declines to sign the engagement letter. Candidates should have used the same logic that the auditors take for example when management does not allow the auditors to communicate with the outgoing auditors as part of the appointment ethics. Basically the auditors will discuss the matter with the management and those charged with governance to establish why they have refused to sign the letter. The auditors will also reconsider the initial assessment of management's integrity and financial may consider declining accepting the appointment.

A majority of the candidates got this part of the question correct and scored more than half the available marks. There were a few candidates that simply stated that the engagement should not proceed without any further explanation. Candidates should be guided by the number of marks in deciding the length and content of the answers.

### **Overall performance of candidates**

- |      |                                      |       |
|------|--------------------------------------|-------|
| i.   | Highest mark obtained in this paper: | 72%   |
| ii.  | Lowest mark obtained in this paper:  | 4%    |
| iii. | Overall pass rate in this paper:     | 32.2% |

## **SUBJECT: CA 2.4 TAXATION**

### **QUESTION ONE**

The general performance on this question was poor. 31 out of the 102 candidates that attempted the question achieved a pass (that is a score of at least 20 out of 40 marks), representing a pass rate on the question of 30.4%. The lowest score was 0, whilst the highest was 37 out of the available 40 marks.

This question examined the taxation of companies. In part (a) candidates were asked to state the date when the company should have submitted the return of provisional income and to state the penalties arising on the late submission of the return. The general performance on this part of the question was poor as candidates demonstrated a lack of knowledge of the appropriate due date and therefore also failed to compute the penalties arising.

In part (b) candidates were asked to calculate capital allowances on buildings, implements, plant, and machinery. The most common challenges faced by candidates in answering this part of the question included:

- i. Failing to apply the 10% test properly to determine the components qualifying as industrial buildings. Instead of comparing the combined cost of the non – qualifying parts (comprising administration offices and showroom) to the total cost excluding land, some candidates were comparing the separate costs of the non-qualifying parts to the total cost excluding land.
- ii. Failure to calculate the balancing allowance correctly on disposal of the pool car.
- iii. Failure to calculate the balancing charge correctly on the disposal of office furniture.
- iv. Failing to correctly deal with VAT when computing the wear and tear allowances

Part (c) required candidates to calculate the company tax adjusted business profit for the year. A number of candidates failed to identify the relevant disallowed expenses to be added back in the computation of the taxable profits and also failed to identify the relevant items to be deducted in the computation.

In part (d) of the question candidates were required to calculate the income tax payable by the company. The following weaknesses were identified in most responses:

- i. Forgetting to gross up investment income on which WHT is not final before including it in the computation.
- ii. Including dividend income on which WHT is final in the computation of the taxable income.
- iii. Deducting the wrong amounts of WHT on loan interest income and consultancy fees when computing the final company income tax payable.
- iv. Failure to deduct the provisional income tax already paid from the company income tax.

## **QUESTION TWO**

The general performance on this question was good. 44 of the 75 candidates that attempted the question managed to obtain at least 10 marks out of a total of 20 available marks. A pass rate of 58.7% was recorded. The highest score was 19 out of 20 marks while the lowest was 0.

This question covered taxation of income from employment. In part (a), it required candidates to explain the tax consequences of paying income tax deducted from emoluments under the Pay As You Earn System. This part was generally poorly answered as candidates demonstrated a lack of knowledge of the consequences and therefore failed to provide the required answers.

Part (b) which required candidates to explain the actual receipt basis as it applies to the taxation of emoluments and was also generally also poorly answered as candidates failed to explain the actual receipt basis.

In part (c) candidates were required to calculate the income tax payable. The performance was generally good. However, a number of candidates made the following mistakes when answering the question:

- i. Not time apportioning the basic salary. It should have been time apportioned to include the salary earned before the increment and the salary earned after the increment in the tax year.
- ii. Failure to include as taxable income the amount reimbursed to the employee for the cost of water and electricity bills.
- iii. Failure to include as taxable income the amount spent on the uniform by the employer less the amount actually paid for the uniform by the employee.

## **QUESTION THREE**

The general performance on this question was very good. 56 of the 80 candidates that attempted the question managed to obtain at least 10 marks out of a total of 20 available marks. A pass rate of 70% was recorded. The highest score was 19 out of 20 marks while the lowest was 1.

This question examined property transfer tax, personal income tax and turnover tax. Part (a) (i) which required candidates were required to explain any four (4) persons who are not required to pay turnover tax was generally well answered with the exception of a few candidates who failed to provide the required explanations.

In part a (ii) candidates were required to explain whether the sole trader was liable to income tax or turnover tax and to compute the income tax payable by the taxpayer. Although most candidates managed to correctly explain that the taxpayer was chargeable under turnover tax, most of them failed to compute the correct amount of turnover tax arising as they deducted expenses incurred by the business from gross turnover and used the resulting profit to compute the tax instead of using the gross turnover.

In part (b) (i) candidates were required to explain the meaning of property and give any two examples of property under the PTT Act. The performance on this part of the question was good. Only a few candidates demonstrated a lack of knowledge of the meaning of PTT and hence failed to provide the relevant explanations.

Part (b) (ii) which required candidates to explain the property transfer tax implications of various transactions was equally well answered with the exception of a few candidates who failed to identify the relevant realized values for each transfer to use when computing the amount of PTT arising.

#### **QUESTION FOUR**

The general performance on this question was very good. 45 of the 68 candidates that attempted the question managed to obtain at least 10 marks out of a total of 20 available marks. A pass rate of 66.2% was recorded. The highest score was 20 out of 20 marks while the lowest was 1.

This question covered ethical issues in tax practice and administrative procedures for direct taxes. Part (a) (i) required candidates to differentiate between tax avoidance and tax evasion and was fairly well answered with the exception of a few candidates who mixed up the two terms, putting tax avoidance in place of tax evasion and vice versa.

In part (a) (ii) candidates were required to state the due dates for submission of turnover tax returns and self -assessment income tax returns. Only a few candidates failed to state the relevant due date.

Part (a) (iii) which required candidates to explain the consequences for late submission of returns and late payment of income tax was poorly answered as most candidates demonstrated a lack of knowledge of the relevant penalties and interest chargeable.

Part (b) (i) which asked candidates to explain the principle of objectivity and the principle of integrity as contained in the IESBA code of ethics was fairly well answered.

In part (b) (ii) candidates were required to explain the meaning of self-review threat and advocacy threat. The responses were good. However, some candidates failed to explain advocacy threat correctly as they demonstrated a shallow understanding of the term.

#### **QUESTION FIVE**

The general performance on this question was very good. 60 of the 80 candidates that attempted the question managed to obtain at least 10 marks out of a total of 20 available marks. A pass rate of 75% was recorded. The highest score was 18 out of 20 marks while the lowest was 2.

This question was on Value added Tax and Customs and Excise and was generally well answered. In part (a) candidates were required to compute the amount of import taxes arising on

importation of a truck. The responses to this part were generally good. However, some of the most common mistakes included made by candidates included:

- i. Use of the average exchange rate quoted by commercial banks instead of the exchange rate quoted by the BOZ and approved by the commissioner general.
- ii. Inclusion of the transport costs from the border to Lusaka as part of the CIF for VAT purposes.
- iii. Other candidates forgot to include the surtax of K2000.

In part (b) candidates were required to explain the VAT registration requirements for a business. Most responses concentrated on the rules for a continuing business where the taxable supplies have exceeded the registration threshold of K800,000 in the last 12 months. They did not mention the rules for a new business where the taxable supplies are expected to exceed the annual threshold of K800,000 in the next 12 months, and hence lost some marks.

A lot of responses completely ignored the date when the business is liable for registration in both cases. i.e. for new businesses it will be from the date of commencement of trading and for continuing businesses it is within one month of applying for registration or one month from the date when the application was received.

In part (c) candidates were required to calculate the VAT payable for the business. The most common mistakes made by candidates were:

- i. Not indicating using a zero (0) all items on which VAT is exempt, zero rated or irrecoverable as required by the question.
- ii. Failing to compute the recoverable non attributable input VAT on the general overheads.
- iii. Claiming input VAT on the car which is irrecoverable.
- iv. Failure to use the factor of 4/29 to recover input VAT on the motor VAN because the cost of the VAN was VAT inclusive.

### **Overall performance of candidates**

- i. Highest mark obtained in this paper: 85%
- ii. Lowest mark obtained in this paper: 7%
- iii. Overall pass rate in this paper: 60.8%

## **SUBJECT: CA 2.5 FINANCIAL MANAGEMENT**

### **QUESTION ONE**

The general performance on this question was very poor. 32 out of the 129 candidates that attempted the question achieved a pass (that is a score of at least 20 out of 40 marks), representing a pass rate on the question of 24.8%. The lowest score was 0, whilst the highest was 30 out of the available 40 marks.

The first part (a) of the question required candidates to calculate the weighted average cost of capital for AJER Ltd. The second part (b) required candidates to evaluate the financial viability of the proposed project using the NPV method. The third part (c) required the calculation of sensitivity to changes in the variables used to calculate NPV. Part (d) required candidates to comment on each result in (b) above. The last part (e) asked candidates to explain how the proposed investment could increase shareholder's wealth and impact the relationship between the shareholders, managers and company's and company's long-term creditors. The common mistakes included:

- i. Candidates do not seem to know how to calculate annuities and wasted time with calculating present values for 15 years. This is one reason many of them did not even get the correct NPV.
- ii. Candidates failed to calculate the sensitivity of the cost of capital using the interpolation method. The calculation of IRR was done incorrectly because the candidates did not apply the formula correctly.
- iii. Calculation of sensitivity to change was strangely wrongly calculated. The numerator should have been the NPV found in (a) divided by the present value of a variable e.g. initial investment, sales e.t.c
- iv. Candidates did not state properly how the company could raise finance by taking out long and medium term finance.

### **QUESTION TWO**

The general performance on this question was poor. 23 of the 86 candidates that attempted the question managed to obtain at least 10 marks out of a total of 20 available marks. A pass rate of 26.7% was recorded. The highest score was 14 out of 20 marks while the lowest was 0.

Part (a) required candidates to calculate the growth rate in dividend using the earnings retentions model. Part (b) required candidates to calculate the weighted average cost of capital for Nima Energy Corporation. The common mistakes included the failure to calculate ARR correctly. Most candidates failed to compute the market values of equity and debentures

### **QUESTION THREE**

The general performance on this question was very poor. 25 of the 120 candidates that attempted the question managed to obtain at least 10 marks out of a total of 20 available marks. A pass rate of 20.8% was recorded. The highest score was 12 out of 20 marks while the lowest was 0.

Part(a) required candidates to determine the after tax cash flows and the net present value of the cash flows under each alternative. Part (b) required candidates to recommend to XP-Computer system on whether to lease or buy based on financial grounds. The common mistakes included failure to use annuities and wasted time. Failure to calculate the implicit interest rate in the lease the lease payments. Some candidates also failed to calculate the after tax cost of borrowing.

### **QUESTION FOUR**

The general performance on this question was fair. 30 of the 68 candidates that attempted the question managed to obtain at least 10 marks out of a total of 20 available marks. A pass rate of 44.1% was recorded. The highest score was 16 out of 20 marks while the lowest was 2.

The question was divided into three parts. Part (a) required candidates to describe three roles that the central treasury function of ZECO might play in the evaluation and/or implementation of the proposed acquisition of CEC while part (b) required candidates to calculate the approximate share price and total value of CEC implied by the cash offer considered by ZECO for the takeover of CEC.

Part (c) asked candidates to explain when the following business valuation methods could be used and the information required to undertake the valuation; (i) asset based methods and (ii) dividend based methods. Surprisingly, most candidate exhibited shallow knowledge of the role of a treasury function and failed earn maximum credit. Candidates also failed to calculate the share price and total value in kwacha.

### **QUESTION FIVE**

The general performance on this question was good. 67 of the 107 candidates that attempted the question managed to obtain at least 10 marks out of a total of 20 available marks. A pass rate of 62.6% was recorded. The highest score was 16 out of 20 marks while the lowest was 0.

Part(a) required candidates to compute the order size to minimize inventory costs, the number of orders placed each year, the length of the inventory cycle and total costs of holding inventory for the year. Part (b) asked candidate to discuss the benefits to MAB Manufacturing Ltd of engaging a factoring company.

Part (c) required the candidates to explain the Baumol model and the its draw backs in managing cash by MAB Manufacturing Ltd. A good number of candidates were not able to explain the Baumol Model. Candidates failed to clearly bring out that deciding on the optimum cash balance

is like deciding on the optimum inventory level. The draw backs regarding the administration cost have not been explained well. Candidates do not seem to understand the draw backs of Baumol model.

### **Overall performance of candidates**

- i. Highest mark obtained in this paper: 75%
- ii. Lowest mark obtained in this paper: 5%
- iii. Overall pass rate in this paper: 29.8%

## **SUBJECT CA 2.6 – STRATEGIC BUSINESS ANALYSIS**

### **QUESTION ONE.**

The general performance on this question was good. 67 out of the 132 candidates that attempted the question achieved a pass (that is a score of at least 20 out of 40 marks), representing a pass rate on the question of 50.8%. The lowest score was 4, whilst the highest was 38 out of the available 40 marks.

The following were the observations on the question:

- i. Almost all the candidates all the parts of the question, however some candidates did not understand what was expected from them demonstrate, while as some candidates answered all part of the question well others were giving general knowledge of Centralisation and Decentralisation.
- ii. The presentation of the answers was relatively poor by most candidates, as they failed to demonstrate an analytical answer in their presentation as expected by the examiners.
- iii. Some candidates were unable to answer to the specific demand by the examiners as their solutions were of general nature than specific.
- iv. It was clear that a good number of candidates lacked capacity to answer the question convincingly.

### **QUESTION TWO**

The general performance on this question was good. 38 of the 70 candidates that attempted the question managed to obtain at least 10 marks out of a total of 20 available marks. A pass rate of 54.3% was recorded. The highest score was 20 out of 20 marks while the lowest was 0.

This question was well answered by most candidates with correct information, and diagram of the Ansoff' grid.

### **QUESTION THREE**

The general performance on this question was fair. 48 of the 126 candidates that attempted the question managed to obtain at least 10 marks out of a total of 20 available marks. A pass rate of 38.1% was recorded. The highest score was 18 out of 20 marks while the lowest was 0.

The question was divided into parts (a) and (d). The following was observed:

- (a) This part of the question was well attempted by most candidates and over 75% got above average;
- (b) This part of the question was equally well attempt by most candidates, however, the application of the TERA model was a challenge. This lack of knowledge cause many

candidates to loose marks. Most of them were just explaining the model and without its application.

#### **QUESTION FOUR**

The general performance on this question was very poor. 14 of the 72 candidates that attempted the question managed to obtain at least 10 marks out of a total of 20 available marks. A pass rate of 19.4% was recorded. The highest score was 14 out of 20 marks while the lowest was 0.

This question was poorly answered by and avoided by most candidates. Both part (a) and (b) were poorly answered. The question needed to advise basic solutions to strategic gaps after analyzing the performance and comparing t the projected targets. Candidates' failure to apply leaned concepts to the problem at hand caused the loss of marks.

#### **QUESTION FIVE**

The general performance on this question was very poor. 21 of the 125 candidates that attempted the question managed to obtain at least 10 marks out of a total of 20 available marks. A pass rate of 16.8% was recorded. The highest score was 20 out of 20 marks while the lowest was 0.

The following was observed:

- (a) Most candidates failed to explain the ethical consideration when managing ethics at work places.
- (b) Functions of corporate strategy were correctly given only by a few candidates.

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

i.	Highest mark obtained in this paper:	75%
ii.	Lowest mark obtained in this paper:	8%
iii.	Overall pass rate in this paper:	35.6%

## **SUBJECT: CA3.1 ADVANCED FINANCIAL REPORTING**

### **QUESTION ONE**

The general performance on this question was good. 61 out of the 104 candidates that attempted the question achieved a pass (that is a score of at least 20 out of 40 marks), representing a pass rate on the question of 58.7%. The lowest score was 1, whilst the highest was 40 out of the available 40 marks.

This question required candidates to prepare the consolidated statement of financial position as at 31 st December 2022. The question had one parent entity and two subsidiaries. This was a 40-mark question and tested candidates on Consolidated Statement of Financial Position and changes in group structure. This question was fairly moderate and almost all candidates attempted this question.

It was generally well answered by candidates who had full grips of the principles of consolidation. However, a number of candidates scored poorly. Loss of marks was mainly due to the following common mistakes:

- i. Not showing all the workings. Some candidates simply showed consolidated figures for property, plant and equipment and other items of the statement of financial position without showing how they were arrived at. Marks were lost especially where their consolidated figures were incorrect.
- ii. Including subsidiary's share capital in consolidated statement of financial position. Candidates should bear in mind that only parent's share capital is part of consolidated statement of financial position.
- iii. Failed to conduct impairment review on both subsidiaries (CGUs).
- iv. The information for the computation of Goodwill was straight forward yet most candidates could not do it. Few students measured NCI using the fair value of the net assets at acquisition" (i.e. proportionate/partial method) despite note (1 and 4) of the question clearly stated that "it is group policy to initially measure Non-controlling interests on the acquisition at fair value (the full goodwill method) in respect of all its acquisition.
- v. Improper treatment of the fair value adjustments for property plant and equipment was observed in most scripts.
- vi. Most students failed to account for the reversal of re-measurement gains on fair value through profit or loss.
- vii. Though fundamental to preparing consolidated financial statements, some candidates still lack understanding of the concept of equity as a residual interest in a company's assets after taking all liabilities and the fundamental principles of consolidation. Once assets and liabilities at the acquisition date have been recognized and pre-acquisition equity already subsumed in goodwill, pre-acquisition equity (stated capital and all pre-

acquisition reserves) of the subsidiaries cannot be recognized again. Some candidates were still consolidating these pre-acquisition equity items.

- viii. Majority of candidates failed to compute movement on equity arising from acquisition of additional and disposal of equity shareholding in subsidiaries.

## **QUESTION TWO**

The general performance on this question was very poor. 4 of the 25 candidates that attempted the question managed to obtain at least 10 marks out of a total of 20 available marks. A pass rate of 16% was recorded. The highest score was 12 out of 20 marks while the lowest was 0.

This question was a mixed-bag one with three transactional questions covering selected accounting standards. This question was not a popular one among candidates and those that attempted it scored below half the available marks.

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

## **QUESTION THREE**

The general performance on this question was very poor. 4 of the 92 candidates that attempted the question managed to obtain at least 10 marks out of a total of 20 available marks. A pass rate of 4.3% was recorded. The highest score was 16 out of 20 marks while the lowest was 0.

This was a mixed-bag question with two scenarios of average length, each separately covering knowledge of an accounting standard in IFRS 15 - Revenue from Contracts with Customers and IAS 21 - The Effects of Changes in Foreign Exchange Rates.

Candidates' performance on this sale and leaseback transaction was very disappointing. Majority of the candidates put-up nice discursive responses but failed to back these with accurate technical computations and hence lost out on considerable number of marks.

Many candidates did not give computational responses to back-up their discursive answers despite being given massive numerical data.

It was also noted that candidates failed to show how the transactions should be accounted for, a number of answers discussed irrelevant treatment. A good number of students who attempted this question failed to identify which exchange rate was appropriate for translating transactions at various dates; and therefore lost marks.

Candidates are expected to study extensively and do a number of practice questions on accounting treatment of questions relating to accounting standards.

## **QUESTION FOUR**

The general performance on this question was very poor. 6 of the 86 candidates that attempted the question managed to obtain at least 10 marks out of a total of 20 available marks. A pass rate of 7% was recorded. The highest score was 17 out of 20 marks while the lowest was 0.

This question on selected accounting standards (IFRS) was a difficult question for most candidates. It was generally not well answered though the questions were straight forward. The question had four (4) parts.

Part (a) was on IAS 19 employee benefits. It required the candidates to recommend the correct accounting treatment of the transaction on employee benefits to the directors of Zampension Ltd in the financial statements for the year ended 31 December 2020, including financial statements extracts in accordance with IAS 19: Employee Benefits. Many candidates were not able to produce the financial statements extracts with the correct amounts and used wrong discounting rate 8% instead of 5 %.

Part (b) was on IAS 24: Related Party Disclosures. It required the candidates to advise the directors of the company on how to deal with the transaction in the financial statements in accordance with IAS 24: Related Party Disclosures. This part, was well answered.

Part (c) was on IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors. It required candidates to explain the basis on which the management of an entity must select its accounting policies and to distinguish, with an example, between changes in accounting policies and changes in accounting estimates. This part, was not well answered.

Part (d) was on IFRS 2 Share-based Payments. It required candidates to explain the principles of recognition and measurement for share-based payments as set out in IFRS 2 Share-based Payments. Few candidates attempted this part and answers were not well articulated.

## **QUESTION FIVE**

The general performance on this question was good. 54 of the 91 candidates that attempted the question managed to obtain at least 10 marks out of a total of 20 available marks. A pass rate of 59.3% was recorded. The highest score was 20 out of 20 marks while the lowest was 1.

The question was in two parts, part (a) required candidates to analyze the financial performance and position of an entity with a view to advise on whether the entity must be given a loan or not, and part (b) asked them to explain further information that might be necessary in assessing the entity's future prospects.

The following common mistakes were noted:

- i. Poor presentation skills
- ii. Failure to identify, and compute the relevant ratios
- iii. Failure to provide appropriate commentary on the computed ratios.

**Overall performance of candidates**

- i. Highest mark obtained in this paper: 73%
- ii. Lowest mark obtained in this paper: 6%
- iii. Overall pass rate in this paper: 27.9%

## **SUBJECT: CA 3.2 ADVANCED AUDIT AND ASSURANCE**

### **QUESTION ONE**

The general performance on this question was good. 93 out of the 161 candidates that attempted the question achieved a pass (that is a score of at least 20 out of 40 marks), representing a pass rate on the question of 57.8%. The lowest score was 7, whilst the highest was 33 out of the available 40 marks.

The question was divided into parts (a) to (e). Part (a) required candidates to discuss ethical and other professional matters contained in the scenario. Candidates did not need to struggle to identify the matters because they were clearly numbered from one to five in the question. The question was multi requirement as it required candidates to discuss the matters as well as stating the action required to be taken.

The following observations were made:

- i. Some candidates did not address the second part of the question which required candidates to state the action and so losing the marks allocated for doing so.
- ii. Some candidates simply repeated the matters as stated in the scenario without discussing why and how it is an ethical or professional matter thereby not addressing the question requirement.
- iii. There were candidates who discussed business risks in this part of the question and no marks were awarded because the question specifically required an identification and discussion of ethical matters. For example candidates discussed increased competition, valuation of convertible debentures and inventory valuation in this part of the question which was clearly wrong. Candidates are reminded to read the questions carefully and address the question requirements.

Part (b) required candidates to identify and explain four business risks in the scenario. To score maximum marks candidates were expected to explain why a risk is considered a business risk.

The following observations were made:

- i. Some candidates discussed audit risks, such as the valuation of inventory, which were not the question requirements of this part of the question and no marks were awarded for doing so.
- ii. A few candidates discussed ethical and professional issues in this part signifying the lack of knowledge of the topic on business risks.
- iii. Some candidates simply identified the business risk with little explanation or in some cases with the wrong explanation signifying the lack of understanding of business risks.
- iv. A sizeable number of candidates identified the business risks but could not satisfactorily explain how they affect the business and prevent it from meeting its objectives and so lost some marks.

Part (c) of the question required candidates to discuss whether financial instruments are a high risk audit area. For 8 marks candidates were expected to write more than simply explaining what financial instruments are. Candidates should understand that to score maximum marks they needed to discuss at least four valid points and also conclude whether or not they are a high risk area.

Candidates who have little understanding of the different forms of financial instruments scored poorly in answering this question and the following were noted:

- i. A sizeable number of candidates simply did not attempt to answer this part of the question.
- ii. A majority of the candidates simply concluded that financial instruments are high risk without justifying their answer. Candidates are reminded that at the advisory level candidates require to argue in support of their answers.
- iii. A majority of the candidates showed lack of understanding of financial instruments and the related accounting and as such could not explain the audit risks related to these.

Part (d) was divided into two with part (i) requiring candidates to identify and explain four audit risks and part (ii) requiring candidates to recommend appropriate responses for each risk identified in (i).

Presentation in this type of question is important for both making it easy for the examiner to mark and award marks as well as to save time. Reference in the solution could be (d) (i) (ii) and deal with the audit risk in the first part and just below each risk suggesting the relevant safeguard.

The performance in these two parts is below expectation and the following were noted:

- i. Some candidates could not satisfactorily explain why risks are considered audit risks. Candidates are required to relate the risks identified to what could go wrong in the financial statements.
- i. Some candidates explained business risks here which shows that they do not understand the difference between audit and business risks. Candidates discussed matters such as the increased competition which is a business risk.
- ii. Some candidates again discussed ethical matters in this part of the question and discussed the matter of disclaimers and the Partner's daughter which are not audit risks. It is clear that candidates appear to have trouble distinguishing ethical issues, business and audit risks. These are core topics of the syllabus and they are likely to feature in a similar manner in future examinations.
- iii. A sizeable number of candidates did not suggest suitable responses to the audit risks identified. Others gave management responses instead of the responses of the auditors. Candidates should note that audit risk is the concern of the auditor and it is the auditors who should respond to the audit risks with a view to reduce it to acceptable levels.

Part (e) required candidates to describe four audit procedures to perform on convertible debentures. This is a kind of question where candidates should understand the accounting for convertible debentures as well as the audit risks related to them. The question was poorly answered signifying lack of understanding of the accounting for convertible debentures and the following were noted:

- i. Some candidates gave less than the required four audit procedures.
- ii. Some candidates discussed methods of obtaining evidence and simply stated methods such as recalculation, enquiry from management and management representations.
- iii. A majority of the candidates gave unsatisfactory answers largely because they did not seem to understand the meaning of convertible debentures and the related accounting aspects.

## **QUESTION TWO**

The general performance on this question was poor. 43 of the 150 candidates that attempted the question managed to obtain at least 10 marks out of a total of 20 available marks. A pass rate of 28.7% was recorded. The highest score was 15 out of 20 marks while the lowest was 1.

Part (a) required candidates to distinguish a management letter from an audit report. This is a knowledge based question and disappointingly it was poorly answered.

The following observations were made:

- i. Many candidates stated that a management letter is written by management which is not correct with some stating that it is a letter in which management acknowledges its responsibilities.
- ii. There were candidates who mistook a management letter with written representations which is clearly wrong.
- iii. A few candidates confused a management letter with an engagement letter.

Part (b) required candidates to identify three matters that should be included in the management letter and also to state the information that should be included in the management letter. Following from a misunderstanding of what a management letter is many candidates could not satisfactorily answer this part of the question.

The following were observed:

- i. Many candidates failed to identify the weaknesses which are very clear in the scenario and gave general answers not contained in the scenario.
- ii. Most of the candidates seemed not to know the information that should be included in the management letter and simply did not address this part of the question.
- iii. A number of candidates related this part of the question to the three matters in the scenario instead of the weaknesses such as poor internal controls and non-approval of orders and similar documents supporting more than one payment which are explained in

the scenario. The three matters in the question were relevant for answering part (d) of the question. This further confirms the assertion that candidates did not know the meaning and use of management letters.

Part (c) required candidates to explain the risk of material misstatement with regards subsequent events. To satisfactorily answer this question candidates were required to know the provisions of IAS 10 *Subsequent events*. To determine the risk of material misstatement candidates should establish what could go wrong in the financial statements. In the case of subsequent events the issue is with regards the accounting of adjusting and non-adjusting event. The risk is that management may incorrectly account for adjusting and non-adjusting events and this may result in a misstatement of the financial statements.

Most candidates simply repeated the information in the scenario with little explanation and appeared to know very little with the provision of IAS 10. Candidates at the advisory level are reminded of the requirement of the knowledge of financial reporting standards if they have to answer auditing question well. With little or no knowledge of financial reporting this will continue in candidates facing challenges in answering auditing questions.

Part (d) required candidates to explain two of the audit evidence that is expected on a review of the working papers on each of the three matters in the question. The candidates in answering this question should put themselves in the position of a reviewer of the working papers and not in the position of the person performing the audit procedures.

This question was poorly answered resulting in candidates scoring very low marks and the Many candidates simply stated audit procedures some of which were not correct instead of explaining the evidence expected to be found in the working papers when reviewing them. No marks were awarded for doing so. Candidates should differentiate between designing audit procedures which is part of obtaining audit evidence and reviewing working papers which is done after the audit work has been done by someone else.

### **QUESTION THREE**

The general performance on this question was poor. 37 of the 112 candidates that attempted the question managed to obtain at least 10 marks out of a total of 20 available marks. A pass rate of 33% was recorded. The highest score was 15 out of 20 marks while the lowest was 0.

Part (a) of the question required candidates to give examples of the impact of social and environmental matters on the financial statements of a client company. Candidates needed to have a good understanding of increased regulation with regards the environment and also lobbyists who campaign against organizations that don't protect the environment and the impact this may have on the value of assets. Candidates who studied this topics should not have had problems answering this question.

The performance was poor and the following were observed:

- i. Candidates giving less than the required number of examples thereby getting marks in proportion to the correct examples given.
- ii. A large number of candidates simply did not attempt to answer this part of the question signifying that they did not understand this topic.

Part (b) required candidates to explain the risk of material misstatement with regards capitalization of the cost of the licence in the financial statements. This is an example of an intangible asset and candidates needed to know the accounting provisions for intangible assets in IAS 38 *Intangible assets*.

A majority of the candidates seemed not to understand the conditions required for the intangible asset to be capitalized and so could not explain the related risk of material misstatement to which the auditor should respond.

Part (c) of the question on due diligence that the auditors should perform and required candidates to suggest six matters that will be enquired of in carrying out the due diligence. A majority of the candidates suggested and explained the matters that should be enquired of in a due diligence assignment. A few candidates seemed not to know or understand the meaning of due diligence assignments could not satisfactorily answer this question.

The performance was poor and the following were observed:

- i. Some candidates simply did not attempt to answer this question which is a poor examination technique.
- ii. Some candidates gave less than the required six matters and in most cases matters that were wrong and so no marks were awarded.

#### **QUESTION FOUR**

The general performance on this question was very poor. 17 of the 129 candidates that attempted the question managed to obtain at least 10 marks out of a total of 20 available marks. A pass rate of 13.2% was recorded. The highest score was 14 out of 20 marks while the lowest was 0.

Part (a) of the question required candidates to explain six quality control reviews in the audit of the financial statements of Kabompo Plc. Candidates needed to know the meaning of quality control reviews and that the reviewer is someone other than those that were part of the audit team. Simply put the question required candidates to state what matters the reviewer will consider in a review of the working papers.

The performance in this part of the question was very poor with many candidates scoring well below half the available marks.

This question was poorly done and the following were observed:

- i. Many candidates discussed the benefits from the point of view of Kabompo Plc. the client company. Candidates are reminded that quality control is from the point of view of the auditor and is related to the quality of the audit work which is the basis for the audit opinion.
- ii. Many candidates discussed the provisions of ISQC 1 and ISA 220 which did not address the question requirement on matters that will be considered as part of a review of work done by another person other than the reviewer.
- iii. Many discussed hot and cold reviews instead of discussed what is done during the hot or cold reviews.
- iv. There were candidates who discussed pre-engagement requirements which were not the question requirement and no marks were awarded for this.

Part (b) of the question required candidates to explain the use of the Other matter paragraph and also give two examples of matters that may be included in this paragraph. ISA 706(Revised) *Emphasis of matter paragraphs and other matter paragraphs in the independent auditor's report* gives guidance in this area.

This is a knowledge based question which has been examined in the past in a similar manner and candidates at this level should score maximum marks. It was disappointing to note that a sizeable number of candidates lost these easy marks and the following were observed:

- i. Some candidates correctly explained the use of the other matter paragraph but did not give the examples of what could be included in the paragraph as per question requirement and lost the easy marks for doing so.
- ii. Some discussed subsequent events and legal cases pending as examples.

Part (c) of the question required candidates on audit reports and required candidates to discuss the appropriateness of suggested audit opinions in the audit of the financial statements of the three clients in the question. The scenarios did not contain much information and candidates should have easily concluded and correctly commented on the suggested opinion. It should be noted that candidates should correctly support their conclusion and correct arguments will earn marks. For example one could argue that for client three the matter of concern is not material and so an unmodified opinion will be appropriate. One could argue and suggest that 3% of profit is considered material and so an unmodified opinion will be inappropriate and a modified opinion by way of a qualified opinion may be appropriate.

The following were observed:

- i. Some candidates simply agreed with the suggested opinions without any explanation as expected showing lack of understanding of this important topic of audit reports.
- ii. Other candidates evaluated the information given and made their own conclusion with regards the suitable opinion without making any reference to the suggested opinion.

Candidates needed to evaluate the information against the recommended opinion and comment as appropriate giving suitable arguments.

## **QUESTION FIVE**

The general performance on this question was very poor. 7 of the 83 candidates that attempted the question managed to obtain at least 10 marks out of a total of 20 available marks. A pass rate of 8.4% was recorded. The highest score was 13 out of 20 marks while the lowest was 1.

Part (a) was divided into three parts requiring of a description of the three approaches to audits namely (i) Transaction cycle approach (ii) Business risk approach and (iii) Statement of financial statement approach. The question was knowledge based and most candidates showed lack of understanding of the three methodologies and scored low marks.

The following observations were made:

- i. A number of candidates simply did not attempt to answer the question and lost all the available marks.
- ii. Of those who attempted to answer this question, it was clear that most only had a scant idea and used common sense to score a few marks.

Part (b) of the question required candidates to suggest the appropriate methodologies that should be used based on the information in the scenario. This part was poorly answered reflecting the lack of knowledge of the three methodologies confirmed by the low marks scored in part (a).

Part (c) required candidates to recommend five suitable audit procedures that should be performed on development costs capitalized in the financial statements. Once again it should be noted that a clear understanding of the accounting aspects as guided in IAS 38 *Intangible assets*.

The following observations were made:

- i. Many candidates did not know the capitalization criteria for development costs according to IAS 38.
- ii. A number of candidates gave less than the five procedures required and got marks in proportion with the correct procedures explained

## **Overall performance of candidates**

i.	Highest mark obtained in this paper:	60%
ii.	Lowest mark obtained in this paper:	18%
iii.	Overall pass rate in this paper:	24.8%

## **SUBJECT: CA 3.4 ADVANCED TAXATION**

### **QUESTION ONE**

The general performance on this question was very poor. 11 out of the 78 candidates that attempted the question achieved a pass (that is a score of at least 20 out of 40 marks), representing a pass rate on the question of 14.1%. The lowest score was 0, whilst the highest was 28 out of the available 40 marks.

The general performance of candidates on this question which examined tax planning for groups was very poor. Only 14% of the candidates who attempted the question passed and the remaining 86% failed.

In part (a) candidates were asked to determine the amount of the exchange differences arising on each of the three foreign exchange transactions entered into by the parent entity during the year, explaining the income tax treatment in each case. Candidates demonstrated a general lack of knowledge of the tax treatment of foreign exchange differences and therefore failed to provide the appropriate computations and explanations.

Part (b) required candidates to advise the directors of the company income tax treatment of groups and to establish the amount of the income tax liability for the group. The most common weaknesses demonstrated by candidates in answering this part of the question included

- i. Failure to explain that companies within a group are taxed individually separately for income tax purposes and not as one entity.
- ii. Failure to make the relevant adjustments when computing the taxable business profit and income tax payable by each company in the group. Most candidates were calculating consolidated income tax payable for the group.
- iii. Using the wrong rates to calculate capital allowances claimable by each company.
- iv. Failure to compute the correct amount of interest expense to be disallowed, i.e. the amount of interest in excess of 30% of EBITDA.

In part (c) candidates were required to advise the directors of the value added tax treatment of groups and establish the VAT liability for the group. The following are the challenges faced by the candidates who performed poorly on this part of the question:

- i. Failure to explain that companies in the group are individually liable to for VAT and cannot register for VAT as a group.
- ii. Failure to calculate the correct amount of output VAT and input VAT on expenditure for each company.
- iii. Failure to calculate the correct amount of input VAT on overheads.

## **QUESTION TWO**

The general performance on this question was excellent. 52 of the 63 candidates that attempted the question managed to obtain at least 10 marks out of a total of 20 available marks. A pass rate of 82.5% was recorded. The highest score was 19 out of 20 marks while the lowest was 0.

This question covered tax audits and ethical issues in tax practice and was generally answered well by most candidates who attempted it. 83% of the candidates who attempted the question passed and 17% failed.

Part (a) asked candidates to advise the directors of the differences between tax audits and tax investigations. This part of the question was generally answered well with the exception of a few candidates who failed to provide the required answers.

Part (b) which required candidates to identify and explain the threats to compliance with fundamental ethical principles was also fairly well answered with the exception of a few candidates who failed to identify and explain the relevant threats.

In part (c) candidates were required to explain the ethical implications arising from the proposal to give the member a token of appreciation for non-disclosure of a transfer pricing adjustment. Only a few candidates failed to explain the relevant ethical issues arising.

In Part (d) (i) and (ii) candidates were required to explain the conditions to be met for an employee share option scheme to be approved for tax purposes and to advise the directors of the taxation benefits to the company of administering an approved employee share options scheme. This part of the question was generally well answered. However, a few candidates demonstrated a lack of knowledge of share option schemes and therefore failed to provide the relevant explanations and advice.

## **QUESTION THREE**

The general performance on this question was poor. 21 of the 70 candidates that attempted the question managed to obtain at least 10 marks out of a total of 20 available marks. A pass rate of 30% was recorded. The highest score was 15 out of 20 marks while the lowest was 0.

The performance of candidates on this question which covered taxation of farming operations was generally poor. 30% of the candidates who attempted the question passed and 70% failed.

In part (a) candidates were required to explain the income tax and VAT incentives available to enterprises engaged in farming. Candidates demonstrated a general lack the relevant incentives and therefore failed to provide the required explanations.

In part (b) candidates were required to compute the taxable business profits and the amount of income tax payable by the farming company. The following are the most common challenges faced by the candidates when answering this part of the question:

- i. Applying the wrong rates when computing capital allowances on the computerized system.
- ii. Failure to apply the 30% Tax EBITDA threshold to calculate the amount of interest expenses to be disallowed.
- iii. Using the wrong rates to compute the company income tax payable. Some candidates were using personal income tax bands to compute the tax.

Part (c) asked candidates to advise the directors of the VAT implications of the installation works carried out by the foreign company. Most candidates demonstrated a general lack of knowledge of reverse VAT and therefore failed to provide the explanations of the relevant VAT implications.

#### **QUESTION FOUR**

The general performance on this question was very poor. 0 of the 25 candidates that attempted the question managed to obtain at least 10 marks out of a total of 20 available marks. A pass rate of 0% was recorded. The highest score was 9 out of 20 marks while the lowest was 1.

None of the candidates who attempted this question which examined the interaction of taxes and tax audits passed.

In part (a) candidates were required to advise the directors on the options available to regularize the errors identified in the tax return already submitted. Candidates failed to explain the options which included self-correction option and the declaration of an innocent error option.

In part (b) candidates were required to advise the directors of the taxation implications of the various transactions, which included:

- i. payment of property rates, DSTV subscriptions security fees for the company's director residence
- ii. payment of interest on bonds issued to finance the construction of a new factory
- iii. purchase of processing machine using a hire purchase agreement
- iv. receipt interest income from foreign sources.
- v. Candidates demonstrated a general lack of understanding of the interaction of taxes and therefore failed to identify the various tax issues arising from each of the above transactions and consequently failed to provide the relevant explanations.

## QUESTION FIVE

The general performance on this question was excellent. 61 of the 73 candidates that attempted the question managed to obtain at least 10 marks out of a total of 20 available marks. A pass rate of 83.6% was recorded. The highest score was 20 out of 20 marks while the lowest was 1.

This question was on taxation of mining enterprises and was fairly well answered. 83% of the candidates who attempted the question passed and 17% failed.

Part (a) which required candidates to calculate the amount of mineral royalty tax (MRT) paid by the company, was answered well with the exception of a few candidates who used the wrong rates in computing the MRT.

In part (b) candidates were required to calculate the taxable mining profits. The challenges faced by the candidates were as follows:

- i. Failure to identify the appropriate disallowed expenditure to be added back when computing taxable profit.
- ii. Not indexing capital allowances on assets acquired from foreign suppliers.
- iii. Using the wrong rates to compute of capital allowances on locally acquired assets.
- iv. Failure to calculate the correct amount of interest expense to be disallowed, i.e. the amount of interest in excess of 30% of the tax EBITDA.

In part (c) candidates were required to calculate the amount of income tax payable by the mining company. The most common mistakes made by candidates included:

- i. Using the wrong rates to compute the company income tax. Some candidates were using 35% instead of 30%, while others were using income tax bands.
- ii. Failure to use the correct income tax rate for non-mining income.
- iii. forgetting to deduct the provisional income tax already paid and the withholding tax on interest income.

### Overall performance of candidates

- i. Highest mark obtained in this paper: 67%
- ii. Lowest mark obtained in this paper: 18%
- iii. Overall pass rate in this paper: 53.8%

## **SUBJECT: CA 3.5 – ADVANCED MANAGEMENT ACCOUNTING**

### **QUESTION ONE**

The general performance on this question was very poor. 3 out of the 14 candidates that attempted the question achieved a pass (that is a score of at least 20 out of 40 marks), representing a pass rate on the question of 21.4%. The lowest score was 7, whilst the highest was 22 out of the available 40 marks.

Question one examined the following:

- (a) Evaluation of divisional performance given a number of performance metrics and stating which manager did better.
- (b) Discussion of three additional information factors required to assess comprehensively divisions P and Q performance.
- (c) Discussion of five additional factors that should be considered when evaluating the comparative financial performance of divisions P and Q.
- (d) Explanation of seven draw backs of traditional budgeting system relative to Beyond Budgeting.

This question is compulsory. The performance was as follows, the pass rate 21% with the highest and lowest scores being 55% and 18% respectively.

In part (a), most calculations were correct. There was a lot of leverage for candidates to come up with metrics other than those mentioned on the question as expected at this level; especially on the operating costs. Alternative ways of calculating ratios were also acceptable.

The problem on this question was the poor evaluation of performance. Candidates could not come up with possible reasons for performance. It is not enough at this level simply to state that ROI for Division Q increased and P's did not. Possible reasons are that Q's assets were highly depreciated (with lower NBV's) since it is an older division. So Q did not necessarily perform better than P. Similarly, simply stating that P's sales growth is better and Q's are falling will not attract maximum marks. Give possible reasons: could be that P being a new division has new innovative products with a high growth market potential but Q has old products reaching the end of their product lives. That is why the scenario has given a new division and an old one. Etc, etc. Refer to the full solution.

Parts (b) and (c) were not well attempted in the sense that irrelevant or shallow answers were presented.

In (b) the question specifically asked for **additional data** because of limitations in the data given. This additional data should help assess fully the financial performance of Divisions P and Q. Do not give data which is already available such as costs. Additional data could have been:

- [Competitor data]/[2018 data to provide trend]/[cashflow projection]/[2021 Budget: only actual results for 2021 are available]

In (c) again the question specifically asked for factors to help **evaluate COMPARATIVE financial performance** of P and Q. The word 'comparative' is crucial here. Whichever factor discussed should bring out the comparative aspect of the divisions. Nearly all the candidates discussed factors which were not comparing divisions.

In part (d), this subsection was generally well attempted but poorer candidates concentrated on traditional budgeting without referring to Beyond Budgeting. Again this sub- question required candidates to **explain** but most candidates gave bullet points. Future candidates should pay attention to examination verbs.

## **QUESTION TWO**

The general performance on this question was poor. 2 of the 6 candidates that attempted the question managed to obtain at least 10 marks out of a total of 20 available marks. A pass rate of 33.3% was recorded. The highest score was 14 out of 20 marks while the lowest was 3.

This question had three parts. It was the least attempted optional question with 33% pass rate.

As expected, transfer pricing is always a challenge to most candidates. This question was poorly answered by candidates.

Part (a) required an evaluation by candidates.

- The majority of candidates failed to prepare a transfer price evaluation at K100 per litre and at K30 per litre.
- Candidates had problems calculating the marginal costs and total contribution, thereby, failing to provide a critical evaluation as required by the question.

Part (b) required candidates to evaluate the setting of the transfer price at cost. This question was fairly answered by candidates.

Part (c) required candidates to explain how multi-national companies can use transfer pricing to reduce their overall tax liability. This question was fairly answered though candidates had problems with steps that national tax authorities take to discourage manipulation of transfer prices. Candidates also had challenges explain how multi-national companies can use transfer pricing to reduce their overall tax liability.

### QUESTION THREE

The general performance on this question was good. 9 of the 14 candidates that attempted the question managed to obtain at least 10 marks out of a total of 20 available marks. A pass rate of 64.3% was recorded. The highest score was 20 out of 20 marks while the lowest was 0.

This question examined information technology. It recorded a pass rate of 64%.

Part (a), this part was poorly answered by most candidates who failed to discuss on how the mentioned systems would help to resolve the complaints within the context of Speed Kills Company (SKC).

Part (b), the performance was below average as a number of scripts showed that candidates did not know BPR. It is advisable to start an explanation of the required system or process by giving a definition. The examiner expected the seven principles of BPR to apply in the case of SKC. Instead common-sense answers were provided which did not warrant any marks.

### QUESTION FOUR

The general performance on this question was very poor. 2 of the 11 candidates that attempted the question managed to obtain at least 10 marks out of a total of 20 available marks. A pass rate of 18.2% was recorded. The highest score was 15 out of 20 marks while the lowest was 0.

Generally, this question was poorly answered by the candidates. The pass rate was 18% with highest score being 75%. The following challenges were noted:

On part (a) (i), the question required candidates to advice how ABC can be implemented. The majority of candidates did not answer the question as required. The action verb was **advice how**, but candidates were listing points which did not amount to a discussion.

Part (a) (ii) required candidates to assess whether it would be more appropriate to use ABC in BFD and AFBD based on the information contained in the scenario. Candidates seemed not appraised with conditions necessary for implementing activity based costing such as offering a wide range of product, complex production processes and the proportion of production overheads in total production costs. Candidates could not relate to the information in the scenario as they were answering the question. A lot of practice is required by candidates if they are to perform better in the future.

With activity based management, a good number of candidates were ill prepared. They were able to explain ABM principles but failed to relate how ABM could improve business performance.

### QUESTION FIVE

The general performance on this question was very poor. 2 of the 8 candidates that attempted the question managed to obtain at least 10 marks out of a total of 20 available marks. A pass rate of 25% was recorded. The highest score was 19 out of 20 marks while the lowest was 4.

This question examined information technology. Part (a), this part was poorly answered by most candidates who failed to discuss on how the mentioned systems would help to resolve the complaints within the context of Speed Kills Company (SKC).

Part (b), the performance was below average as a number of scripts showed that candidates did not know BPR. It is advisable to start an explanation of the required system or process by giving a definition. The examiner expected the seven principles of BPR to apply in the case of SKC. Instead common-sense answers were provided which did not warrant any marks.

### **Overall performance of candidates**

- i. Highest mark obtained in this paper: 51%
- ii. Lowest mark obtained in this paper: 20%
- iii. Overall pass rate in this paper: 28.6%

## **SUBJECT: CA3.6 ADVANCED FINANCIAL MANAGEMENT**

### **QUESTION ONE**

The general performance on this question was good. 16 out of the 26 candidates that attempted the question achieved a pass (that is a score of at least 20 out of 40 marks), representing a pass rate on the question of 61.5%. The lowest score was 5, whilst the highest was 28 out of the available 40 marks.

The performance was above average. A total of 26 candidates attempted this question and only 16 candidates passed it representing a pass rate of 61.54%.

The first part (a) of the question required candidates to write a report to the board of T-BAG Ltd evaluating the financial viability of the proposed investment in SILA. Part (b) required candidates to formulate the linear programming model necessary to decide how best to invest the capital available. Part (c) required candidates to explain the reasons T- BAG Ltd might have chosen to borrow at a floating interest rate rather than at fixed rate which has a greater certainty regarding the amounts payable.

The common mistakes included wrong use tax rate of 30% instead of 20% which affected both the tax payable and tax relief on capital allowances. Some candidates had challenges of computing the incremental working capital which is the relevant cash flow. Other candidates were inflating wrongly the variables such as the Selling price, Materials, Labour and Fixed costs. Some candidates did not do the adjustments. Many candidates found difficulties in formulating the linear programming model on how best to invest the capital available. Constraints were not properly done by the majority of the candidates.

### **QUESTION TWO**

The general performance on this question was excellent. 19 of the 22 candidates that attempted the question managed to obtain at least 10 marks out of a total of 20 available marks. A pass rate of 86.4% was recorded. The highest score was 18 out of 20 marks while the lowest was 6.

Part (a) required candidates to discuss the extent to which the corporate governance issues proposed by KNL Inc. management are likely to comply with generally accepted corporate guidance. Some of the candidate's responses failed to identify all of these principles. Some completed completely omitted these, perhaps due to the inadequate understanding of what the question required them to do.

Part (b) asked candidates to discuss the factors that might constrain the implementation of the financial strategies by KNL Inc. Some candidates failed to explain clearly these constraints. They did not identify them, so marks were lost.

### **QUESTION THREE**

The general performance on this question was fair. 9 of the 20 candidates that attempted the question managed to obtain at least 10 marks out of a total of 20 available marks. A pass rate of 45% was recorded. The highest score was 13 out of 20 marks while the lowest was 2.

The performance was below average. A total of 20 candidates attempted this question and only 9 candidates passed it representing a pass rate of 45%.

Part(a) required candidates to calculate pre-acquisition market values of both companies and maximum price Bed Rock Corporation will pay for SolarTech Industries limited. Part (b) required candidates to produce an explanatory memo to the Board of Directors on the subject Mergers and Acquisition. Part (c) asked candidates to prepare a memo suitable for distribution to the Chief Executive Officers of each of the subsidiaries explaining the potential benefits of treasury centralization. Candidates did not calculate pre-acquisition. Neither the price to pay for Solar Tech industries was calculated. It is therefore not possible for someone to come out with a memo. The Memo to the Board of Directors should be based on the calculation of the Pre-acquisition market value and the price Bed Rock Corporation Rock was to pay for acquiring Solar-Tech Industries. Candidates do not seem to have enough knowledge on pre-acquisition of market values of both companies and the maximum price that Bed Rock Corporation was expected to pay as consideration.

### **QUESTION FOUR**

The general performance on this question was good. 7 of the 14 candidates that attempted the question managed to obtain at least 10 marks out of a total of 20 available marks. A pass rate of 50% was recorded. The highest score was 14 out of 20 marks while the lowest was 2.

The performance was average. A total of 14 candidates attempted this question and only 7 candidates passed it representing a pass rate of 50%.

Part(a) required candidates to calculate the weighted average cost of capital for MLB Ltd. Common Mistakes for those candidates that responded to this question included the inability to correctly calculate the cost of equity (14.75%) and also the cost of Debt (7.5%). Since this part of the question required that the candidate calculates the Weighted Average Cost of Capital(WACC) for MLB Ltd, it was necessary to calculate the Cost of Equity( $k_e$ ), and the Cost of Debt. This was to be obtained by obtaining the Present Value(PV) at 10% and 5% discount rates. Subsequently, the Market Values of Equity and Debt needed to be calculated. The sum of the equity and debt market values were to be used as denominators in the WACC Calculations.

Part (b) required candidates to explain the characteristics of money markets and certificate of deposits. Some candidates failed to explain clearly the various characteristics of money markets and certificate of deposits as was required. This implied that these candidates did not fully understand these concepts. Part (c) asked candidates to calculate the maturity value of the CD assuming 360-day in a year. The common errors identified in the candidates who answered this

part of the question was their inability to recognize that the time of maturity was at 273 days. This was one of the important element in the calculation of the value of maturity assuming the 360 days in a year. For some of those that attempted, they did not work out the proportion (which was  $272/360$ ). The time value of the maturity stood at K2,121,333.

## **QUESTION FIVE**

The general performance on this question was fair. 9 of the 21 candidates that attempted the question managed to obtain at least 10 marks out of a total of 20 available marks. A pass rate of 42.9% was recorded. The highest score was 15 out of 20 marks while the lowest was 1.

Part(a) required candidates to critically comment on the validity of the views and recommendations expressed by the managing director and explain how currency hedging might be beneficial to BIBI Plc. This part of the question appeared to have offered significant challenges for the candidates that attempted. Instead of clearly and critically commenting on the validity of views and recommendations to the managing Director and explaining how the currency hedging was likely to be beneficial to BIBI, these candidates did not. The explanation given by such candidates was unrelated to the requirements of the question. This portrays inadequate knowledge on the concept of hedging as no adequate preparation for the examinations.

Part (b) asked candidates to calculate the kwacha value of the contribution earned from export of each of the customers (A, B and Europe) assuming that BIBI Plc hedges the risk in the forward and does not hedge the risk. In order to determine the contribution for Customer A, B and Europe, with and without Hedging, it required identifying the rate, Amounts in (K) and the variable costs (K). Some of the candidates instead of subtracting the variable costs from the sales amount, they instead added and this resulted into wrong contribution and also eventual wrong Incremental Contribution.

Part (c) asked candidates to advise BIBI Plc on whether to hedge its foreign exchange exposure. The response required the candidates to Advise BIBI Plc on whether to hedge it foreign exchange exposure or not. As consequence of not correctly part (b) correctly, these candidates therefore offered wrong advice. Some of the candidates did not altogether offer any advice at all

### **Overall performance of candidates**

- i. Highest mark obtained in this paper: 66%
- ii. Lowest mark obtained in this paper: 27%
- iii. Overall pass rate in this paper: 50%

## **SUBJECT: CA 3.7 PUBLIC SECTOR AUDITS AND ASSURANCE**

### **QUESTION ONE**

The general performance on this question was very good. 61 out of the 92 candidates that attempted the question achieved a pass (that is a score of at least 20 out of 40 marks), representing a pass rate on the question of 66.3%. The lowest score was 6, whilst the highest was 32 out of the available 40 marks.

The question was divided into five parts (a to e). Part (a) of the question required candidates to explain the importance of cyber security in the public sector. Explaining the meaning of cyber security without explaining its importance did not earn candidate's maximum marks.

The following were observed:

- i. A majority of the candidates defined cyber security without explaining its importance.
- ii. A few candidates discussed the importance of IT in the public sector which earned no marks.

In part (b), candidates were required to evaluate the alleged fraudulent activities in the scenario and conclude on whether they could be considered as money laundering.

The following were observed:

- i. Some candidates concluded that fraud is not money laundering. Candidates should note that criminal activities fall under money laundering in most jurisdictions.
- ii. A majority of the candidates did not use the information in the scenario in answering this part of the question contrary to the question requirement which referred to the reported alleged fraudulent activities.

Part (c) required candidates to identify and explain the ethical matters contained in the scenario and to suggest suitable safeguards that must be applied. A majority of the candidates scored more than half the available marks in this part of the question.

The following were observed from those who had challenges answering this question:

- i. Some candidates failed to identify the six required ethical matters and were awarded marks in proportion to the correct answers of the number identified and explained.
- ii. Some candidates did not provide suitable responses to the ethical issues explained as required and lost all the available marks for doing so.
- iii. There were a few candidates who discussed fraudulent activities in answering this part of the question which was not the question requirement.

Part (d) was a multi requirement question requiring candidates to explain the meaning of forensic investigation and to give three examples of what constitutes misappropriation of assets apart

from fraudulent disbursements. This was a knowledge based question which did not require the use of information in the scenario.

The following were observed:

- i. Some candidates explained the meaning of forensic investigation but did not give examples of misappropriation of assets as required by the question.
- ii. There were candidates who gave examples of fraudulent disbursements despite clear instructions that the examples to be given should exclude fraudulent disbursements and no marks were awarded for doing so.
- iii. Some candidates discussed forensic audit instead of forensic investigation which is broader and borders on criminality.

Part (e) required candidates to describe audit procedures that should be performed in the forensic investigation of the fraudulent disbursements to farmers.

The following which resulted in loss of marks were observed:

- i. There were many candidates who gave less than the required number of procedures and scored marks in proportion to the correct procedures given.
- ii. Many candidates discussed the stages in a forensic investigation without making reference to the information in the question thereby losing easy marks.
- iii. A sizeable number of candidates did not attempt to answer this part which is a poor examination technique.

## **QUESTION TWO**

The general performance on this question was very poor. 10 of the 56 candidates that attempted the question managed to obtain at least 10 marks out of a total of 20 available marks. A pass rate of 17.9% was recorded. The highest score was 12 out of 20 marks while the lowest was 1.

**Part (a)** of the question required candidates to simply state the ISSAIs that give guidance to the auditor on audit reports. Many candidates explained the function of the International Organization of Supreme Audit Institution (INTOSAI) instead of simply listing the ISSAIs dealing with audit reports namely ISSAI 1700, ISSAI 1705, ISSAI 1701, and ISSAI 1706.

Part (b) had two sub requirements. The first one required candidates to explain the meaning and use of the Emphasis of matter paragraph, other matter paragraph and the KAMs paragraph. Candidates lost marks because they only explained the meaning of each of the three without explaining the use of the said paragraphs. Candidates are reminded to address all the question requirements in answering examination questions.

The second part of (b) required candidates to explain the relationship of the Key Audit Matters paragraph to the Emphasis of matter paragraph and the other matter paragraph. Many candidates did not know the relationship between the KAM paragraph and the emphasis and other matter

paragraphs. Some candidates simply stated that there is no relationship without giving any explanation.

Candidates should have noted that there is an overlap between the KAM paragraph and the emphasis of matter paragraph in that both deal with matters contained and disclosed in the financial statements and the auditor requires to decide where to include the matter. There is no relationship between the KAM paragraph and the other matters paragraph because the other matter paragraph does not relate to matters that require to be contained in the financial statements.

Part (c) required candidates to evaluate the suggested Key Audit Matters paragraph and conclude whether it is appropriate to include a KAM paragraph in the report for Kimberly University.

This part of the question was poorly done with many candidates scoring low marks. Many candidates gave general answers without evaluating the information in the scenario and barely repeated the information in the scenario.

### **QUESTION THREE**

The general performance on this question was very poor. 15 of the 63 candidates that attempted the question managed to obtain at least 10 marks out of a total of 20 available marks. A pass rate of 23.8% was recorded. The highest score was 14 out of 20 marks while the lowest was 0.

Part (a) was on SAI transparency and accountability and required candidates to explain these principles according to relevant ISSAIs. The performance in this part of the question was poor with candidates scoring less than half the available marks.

The following were observed:

- i. Many candidates explained the principles contained in ISSAI 100 which deals with general principles of public sector auditing instead of ISSAI 20 which deals with SAI transparency and accountability.
- ii. Some candidates explained principles related to only one of the two that is transparency or accountability.
- iii. Many candidates gave less than the expected number of principles to gain maximum marks. Candidates should use the available marks to determine the number of points expected.

Part (b) required candidates to evaluate the information in the scenario with regards the principle of transparency. Many candidates that did not know the two principles as evidenced in the answers in part (a) could not satisfactorily answer this part of the question. Candidates needed to show understanding the principle of transparency by applying the theory to the information in the scenario. At the advisory level this form of questioning will be expected in future examinations.

**In part (c)**, candidates were required to draft an appropriate audit opinion paragraph and to state the position it should take in the auditor's report.

A majority of the candidates could not give the contents of the extract of the audit opinion and some did not address the part that required candidates to state the position of the opinion paragraph in the auditor's report. Candidates are referred to the suggested solutions on what was expected.

#### **QUESTION FOUR**

The general performance on this question was fair. 40 of the 83 candidates that attempted the question managed to obtain at least 10 marks out of a total of 20 available marks. A pass rate of 48.2% was recorded. The highest score was 17 out of 20 marks while the lowest was 3.

The question was divided into two parts (a and b). **The first** part of (a) required candidates to explain the purpose of the concepts in the Lima declaration.

A number of candidates instead explained the contents of the Lima declaration rather than explaining the purpose of the declaration. No marks were awarded for this.

The second part of (a) required candidates to explain four concepts in the Lima declaration other than the ones that deal with the independence of the SAI. A majority of the candidates ably explained the required four concepts and scored maximum marks.

Some candidates failed to give a sufficient number of concepts excluding those relating to independence. Others included the concepts related to SAI independence contrary to the question requirement and no marks were awarded for doing so.

Part (b) of the question required candidates to explain the meaning of positive and negative confirmations. A majority of the candidate scored maximum marks in this part of the question.

The second part of (b) required candidates to explain four conditions that are necessary to be able to use a negative confirmation method. Generally, the positive form of confirmation is preferred and there are conditions that should exist to use negative form of confirmation. A majority of the candidates did not know the conditions and simply did not answer this part of the question.

The third and final part of (b) required candidates to explain the action that the auditor should take in view of the refusal by management to send out confirmation letters. Most candidates answered this part of the question correctly and scored maximum marks.

## QUESTION FIVE

The general performance on this question was good. 48 of the 76 candidates that attempted the question managed to obtain at least 10 marks out of a total of 20 available marks. A pass rate of 63.2% was recorded. The highest score was 17 out of 20 marks while the lowest was 0.

This was a multi requirement question with parts (a) to (d). Part (a) required candidates to explain the benefits of carrying out a performance and IT audit at the same time.

The performance in this part of the question was good with most of the candidates scoring maximum marks. A few candidates explained the benefits of performance auditing without dealing with the question requirement of the benefit of such audits at the same time as IT audits. Others explained the benefits of using IT in performance auditing.

Part (b) required candidates to discuss the objective of a performance audit of the IS of the UTH. Candidates should have considered the three e's of economy, efficiency and effectiveness in answering this question.

The performance in this part of the question was good with a majority of the candidates able to satisfactorily explain and correctly apply the three elements of value for money audits. A few candidates simply stated the three namely economy, efficiency and effectiveness without detailed explanations did not score maximum marks.

In part (c), candidates were required to explain the meaning of big data and data analytics in IT. This part of the question was well answered with many candidates scoring maximum marks.

The following were observed on the candidates who scored low marks:

- i. There were a few who did not know the meaning of big data and data analytics.
- ii. Some candidates explained only one of the two and did not explain the other and lost the marks allocated to doing so.

Part (d) required candidates to discuss the benefits of big data to the health delivery services of government. The majority of the candidates performed well in answering this part of the question. A few scored less marks because they discussed less than the required four benefits required in the question.

### Overall performance of candidates

- |      |                                      |       |
|------|--------------------------------------|-------|
| i.   | Highest mark obtained in this paper: | 65%   |
| ii.  | Lowest mark obtained in this paper:  | 13%   |
| iii. | Overall pass rate in this paper:     | 47.8% |

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

### **QUESTION ONE**

The general performance on this question was excellent. 4 out of the 4 candidates that attempted the question achieved a pass (that is a score of at least 20 out of 40 marks), representing a pass rate on the question of 100%. The lowest score was 20, whilst the highest was 27 out of the available 40 marks.

Part (a) required that the candidates, preferably in tabular form, prepare budget performance for the line ministries which should have included columns for the % outturn and the score allocated. Some candidates just prepared columns for the budgeted and actual outturn (variance) with columns showing % and score. The % and score information was necessary for the interpretation and correct actions under parts b) and c) of the question.

Part (b) required candidates to advise government on the how they can improve on budget reliability. For those candidates that failed to include the column for the Score, they failed to effectively give the required advice to the Government and as a result lost marks.

Part (c) asked candidates to explain the two main frameworks that provides an understanding of what constitutes public sector with reference to the public sector financial management. For those candidates that responded to this part of the question, some of them failed to explain the main two (2) main frameworks that provides an understanding of what constitutes public sector as it relates to the Financial Management Framework.

Part (d) of the question required the candidates to clearly explain ten (10) functional categories of the expenditure structure of the Zambian Budget. Some candidates merely listed them and not explaining each one of them. Some candidates were unable to even list them, they offered an explanation of other functional categories unrelated to the Zambian Budget.

### **QUESTION TWO**

The general performance on this question was excellent. 3 of the 3 candidates that attempted the question managed to obtain at least 10 marks out of a total of 20 available marks. A pass rate of 100% was recorded. The highest score was 13 out of 20 marks while the lowest was 10.

Part (a) of this question required the candidates to evaluate the financial viability of the road construction by the Government using Scenario analysis. The financial information provided in the question were the possible outcomes and their probabilities. What was then required was for the candidate was to calculate the expected values for each outcome i.e. Low, Medium, High and Highest. The outcomes were provided in form of NPV(k'm).

Some candidate's common mistakes were that the expected values were not calculated, though some of these candidates offered an explanation and decision which was not from the evaluation.

Part (b) of this question required candidates to differentiate foreign project grants, programme and project loans as sources of foreign financing. Some candidates failed to explain the difference between foreign project grants and programme and project loans as sources of foreign financing. Some only described the Project grants and omitted to explain the project loans. It was further noted that some candidates who indicated that they have answered this question, when in reality did not. The reason could be that they probably lack adequate time as they spent more allotted time to responding to the other selected questions.

Part (c) of this question required the candidates to explain the constraints on relying entirely on foreign borrowing as a major source of Government financing. Whereas this question was clear, some candidates failed to explain clearly these constraints. This could probability be due to inappropriate time allocation.

### **QUESTION THREE**

The general performance on this question was very poor. 1 of the 4 candidates that attempted the question managed to obtain at least 10 marks out of a total of 20 available marks. A pass rate of 25% was recorded. The highest score was 10 out of 20 marks while the lowest was 7.

Part (a) required candidates to explain the key sources of financing for RTD municipal council and external revenue which it can utilize for the rehabilitation of the stadium while part (b) required them to discuss the concept pf market failure and how government can respond to correct it. Candidates did not include recurrent and capital grants for general purposes when discussing the term GRANTS. The candidates did not also include local government equalization fund and constituency development fund.

Some candidates were unable to adequately explain the term market failure. Reasons for market failure were also not well explained. Candidates did not seem to understand reasons for market failure. Government response to market failure was not well explained. A lot of points were left out. Candidates did not have enough convincing points as government response to market failure.

### **QUESTION FOUR**

The general performance on this question was very poor. 0 of the 1 candidate that attempted the question managed to obtain at least 10 marks out of a total of 20 available marks. A pass rate of 0% was recorded. The highest score was \_ out of 20 marks while the lowest was 2.

Part(a) required candidates to explain the circumstances which led to the introduction of public expenditure trucking surveys (PETS) while part (b) required them to explain the six (6) stages involved in PETS implementation. Part (c) asked candidates to explain how SIGMA principles can be used to provide a comprehensive assessment of public financial management. Circumstances leading to introduction of PETS not well explained in most cases. The six (6) stages involved in PETS implementation were equally not well explained. This goes to show that candidates do not

understand fully what PETS is all about. Explanation of SIGMA principles left much to be desired. Candidate was not able to provide a comprehensive assessment of public financial management.

### **QUESTION FIVE**

The general performance on this question was very good. 3 of the 4 candidates that attempted the question managed to obtain at least 10 marks out of a total of 20 available marks. A pass rate of 73% was recorded. The highest score was 10 out of 20 marks while the lowest was 0.

Part (a) required candidates to explain the classification of the boards attitudes to risk with associated range of models. Part(b) asked candidates assess how ZASKO Ltd board might decide on the best option for an investment. Part (c) required candidates to explain the meaning of fiscal risk and the key reports that the IMF recommends government to produce o the risks to their fiscal prospects.

Classification of attitude towards risk under four types was poorly done. Candidates failed to distinguish among the following;

- (i) Risk seeker
- (ii) Risk averse
- (iii) Risk averse
- (iv) Risk neutral

The explanation on what fiscal risk is was poorly explained. Candidates could not clearly distinguish the various types of fiscal risks, i.e. macroeconomic,

### **Overall performance of candidates**

- i. Highest mark obtained in this paper: 55%
- ii. Lowest mark obtained in this paper: 38%
- iii. Overall pass rate in this paper: 75%

This question required candidates to prepare the consolidated statement of financial position as at 31 st December 2022. The question had one parent entity and two subsidiaries. This was a 40-mark question and tested candidates on Consolidated Statement of Financial Position and changes in group structure. This question was fairly moderate and almost all candidates attempted this question.

The most common mistakes made by the candidates:

It was generally well answered by candidates who had full grips of the principles of consolidation. However, a number of candidates scored poorly. Loss of marks was mainly due to the following common mistakes:

- i. Not showing all the workings. Some candidates simply showed consolidated figures for property, plant and equipment and other items of the statement of financial position without showing how they were arrived at. Marks were lost especially where their consolidated figures were incorrect.
- ii. Including subsidiary's share capital in consolidated statement of financial position. Candidates should bear in mind that only parent's share capital is part of consolidated statement of financial position.
- iii. Failed to conduct impairment review on both subsidiaries (CGUs).
- iv. The information for the computation of Goodwill was straight forward yet most candidates could not do it. Few students measured NCI using the fair value of the net assets at acquisition" (i.e. proportionate/partial method) despite note (1 and 4) of the question clearly stated that "it is group policy to initially measure Non-controlling interests on the acquisition at fair value (the full goodwill method) in respect of all its acquisition.
- v. Improper treatment of the fair value adjustments for property plant and equipment was observed in most scripts.
- vi. Most students failed to account for the reversal of re-measurement gains on fair value through profit or loss.
- vii. Though fundamental to preparing consolidated financial statements, some candidates still lack understanding of the concept of equity as a residual interest in a company's assets after taking all liabilities and the fundamental principles of consolidation. Once assets and liabilities at the acquisition date have been recognised and pre-acquisition equity already subsumed in goodwill, pre-acquisition equity (stated capital and all pre-acquisition reserves) of the subsidiaries cannot be recognised again. Some candidates were still consolidating these pre-acquisition equity items.
- ix. Majority of candidates failed to compute movement on equity arising from acquisition of additional and disposal of equity shareholding in subsidiaries.