



DECEMBER 2022 EXAMINATIONS

CHIEF EXAMINERS REPORTS

CHARTERED ACCOUNTANT ZAMBIA

SUBJECT: CA 1.1 – FINANCIAL ACCOUNTING

QUESTION ONE

The general performance on this question was fair. 68 out of the 147 candidates that attempted the question passed (got at least 10 out of the total 20 marks available). The pass rate recorded was 46.2%. The highest mark scored on this question was 18 out of 20 and the lowest was 2 out of 20.

This question had ten (10) multiple choice parts. Candidates must prepare themselves adequately in order to handle multiple questions.

QUESTION TWO

The general performance on this question was very poor. 26 out of the 143 candidates that attempted the question passed (got at least 10 out of the total 20 marks available). The pass rate recorded was 18%. The highest mark scored on this question was 20 out of 20 and the lowest was 0 out of 20.

Part "a" required candidates to prepare a trial balance from a given list of balances. Well prepared candidates managed to obtain all the marks available. A few candidates were putting sales returns of K6,300 on the credit side instead of the debit column.

Part "b" required candidates to prepare a suspense account from the given errors. Candidates had problems in identifying errors affecting the suspense account and those errors which had no effect to the suspense account: when dealing with correction of Errors, candidates are encouraged to use Journal proper as a way of structuring their thinking on double entry system.

Part "c" (i) required candidates to prepare the capital accounts to account for admission of a new partner. Candidates had difficulties in dealing with revaluation and devaluation of assets on admission. Candidates are encouraged to use the net figure i.e. Revaluation minus Devaluation value before sharing the net surplus using the old profit sharing ratios. $(140,000 - 40,000) \div 2 = K50,000$ for each old partner. The Goodwill also proved difficult to deal with. On creating Goodwill, old partners are credited with K75,000 each using old profit sharing ratio but on writing off the goodwill, all partners participate using the new agreed profit sharing ratio by debiting each partner's capital account with K50,000. Another common error under the capital accounts was that of omitting narrations or text. Candidates were just putting figures without name of the account or balances b/f.

Part "c" (ii) required candidates to prepare the appropriation Account for old partners for the half-year ended 30 June 2021. The follow through principle helped those candidates who attempted it.

QUESTION THREE

The general performance on this question was good. 64 out of the 104 candidates that attempted the question passed (got at least 10 out of the total 20 marks available). The pass rate recorded was 61.5%. The highest mark scored on this question was 16 out of 20 and the lowest was 0 out of 20.

Part "a" (i) required candidates to explain the difference between Capital Expenditure and Revenue Expenditure. This part was well answered.

Part "a" (ii) required candidates to calculate the cost of the building for initial recognition. This was well answered.

Part "a" (iii) required candidates to explain the difference between depreciation of an asset and the impairment of an asset as it would apply to the new building. Depreciation was well defined but impairment was not. Impairment means sudden loss of carrying value due to unforeseen circumstances.

Part "b" (i) required candidates to calculate the accumulated fund at start for a club. It was well answered.

Part "b" (ii) required candidates to prepare the subscriptions account. The common error was to transpose the opening balances. Subs in advance at start must be credited while subs in arrears should be debited at start.

Part "b" (iii) required candidates to prepare receipts and payments account. This was well answered.

QUESTION FOUR

The general performance on this question was very poor. 12 out of the 51 candidates that attempted the question passed (got at least 10 out of the total 20 marks available). The pass rate recorded was 23.5%. The highest mark scored on this question was 19 out of 20 and the lowest was 0 out of 20.

This question was very unpopular as only 47 candidates attempted it.

Part "a" required candidates to prepare a journal to establish the sole trader's capital figure at the start of the year. Those who attempted it got all available marks.

Part "b" required candidates to prepare a statement of profit or loss account. Candidates failed to calculate the sales figure and purchases figure accounting for half of the marks available for

this part. Candidates are encouraged to adequately cover the incomplete records of the syllabus.

Part "c" required candidates to calculate the closing balances on the bank and cash accounts. The candidates are encouraged to use the formula of opening balance plus receipts minus payments.

QUESTION FIVE

The general performance on this question was very good. 98 out of the 131 candidates that attempted the question passed (got at least 10 out of the total 20 marks available). The pass rate recorded was 74.8%. The highest mark scored on this question was 20 out of 20 and the lowest was 1 out of 20.

Part (a) required candidates to prepare the adjusted cash book for the month of September 2021. No particular difficulty was observed. Many candidates obtained full marks available.

Part (b) required candidates to prepare a bank reconciliation statement. Candidates had no problems and good answers were made available for marking.

Part (c) required candidates to state two (2) reasons for preparing bank reconciliation statements on a regular basis. This was well answered by candidates.

QUESTION SIX

The general performance on this question was excellent. 118 out of the 144 candidates that attempted the question passed (got at least 10 out of the total 20 marks available). The pass rate recorded was 81.9%. The highest mark scored on this question was 19 out of 20 and the lowest was 4 out of 20.

Part (a) required candidates to prepare the statement of Profit or Loss for the year. The question was generally answered well. Few candidates transposed figures for returns on purchases and sales i.e. K42,820 was subtracted from purchases and K18,800 was subtracted from sales. Another common mistake was on prepaid insurance. Many candidates subtracted the total K16,000 from K20,000. The only prepayment was K8,000 ($16,000 \times \frac{6}{12}$).

Part (b) required candidates to prepare a statement of Financial Position. Candidates had challenges on establishing the correct bank overdraft.

OVERALL PERFORMANCE OF CANDIDATES:

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

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

Overall pass rate in this paper **51%**

SUBJECT: CA 1.2 – BUSINESS STATISTICS

QUESTION ONE

The general performance on this question was very good. 71 out of the 97 candidates that attempted the question passed (got at least 10 out of the total 20 marks available). The pass rate recorded was 73%. The highest mark scored on this question was 16 out of 20 and the lowest was 2 out of 20.

This was a multiple choice compulsory question. The performance was good on this section.

QUESTION TWO

The general performance on this question was good. 62 out of the 95 candidates that attempted the question passed (got at least 10 out of the total 20 marks available). The pass rate recorded was 65.3%. The highest mark scored on this question was 20 out of 20 and the lowest was 0 out of 20.

Candidates were required to use the given data to find the regression line and to estimate the value of y when $x = 6$. Further, the candidates were required to calculate and interpret the correlation coefficient of the data. It was observed that the performance in this question was good, candidates had less challenges in solving the given questions. Those that lost marks on this part of the question made computational errors.

QUESTION THREE

The general performance on this question was good. 29 out of the 57 candidates that attempted the question passed (got at least 10 out of the total 20 marks available). The pass rate recorded was 50.1%. The highest mark scored on this question was 18 out of 20 and the lowest was 0 out of 20.

Part (a) of the question required candidates to classify the given scenarios as discrete or continuous. Most candidates were able to classify the scenarios correctly.

Part (b) The question required candidates to use the given data to construct a pie chart. Most of the candidates were able to compute the angles required to draw the pie chart. It was observed that some candidates were converting to percentages instead of angles hence they lost marks.

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

QUESTION FOUR

The general performance on this question was good. 46 out of the 89 candidates that attempted the question passed (got at least 10 out of the total 20 marks available). The pass rate recorded was 51.6%. The highest mark scored on this question was 20 out of 20 and the lowest was 0 out of 20.

Part (a) required candidates to use the normal distribution to calculate the probabilities and it was observed that most candidates were able to use the normal probability distribution concept correctly. However, some candidates could not arrive at the correct probabilities due to inability of using the normal distribution tables correctly.

Part (b) had ungrouped data and candidates were required to find the average, the median, first and third quartile and quartile deviation. A good number of candidates successfully solved this problem, except for a few who were not getting the correct quartile deviation.

QUESTION FIVE

The general performance on this question was very good. 67 out of the 88 candidates that attempted the question passed (got at least 10 out of the total 20 marks available). The pass rate recorded was 76.1%. The highest mark scored on this question was 20 out of 20 and the lowest was 1 out of 20.

Part (a) of the question required candidates to classify the given scenarios as qualitative or quantitative. Most candidates were able to classify the scenarios correctly.

Part (b) had grouped data and candidates were required to find the average, the range, variance, standard deviation and coefficient of skewness. A good number of candidates successfully solved this problem, except for a few who were not getting the correct standard deviation.

QUESTION SIX

The general performance on this question was excellent. 47 out of the 57 candidates that attempted the question passed (got at least 10 out of the total 20 marks available). The pass rate recorded was 82.4%. The highest mark scored on this question was 20 out of 20 and the lowest was 0 out of 20.

Part (a) required candidates to compute probabilities based on Normal distributions. It observed that candidates were able to find the correct probabilities and using the correct procedure. A few who failed had wrong probability figures from probability tables, perhaps emphasis should be made on how to read probabilities on probability tables.

Part (b) of the question required candidates to use a multiplicative model to find the trend and five-day moving average seasonal variation for the given time series data. The performance on this part of the question was good. Candidate demonstrated good knowledge of the topic.

Overall performance of candidates

Highest mark obtained in this paper: **89%**
Lowest mark obtained in this paper: **17%**
Overall pass rate in this paper: **72.2%**

SUBJECT: CA 1.3 – BUSINESS ECONOMICS

QUESTION ONE

The general performance on this question was very good. 78 out of the 100 candidates that attempted the question passed (got at least 10 out of the total 20 marks available). The pass rate recorded was 78%. The highest mark scored on this question was 18 out of 20 and the lowest was 2 out of 20.

This was a compulsory Multiple Choice question made up of ten (10) questions each worth 2 marks.

QUESTION TWO

The general performance on this question was good. 60 out of the 98 candidates that attempted the question passed (got at least 10 out of the total 20 marks available). The pass rate recorded was 61.2%. The highest mark scored on this question was 19 out of 20 and the lowest was 0 out of 20.

This was another compulsory question.

- (a) Required candidates to complete the given table for Total Cost (TC), Marginal Cost (MC), Average Fixed Costs (AFC) and Average Total Costs (ATC). Majority of the candidates performed well. The common errors included not applying the formula correctly. Many failed to calculate the correct values for mc because they could divide by 10, since the change in quantity was not 1 but 10 throughout. Further, mathematically, average costs for quantity 0 gives infinity (∞) which we indicate with a dash (-) but not 0. Finally, some candidates couldn't get full credit because some entries were missing. Marks are allocated entry by entry for such questions.
- (b) Candidates were required to explain the behavior of average fixed cost. Those that calculated the correct values in (a) would have seen how the figures were reducing as more and more units were produced. Some candidates stated its behavior instead of explaining it (why that behavior).

- (c) Candidates were required to calculate how many units the firm need to sell in order to maximize profits and what that maximum profit was. This was poorly done. Candidates needed to know that the condition for profit maximization is $MR = MC$, and that profit = $TR - TC$. These need to have been stated as a starting point. Since the price = $MR = K100$ was given, we simply need to check at how many units would $MC = K100$ also.

QUESTION THREE

The general performance on this question was very good. 60 out of the 98 candidates that attempted the question passed (got at least 10 out of the total 20 marks available). The pass rate recorded was 61.2%. The highest mark scored on this question was 19 out of 20 and the lowest was 0 out of 20.

- (a) Candidates were asked to outline five (5) characteristics of a perfectly competitive firm. Overall performance on this [part question was good.
- (b) Candidates were asked to state the condition for profit maximization under perfect competition. Many were able to state $MR = MC$ but could include P , that is, $MR = P = MC$.
- (c) Required candidates to demonstrate their understanding of demand and supply analysis. Performance was fair. However, the common weaknesses included poor graphs, lack of explanation note to the graph. Some candidates drew on demand or supply curves for each. Demand and supply analysis is about equilibrium. Candidates must have drawn the initial equilibrium, the determine which curve would shift and to which direction. Once this is done then an explanation of the new equilibrium quantity and price would be clear.

QUESTION FOUR

The general performance on this question was poor. 32 out of the 84 candidates that attempted the question passed (got at least 10 out of the total 20 marks available). The pass rate recorded was 38%. The highest mark scored on this question was 18 out of 20 and the lowest was 0 out of 20.

- (a) Candidates were asked to explain any three functions of money except Medium of exchange. Fair performance though some candidates included Medium of exchange or related answers which still talks about money as a medium of exchange! This was surprising to the Markers.
- (b) Candidates were asked to describe three motives for demand for money. Performance was poor from week candidates. What was needed were three reasons as given by J.M. Keynes why people would hold cash (demand for money) as opposed to other assets. Some candidates repeated the three functions of money.
- (c) Required candidates to demonstrate to depict graphically equilibrium in the money market. Overall performance was poor. Many candidates drew the Demand for money as a downward sloping curve but failed to draw the supply of money correctly. The supply curve in the money market is a horizontal straight-line because it is determined by authorities.
- (d) Required candidates to explain how a reduction in money supply would affect the market rate of interest in the short run. The performance was fair. The key was that a reduction

implied a leftward shift in the supply curve which would automatically lead to increase in the market rate of interest.

QUESTION FIVE

The general performance on this question was good. 41 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 53.9%. The highest mark scored on this question was 20 out of 20 and the lowest was 0 out of 20.

- (a) Candidates were asked to draw the Circular Flow of income. The major weakness was very poor graphs, with poor labeling, no arrows showing the flow, etc. Some candidates included the government sector as well as financial institutions and the foreign sector which were not required, Candidates are advised to read the questions well and address the specific requirements of that question.
- (b) Candidates were asked to explain how what is payments to households represents income for the firms, and vice versa. The question simply required explaining the circular flow of income diagram drawn in (a).
- (c) Required candidates to explain the three methods of measuring national income as depicted by the Circular Flow of Income diagram. This was well answered.
- (d) Required candidates to explain the meaning of GNP per capita. Majority of the candidates failed to get this one right. Some could explain GNP correctly but it ended there. GNP per Capita is simply GNP divided by the population of that country.

QUESTION SIX

The general performance on this question was poor. 17 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 41.4%. The highest mark scored on this question was 20 out of 20 and the lowest was 0 out of 20.

- (a) Candidates were asked to define the term economic growth. This was well answered by majority of candidates.
- (b) Candidates were asked to describe the current account and capital account of the balance of payments. Majority of candidates has challenges describing what constitute the capital account. Still others, explained the current account operated by a bank client! Candidates are urged to cover the entire syllabus when preparing for exams
- (c) Required candidates to outline any three advantages and disadvantages of a flexible exchange rate system. Performance was fair though some candidates seemed not to know what a flexible exchange rate regime is all about. This is a system where the market forces of demand and supply determine the exchange rate. Once this is appreciated, the attendant advantages and disadvantages become clear.

Overall performance of candidates

Highest mark obtained in this paper: **81%**
Lowest mark obtained in this paper: **11%**
Overall pass rate in this paper: **63%**

SUBJECT: CA 1.4 – COMMERCIAL AND CORPORATE LAW

QUESTION ONE

The general performance on this question was very good. 147 out of the 190 candidates that attempted the question passed (got at least 10 out of the total 20 marks available). The pass rate recorded was 77.4%. The highest mark scored on this question was 18 out of 20 and the lowest was 4 out of 20.

The question was a multiple choice question with questions coming across the syllabus.

QUESTION TWO

The general performance on this question was fair. 98 out of the 190 candidates that attempted the question passed (got at least 10 out of the total 20 marks available). The pass rate recorded was 51.5%. The highest mark scored on this question was 18 out of 20 and the lowest was 2 out of 20.

- (a) The question required students to demonstrate understanding of a contract of Sale. Defining this type of contract needed a student who fully understands the difference between this contract and the rest of other contracts. The performance under this part was average as most students could not distinguish this contract from other contract. This was a clear sign that students were not ready for this topic or failed to understand what the question demanded. Notwithstanding the not so good understanding of the topic, roughly 80% managed to pass this question. Students should read more on this topic as it is always examined on. Students should further develop a habit of studying to know not for exams as that would enable students to tackle any question that would be asked in the exam.

- (b) This question required students to distinguish a warranty from a guarantee. Most students got this question right. The topic from where the questions were generated is always an examinable topic hence the need for students to always acquaint themselves with it.
- (c) The question required students to define a credit Sale agreement. Most students failed to define it, let alone bring out a feature of it. Again, for the future, students are encouraged to study all topics for understanding purposes and not just for passing the exam.
- (d) This question was also based on the Sale of Goods Act. Candidates were required to show their understanding of obligations of parties under this contract. Most candidates were able to handle this question with ease whereas the few who missed it clearly had no idea on what the question needed, probably due to selective study and lack of understanding of the topic. A good number of candidates got this question correctly. For the future, candidates are encouraged to emulate their colleagues by studying hard and make use of the Zica manuals.

QUESTION THREE

The general performance on this question was excellent. 148 out of the 172 candidates that attempted the question passed (got at least 10 out of the total 20 marks available). The pass rate recorded was 86%. The highest mark scored on this question was 18 out of 20 and the lowest was 2 out of 20.

This was a two-part question. The first part was a scenario question and it required the students to give legal advice. 100% of the students got it wrong, they do not seem to know how to answer situational question. They could not marry the legal principles to the facts in the scenario; future students should be taught how to do that. The second part required students to explain means of terminating an offer, students did well except for a few who mixed it up with the means of terminating a contract. Future students should be helped to distinguish the two.

QUESTION FOUR

The general performance on this question was excellent. 141 out of the 164 candidates that attempted the question passed (got at least 10 out of the total 20 marks available). The pass rate recorded was 85.9%. The highest mark scored on this question was 20 out of 20 and the lowest was 2 out of 20.

This question was on Tort Law. There was no problem with the question and candidates understood it very well. Future candidates must read the syllabus widely so that they get each angle a question comes from.

QUESTION FIVE

The general performance on this question was very good. 82 out of the 122 candidates that attempted the question passed (got at least 10 out of the total 20 marks available). The pass rate recorded was 67.2%. The highest mark scored on this question was 18 out of 20 and the lowest was 1 out of 20.

- (a) The question was centered on the Law of agency. Students were expected to explain how agency is created at Law. This question was attempted by about 90% of students. Most of them got the answer correct, an indication that students understood the question and the topic. For the future students are encouraged to read and understand topics bordering on business associations and the Law of agency as this area is highly examinable.
- (b) This part was a continuation of agency law. It required students to exhibit knowledge of rights and obligations of parties to agency contracts. Most candidates who answered this question performed quite well an indication, that the candidates were quite familiar with this topic. For the future candidates are encouraged to study the topic in full.

QUESTION SIX

The general performance on this question was very good. 84 out of the 107 candidates that attempted the question passed (got at least 10 out of the total 20 marks available). The pass rate recorded was 78.5%. The highest mark scored on this question was 16 out of 20 and the lowest was 2 out of 20.

This was a three-part question. The first part required the students to explain the tort of strict liability, *res-ipsa loquitur* and contributory negligence. 60% of the students were able to explain all the terms correctly. However, 40% had challenges especially on strict liability where they failed to distinguish between strict liability and negligence. The second part required the students to define illegal partnership at law and most of them understood the question save for a few. The third part required the students to distinguish issued capital from unissued capital and the performance of the students on this was good.

Overall performance of candidates

Highest mark obtained in this paper: **79%**
Lowest mark obtained in this paper: **24%**
Overall pass rate in this paper: **83.2%**

SUBJECT: CA 1.5 - MANAGEMENT THEORY AND PRACTICE

QUESTION ONE

The general performance on this question was poor. 20 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 25.6%. The highest mark scored on this question was 14 out of 20 and the lowest was 0 out of 20.

This was a multiple choice question.

QUESTION TWO

The general performance on this question was very poor. 13 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 16.6%. The highest mark scored on this question was 20 out of 20 and the lowest was 0 out of 20.

This was a scenario based compulsory question which was attempted by all the candidates and had four (4) parts: (a), (b), (c) and (d). From a total of 78 candidates who attempted this question only 13 (16.7%) got over 50% passing mark representing a failure rate of 83.3% Part (a) asked the candidates to define efficient and effectiveness in relation to the process of management.

Most candidates got this part wrong. Many lost marks because they could not differentiate between efficient and effectiveness.

Part (b) requested the candidates to state what principles of the Hawthorne's studies demonstrated to be true.

Majority of candidates did not answer this part correctly and could not recognize the Hawthorne's studies

Part (c) asked candidates to differentiate between open system and closed system.

Most of the candidates got this wrong and appeared not to have a clue at all.

Part (d) asked candidates to briefly differentiate between the external and internal environments organizations face and why they are important.

Most candidates got some marks from this part of the question but many did not explain why the environments are important for the organization.

QUESTION THREE

The general performance on this question was excellent. 51 out of the 57 candidates that attempted the question passed (got at least 10 out of the total 20 marks available). The pass rate recorded was 89%. The highest mark scored on this question was 20 out of 20 and the lowest was 0 out of 20.

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

Part (a) required candidates explain the 3 levels of strategy in an organization
Most candidates answered correctly.

Part (b) asked candidates to explain how SWOT model is used to analyze the organizations competitive position
Most candidates managed to define the components of the SWOT model but failed to get full marks because they could not explain the use.

Part (c) asked candidates identify the model used to analyze the External changing environment.
Most candidates got this part of the question correctly.

QUESTION FOUR

The general performance on this question was very good. 44 out of the 65 candidates that attempted the question passed (got at least 10 out of the total 20 marks available). The pass rate recorded was 67.7%. The highest mark scored on this question was 19 out of 20 and the lowest was 0 out of 20.

This question had three parts: (a), (b) and (c). Part (a) required candidates to list four functions of management according to Henri Fayol Most candidates got the answers correctly.

Part (b) required candidates to identify 6 principles of good governance
Majority of the candidates managed give only 3 principles. This shows lack of preparedness on the candidates.

Part (c) required candidates to identify 4 points to consider in managing ethics at workplaces.
Candidates must study this topic to understand well. Most of them lost marks because they were using common knowledge in answering.

QUESTION FIVE

The general performance on this question was good. 31 out of the 53 candidates that attempted the question passed (got at least 10 out of the total 20 marks available). The pass

rate recorded was 58.5%. The highest mark scored on this question was 20 out of 20 and the lowest was 0 out of 20.

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

Part (a) required candidates to outline any five (5) theories of motivation and stating their pioneers.

Most candidates failed to match the motivation theories with their pioneers and this made them too loose marks

Part (b) required candidates to discuss the five (5) key Leadership skill.

Almost all the candidates who attempted this question were able to get good marks.

QUESTION SIX

The general performance on this question was very good. 45 out of the 57 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 0 out of 20.

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

Part (a) asked candidates to explain 5 impacts of globalization on the firm and;

Part (b) asked candidates to state 5 features of globalization and their impact to the world today.

Both question were fair to the candidates and only a few failed to understand the concept of globalization and could not give clear answers.

Overall performance of candidates

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

Lowest mark obtained in this paper: **12%**

Overall pass rate in this paper: **59%**

SUBJECT: CA1.6 - BUSINESS COMMUNICATION

QUESTION ONE

The general performance on this question was good. 44 out of the 79 candidates that attempted the question passed (got at least 10 out of the total 20 marks available). The pass rate recorded was 55.7%. The highest mark scored on this question was 18 out of 20 and the lowest was 2 out of 20.

This was a multiple choice question where candidates were required to select the best option among the given ones.

QUESTION TWO

The general performance on this question was good. 42 out of the 79 candidates that attempted the question passed (got at least 10 out of the total 20 marks available). The pass rate recorded was 53.2%. The highest mark scored on this question was 19 out of 20 and the lowest was 0 out of 20.

This was a compulsory question. This question required candidates to:

- (a) Explain what pie charts may be used for in company operation.
- (b) Explain how one can produce a neat pie chart without using a computer.
- (c) Using some of the figures for projects as indicated in the table that was Provided;
 - (i) Work out the values of each project for the purpose of a pie chart
 - (ii) Draw a pie chart to represent the portions of the organization projects.

Common mistakes observed were:

- (a)
 - Most candidates presented advantages of Pie Charts.
 - Failure to attempt this question.
 - Functions of a bar chart or a graph were presented as answers Instead of a Piechart
 - Mostly wrong content was presented on this question
- (b) Wrong description of how one can produce neat Pie Charts without using a Computer.
 - Some candidates described how a neat Pie Chart can be used using a Computer which was not supposed to be the case.
- (c) i Failure to calculate the correct values of each project for the purposes of a Pie Chart.
- (c) ii Bar charts and tables were drawn instead of a Pie chart
 - Untidy work was presented.
 - Incorrect Pie Charts were presented as answers

QUEWSTION THREE

The general performance on this question was fair. 19 out of the 40 candidates that attempted the question passed (got at least 10 out of the total 20 marks available). The pass rate recorded was 47.5%. 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) Mention any three (3) things that make Transaction Processing Systems vital in an organization.
- (b) Explain why the clock speeds of the CPU and the size of the RAM critically affect the software that can be used on the system.
- (c) Briefly explain what each of these application controls; input controls, processing controls, and output controls from a given scenario in the question.

The following were observed as common mistakes:

- (a) Some students did not understand the vital things that make transaction processing system in an organization.
- (b) Candidates explained clock speed and CPU and size of the RAM well, but made wrong references or examples of RAM critically affecting the software used on the system.
- (c) Inappropriate explanation of the given controls, instead, genetic responses were provided instead of focusing the explanation on the context given.

QUESTION FOUR

The general performance on this question was excellent. 64 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 90.1%. The highest mark scored on this question was 18 out of 20 and the lowest was 4 out of 20.

Candidates in this question required to:

- (a) State any three (3) do's and three (3) don'ts of password usage.
- (b) Explain the use of the following spreadsheet functions:
 - =Today ()
 - =Count ()
- (c) Briefly explain the meaning and significance of `antivirus software
- (d) List any four (4) functions of the DBMS

The following were some of the common mistakes that were observed:

- (a) some candidates explained the security use and advantages of using a
- (b) Password which was not supposed to be the case.
- (c) Most candidates had wrong explanation on the given spreadsheets
- (d) There was simply guess work on the spreadsheet functions.

(e) Some candidates listed advantages of DBMS instead of its functions.

QUESTION FIVE

The general performance on this question was good. 32 out of the 54 candidates that attempted the question passed (got at least 10 out of the total 20 marks available). The pass rate recorded was 59.3%. 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) Explain the following meeting terminologies;

- (i) Deliberations
- (ii) Minutes
- (iii) Quorum
- (iv) Agenda
- (v) Adoption

(b) Prepare a standard agenda for a meeting that will be held for the first time by the debt collection committee from a given scenario.

The common errors observed on this question were:

- (i) -Wrong explanations on the meeting terms given in the question
 - Mixing up of meeting terminologies.
 - Repeated answers
 - Failure to attempt the question
- (ii) -Agenda Items were explained instead of just listing them
 - Failure to arrange the agenda items in order.
 - Presented different agenda items which were not in line with the given question.
 - Notice for a meeting or minutes were presented as answers.
 - The procedures for conducting a meeting were presented instead of an agenda.
 - Prepared a program, with time attached to each activity.

QUESTION SIX

The general performance on this question was excellent. 66 out of the 70 candidates that attempted the question passed (got at least 10 out of the total 20 marks available). The pass rate recorded was 94.3%. The highest mark scored on this question was 20 out of 20 and the lowest was 2 out of 20.

This question required candidates to:

- (a) Write a correct memo on behalf of Mr. Banda to the intended target from a given Scenario in the question and include measures to be put in place to address the late coming problem.
- (b) Explain the following parts of a Memo:
 - (i) Subject
 - (ii) Message

The following were observed as common mistakes:

- (a)
 - Wrong format / layout was used by most candidates
 - Failure to include measures to be put in place as a way to resolve a problem given in a scenario in the question.
 - Wrong content which did not match the scenario provided in the question.
 - Misplacing of Memo elements in the answers.
 - Illogical presentation of the message in the memo.
- (b)
 - Failure to explain given parts of a letter.
 - Wrong explanations on the given parts of a letter.
 - Failure to attempt this question.
 - Repeated answers

Overall performance of candidates

Highest mark obtained in this paper: **84%**
Lowest mark obtained in this paper: **21%**
Overall pass rate in this paper: **70.9%**

SUBJECT: CA 2.1 – FINANCIAL REPORTING

QUESTION ONE

The general performance on this question was poor. 22 out of the 100 candidates that attempted the question achieved a pass (that is a score of at least 20 out of 40 marks), representing a pass rate on the question of 22%. The lowest score was 1, whilst the highest was 27 out of the available 40 marks.

Being a compulsory question, all the 100 (100%) attempted the question.

The question required candidates to do:

Part (a) of the question required candidates to prepare a consolidated statement of financial position from a set of separately prepared statements of financial position for the parent company and a subsidiary. The information provided included about shares recently acquitted in an associate company also.

Part (b) of the question required candidates to comment of the ethics and professional conduct of officers of a company facing three different scenarios.

Performance on Part (a) of the question was below average for most of the candidates. Common mistakes included failure to correctly reverse entries for the sale of plant and account for unrealized profit and depreciation. Candidates also could not understand what entries to make in respect of the deferred consideration despite being told that correct entries had been made. A good number of candidates accounted for the deferred consideration as if it had not been processed. Whenever there is an adoption of accounting standards applied by the parent company, reversing entries become necessary and candidates must be sure of the required double entry. Most answers were a memorized set of figures with no bearing to the double entry learnt at lower levels of the programme.

QUESTION TWO

The general performance on this question was very good. 65 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 78% was recorded. The highest score was 20 out of 20 marks while the lowest was 1.

What the question required candidates to do:

This was a published question with two sub-questions: (a) preparation of the entity statement of profit or loss, (b) preparation of the entity statement of changes in equity and (c) preparation of the statement of financial position.

The question had accompanying notes on various IFRSs that needed to be adjusted for. Generally, most candidates performed well in this question.

In part (a) it seemed most candidates did not read the instruction relating to where to take depreciation/amortisation (cost of sales). The question guided the basis of allocating depreciation to cost of sales, distribution expenses and administrative expenses.

Even though this is a predictable type of question for this examination, most of the candidates did not perform well due to:

- i. Failure to calculate depreciation charge correctly.
- ii. Failure to identify that revaluation was at the beginning of the financial period.
- iii. Failure to calculate revaluation surplus correctly.
- iv. Failure to calculate the number of useful life remaining at the date of revaluation.
- v. Other allocated revaluation to plan and equipment when it is property (Land and Building) that was revalued.
- vi. 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.
- vii. Not showing all necessary workings by simply dropping compound figures in the statement of profit or loss without showing how these were derived.
- viii. Few candidates failed to amortise the license over ten years

QUESTION THREE

The general performance on this question was very poor. 5 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 9.6% was recorded. The highest score was 14 out of 20 marks while the lowest was 0.

This question had four (4) parts:

Part (a) required candidates to show the accounting treatment for the impairment of assets (Cash Generating Unit-CGU) (6 Marks).

Part (b) required candidates to describe the procedures an entity shall apply in selecting an accounting policy (5 Marks).

Part (c) required candidates to discuss the matters to consider in determining whether an investment in another company constitutes an associate status. (5 marks).

Part (d) required candidates to explain how the fundamental qualitative characteristics apply to the treatment of intangible assets.

The question was either poorly answered or not attempted at all. It appeared that many candidates had little or no knowledge of the technical areas which were tested.

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. The Financial Reporting examination requires a deep understanding and knowledge of the IFRSs and Conceptual Framework.

QUESTION FOUR

The general performance on this question was fair. 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 18 out of 20 marks while the lowest was 0.

A purely discursive question that required candidates to define and explain functional currency, monetary items and factors to consider in determining an entity's functional in accordance with IAS 21 Effects of Changes in Foreign Exchange Rates, and to distinguish between Public Sector and Private Sector entities.

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

The following are areas where marks were lost by candidates:

- i. Clearly, many candidates did not have the sound technical knowledge of IAS 21 which is a rarely examined standard in paper 2.1, Financial Reporting. Students are encouraged to spend some time to learn thematic areas of IAS 21 as this standard is likely to be re-examined in the near future.
- ii. Students still lack critical examination techniques needed in passing an examination such as tackling easy marks in areas that need minimal efforts such as "distinction between public sector and private sector entities" examined in this question where most candidates scored very low marks, an indication of neglecting this syllabus area.

Candidates are encouraged to study extensively and do a number of practice questions from both the revision kit and past examination questions on accounting standards, including IAS 21.

QUESTION FIVE

The general performance on this question was 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 18 out of 20 marks while the lowest was 0.

This was another optional mixed-bag question with three discursive sub-questions on selected syllabus areas of accounting ratios, goodwill and equity.

Candidates' performance on this question was very disappointing. Majority of them failed to compute ROCE using the alternative ratios of Profit margin x Total asset turnover; away from the traditional method of using assets and revenue figures.

Most candidates also failed to make technically correct comments regarding the entity's asset management efficiency and solvency situations based on data in the mini-scenario.

Surprisingly, in part (a), some candidates incorrectly described positive goodwill and negative goodwill as good name and bad name respectively.

In part (b), many candidates suggested wrong factors that could give rise to negative goodwill.

While many candidates correctly defined equity, a good number failed to “explain why the conceptual framework does not prescribe any recognition criteria for equity”. This is testimony of having superficial technical knowledge.

Overall performance of candidates

Highest mark obtained in this paper: **77%**

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

Overall pass rate in this paper: **23%**

SUBJECT: CA 2.2 - MANAGEMENT ACCOUNTING

QUESTION ONE

The general performance on this question was very poor. 5 out of the 90 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 5.5%. The lowest score was 1, whilst the highest was 26 out of the available 40 marks.

This was a compulsory question almost every candidate attempted it. This question was on budgeting.

Part (a) was asking candidates to calculate the flexible budget and it was poorly done. This part was left blank by a good number of candidates and those who attempted were using wrong units of 52,000 instead of 44,000 to flex the budget.

Sales revenue figure for flexible budget was wrongly calculated and we had materials, energy figures were totally wrongly computed, all in all a few candidates obtained meaningful marks on this part.

Part (b) required candidates explain why flexible budget showed different results from original budget. The answers again here were merely waffling, as candidates could not demonstrate clear understanding on why flexible budget shows different results from original budget. The common wrong answer was flexible budget is correct budget while original budget is incorrect budget.

Part (c) this part required candidates to state advantages of marginal costing. Many candidates got good marks but many provided common sense answers such as it is easy to prepare, it is easy to understand.

Part (d) (i) this part was well answered by the majority while others left it blank. A good number of candidates were able to calculate correctly the contribution and ranking correctly.

Part (d) (ii) this part was poorly answered and many of them did not know what to answer and ended up leaving it blank completely. The candidates failed to appreciate the opportunity cost in the scenario hence could not carry out comparisons.

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QUESTION TWO

The general performance on this question was poor. 39 of the 90 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 20 out of 20 marks while the lowest was 0.

Question Two examined the key features of the activity based costing (ABC) techniques, the advantages and disadvantages of adopting the ABC technique and the limitations of using the cost plus pricing method.

This question was very popular but not very well attempted. Common mistakes were:

- i. Explaining the ABC technique instead of describing the **features** of the ABC technique.
- ii. Stating that simplicity is an advantage. In fact, ABC is not simple to administer and understand
- iii. Failing to come up with sufficient limitations of the cost plus pricing method to earn all the six marks available.

QUESTION THREE

The general performance on this question was good. 37 of the 67 candidates that attempted the question managed to obtain at least 10 marks out of a total of 20 available marks. A pass rate of 55% was recorded. The highest score was 17 out of 20 marks while the lowest was 2.

Part (a)

Very few candidates were able to explain the treatment of cost elements. This exposed many to lack of knowledge in the topic of relevant costing. Candidates should appreciate relevant costs as it's the basis of short decisions.

Part (b)

Instead of candidates describing the reasons of investigating variances, they were listing the possible causes.

QUESTION FOUR

The general performance on this question was very poor. 5 of the 60 candidates that attempted the question managed to obtain at least 10 marks out of a total of 20 available marks. A pass rate of 8.3% was recorded. The highest score was 12 out of 20 marks while the lowest was 0.

This question examined the preparation of process costing accounts, the explanation of overhead costing terms and the three reasons of using the absorption costing method. The majority of the candidates did not go for the question and attempted question five instead. A poor attempt was made on this question. Common mistakes included.

- i. Not preparing statements of equivalent units
- ii. Dividing the process costs by the expected outputs rather than the equivalent units
- iii. Placing debits on the credit side and vice-versa
- iv. Putting units or Kg's under the values column, i.e. mixings quantities and values together and adding them up.
- v. Avoiding part (a) (process accounts) and attempting only parts (b) and (c)
- vi. In part (b), failing to define cost allocation and cost apportionment. Very few could do so. Allocated costs are identified as a whole to specific cost centres. Whereas apportionment costs are spread using a fair and equitable basis to cost centres. It follows that cost allocation is easier to do than cost apportionment.
- vii. Failing to explain the uses of absorption costing and coming of a lot of general uses. The expected answers were inventory evaluation, pricing and product profitability.

QUESTION FIVE

The general performance on this question was very good. 34 of the 67 candidates that attempted the question managed to obtain at least 10 marks out of a total of 20 available

marks. A pass rate of 50.7% was recorded. The highest score was 20 out of 20 marks while the lowest was 7.

Part (a)

Despite the examiner providing the formulae in this part, the application by the candidates was poor. Many candidates showed that they least expected this topic to be examined.

Part (b)

The BEP was well done in most cases. However, some candidates were failing to state the formula. Candidates should be reminded that marks are awarded for stating a formula that is not provided for in the exam.

Part (c)

The computation of BEP in sales revenue was equally done well. In some instances candidates failed to use the selling price as given in the question in order to arrive at the breakeven sales value.

Overall performance of candidates

Highest mark obtained in this paper: **67%**
Lowest mark obtained in this paper: **9%**
Overall pass rate in this paper: **25.6%**

SUBJECT: CA 2.3 – AUDITING PRINCIPLES AND PRACTICE

QUESTION ONE

The general performance on this question was poor. 60 out of the 206 candidates that attempted the question achieved a pass (that is a score of at least 20 out of 40 marks), representing a pass rate on the question of 29.1%. The lowest score was 1, whilst the highest was 35 out of the available 40 marks.

Part (a)

This part of the question required candidates to explain any four relevant financial statements related to inventory amount and to explain the audit objective.

The following observations were made:

- i. Some candidates discussed assertions that may not be relevant to the amount of inventory in the financial statements.
- ii. There were many candidates who wasted time by defining financial statement assertions which was not required by the question. Candidates needed to explain assertions related to inventory and explain these.
- iii. The question required a discussion of the audit objective for the assertions, a sizeable number of candidates did not answer this part of the question thereby losing the marks allocated to answering this part.
- iv. Some candidates explained general audit procedures instead of explaining financial statements assertions for inventory per question requirement.
- v. There were candidates who simply stated some assertions without any explanations and so got half the available marks.

Part (b)

This question had three parts which are related and good presentation is necessary to gain maximum marks. The solution could have been presented in tabular three column format clearly marking the three columns as (i)/ (ii)/ (iii) respectively. In general, the presentation was very poor making it difficult for the markers to relate the answers. In some cases, the answers to parts (ii) and (iii) bore no relationship to the controls suggested in (i).

The question required a suggestion of controls in part (i) and the control objective in part (ii) and finally the test of control in part (iii) and the order should be maintained or a columnar format will be appropriate.

The following were observed:

- i. Most candidates did not seem to know the distinction between controls, control objectives and tests of controls.
- ii. A number of candidates gave substantive tests instead of tests of controls signifying that they do not know the difference between these two types of procedures.
- iii. Some candidates gave general controls not related to the system in the question. The question was specific to mention the purchasing and stores systems of Luangwa Limited and so this is the system for which controls should have been suggested.

Part (c)

This was a question on audit procedures and required candidates to suggest 2 audit procedures each for each of the three assertions related to the figure of trade receivables.

- (i) Receivables
- (ii) Cut-off
- (iii) Completeness

The performance in this part on audit procedures was poor with a majority of candidates failing to give relevant audit procedures to test the assertions in the question. Candidates are reminded to ensure they understand the relationship between financial statement assertions and audit procedures.

The following were observed:

- i. Most candidates defined the assertions and gave no audit procedures. The thrust of the question was to test candidates if they know the audit procedures to test the assertions not to explain the meaning of the assertions.
- ii. Most candidates gave only one audit procedures instead of two as per question requirement and so got marks if only the one procedure is correct.
- iii. A minority of candidates gave procedures for inventory and yet the question was related to accounts receivables. For example, suggesting attendance at the inventory count for existence.
- iv. Some candidates gave general audit procedures with no consideration to the specific financial statements assertions in the question and no marks were given for doing this.

Part (d)

This part of the question required candidates to explain two audit procedures each for the additions and disposals of tangible non-current assets. The performance in this part was well above average.

- i. Despite the fact that the question required two audit procedures each for additions and disposals, candidates either gave procedures for addition or disposals only. The question was specific and candidates should follow the instructions and this resulted in loss of easy marks.
- ii. Some candidates gave general audit procedures that they could remember which had no relationship with additions and disposals.

QUESTION TWO

The general performance on this question was good. 91 of the 179 candidates that attempted the question managed to obtain at least 10 marks out of a total of 20 available marks. A pass rate of 50.8% was recorded. The highest score was 17 out of 20 marks while the lowest was 1.

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

Part (a)

This part of the question required candidates to comment on an argument by the Trainee Auditor that planning involves subjectivity and that there is a fair level of ignorance at the start of any audit.

The following observations were made:

- i. Many of the candidates simply agreed or disagreed with the statement by the Trainee Auditor without explaining.
- ii. A number of candidates simply repeated what is in the scenario without addressing the question requirement.

Part (b)

This was a knowledge based question requiring candidates to explain four benefits of planning an audit. The performance in this part was satisfactory with a majority of the candidates scoring maximum marks.

Part (c)

This part of the question required candidates to define audit risk and to also explain why the concept of risk based audit is important to auditors. The performance was below expectation and the following were observed:

- i. Some candidates addressed the first part of the question requiring an explanation of audit risk without attempting to address the second part of the question thereby losing the marks attributable to doing so.
- ii. Some candidates discussed the three components of audit risk instead of simply defining it as per question requirement.
- iii. Many candidates did not attempt to answer the second part of the question requiring candidates to explain the concept of risk based approach to auditing. Candidates are reminded to address bit requirements in multi requirement questions or risk losing easy marks.

Part (d)

This question had in the scenario four situations which candidates were required to explain the related audit risks and to also suggest suitable responses. Candidates needed to be skeptical and should have answered this question easily.

The following observations were made:

- i. The explanations of audit risks in the scenario were weak with little reference to the related financial statements assertions in the financial statements. Audit risk should be related to what figures could be misstated in the financial statements.
- ii. Most of the candidates did not suggest any suitable responses for the audit risks identified and explained and so lost the marks allocated to doing so.
- iii. Some candidates gave responses from the point of view of management instead of the auditors. Candidates are reminded that audit risk is from the point of view of the auditor and the objective is to reduce the audit risk to acceptable levels by applying suitable safeguards.

QUESTION THREE

The general performance on this question was fair. 57 of the 136 candidates that attempted the question managed to obtain at least 10 marks out of a total of 20 available marks. A pass

rate of 41.9% was recorded. The highest score was 19 out of 20 marks while the lowest was 1.

Part (a)

- (i) This question required candidates to define internal audit function. A majority of the candidates scored maximum marks. A few candidates explained internal audit function as external auditors!
- (ii) This part of. The question required simple evaluation of the information in the scenario to enable candidates to explain three deficiencies in the Internal Audit function of Sinda Limited.

The following observations were made:

- i. A majority of the candidates identified the deficiencies but could not satisfactorily explain why they considered them as deficiencies.
- ii. Other candidates discussed operational matters and considered them as deficiencies such as the allocation of vehicles to departments.

Part (b)

- (i) This part of the question required candidates to describe/explain the purpose of the Key Audit Matters paragraph.
 - i. A sizeable number of candidates simply did not attempt to answer this part signifying that they do not know the purpose of the KAP paragraph.
 - ii. Other candidates described the KAM paragraph as one for issues not highlighted in the audit report showing lack of understanding of the purpose of this paragraph.
- (ii) This part of the question required candidates to explain the appropriateness or otherwise of the 5 elements of the report given in the scenario. While some candidates scored well in this question there was a sizeable number of candidates who scored less than half the available marks.

The following observations were made:

- i. Many candidates seem to have misunderstood the requirement to explain the appropriateness of the elements given in the question with many explaining the importance of the said elements. Candidates needed to evaluate and comment on whether the elements are appropriate for example addressing the audit report to the directors is not appropriate as the audit report should be addressed to the shareholders.
- ii. Some candidates discussed why the elements in the question should be part of the audit report which did not address the question requirement.
- iii. Some candidates reproduced the elements in an unmodified opinion without considering the facts in the question.

QUESTION FOUR

The general performance on this question was poor. 167 of the 204 candidates that attempted the question managed to obtain at least 10 marks out of a total of 20 available marks. A pass rate of 41.5% was recorded. The highest score was 19 out of 20 marks while the lowest was 1.

Part (a)

This part of the question required candidates to explain the meaning of integrity and confidentiality. A majority of the candidates answered this part of the question well and scored maximum marks.

Part (b)

This was a question on ethics divided into two sections as follows:

- (i) This part of the question required candidates to identify and explain four ethical matters in the given scenario.
- (ii) This part of the question required candidates to suggest suitable safeguards to the ethical matters explained.

A majority of the candidates answered this question well using the information in the scenario and scored more than half the available marks.

The following were observed from candidates who performed poorly in answering this part:

- i. A few candidates gave less than the required four ethical issues and were awarded marks in proportion to the correct matters that they explained.
- ii. Some candidates explained the ethical matters without suggesting suitable safeguards as required by the question.

Part (c)

This part of the question required candidates to explain the purpose of three elements of the audit report given in the question. A majority of the candidates scored more than half of the marks in this part of the question.

The following were observed for the candidates who scored below half the marks:

- i. Candidates explained what the addressee rather than deal with the purpose of having an addressee.
- ii. Candidates showed lack of knowledge of the purpose of the date of the audit report. Most explained the date of the client financial statements rather than discuss the implication on the accounting and auditing of subsequent events.

QUESTION FIVE

The general performance on this question was very poor. 15 of the 97 candidates that attempted the question managed to obtain at least 10 marks out of a total of 20 available marks. A pass rate of 15.4% was recorded. The highest score was 14 out of 20 marks while the lowest was 1.

Part (a)

This part of the question required candidates to explain 5 rights of auditors as given in the relevant legislation. A majority of the candidates explained the auditor rights and scored maximum marks.

The following were observed relating to candidates who scored poorly in this part:

- i. Some candidates gave less than the required five auditor rights.
- ii. A sizeable number of candidates explained the duties of the auditor and no marks were given for doing so. The rights of auditors are contained in statute.

Part (b)

This part of the question required candidates to explain how window dressing could be applied to the figure of cash and bank. A majority of the candidates could not explain clearly the meaning of window dressing with regards cash and bank balances.

The following observations were made:

- i. A majority simply did not attempt to answer this part of the question signifying lack of understanding of window dressing.
- ii. Some candidates explained audit procedures for cash and banks which were not the question requirements and no marks were awarded.

Window dressing is the practice of trying to show a better but misleading position regarding transactions or balances. For example, netting of a large overdraft balance against a positive balance in order to 'hide' the overdraft and give a better liquidity position.

Part (c)

This part of the question required candidates to state five tests of controls over the controls on the completeness of the revenue figure in the financial statements of Bibi Supplies Limited.

The following observations were made:

Candidates performed poorly on this question largely because they gave general tests of control most of which did not relate to completeness of revenue. To answer this question satisfactorily candidates needed to have in mind the controls over revenue.

Part (d)

This part of the question required candidates to describe 7 substantive audit procedures on the bank balance in the financial statements of Bibi Supplies Limited.

The following were observed:

- i. As previously explained in previous examiner's report most candidates could not give correct substantive audit procedures for the bank balances in the financial statements.
- ii. A majority of the candidates gave much less than the required number of audit procedures resulting in them scoring according to the correct procedures explained.

Candidates are reminded that audit procedures are an important part of the syllabus. Candidates who understand the accounting for the specific areas in the syllabus should have no trouble giving suitable audit procedures in obtaining sufficient appropriate audit evidence.

Overall performance of candidates

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

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

Overall pass rate in this paper: **39.1%**

SUBJECT: CA2.4 - TAXATION

QUESTION ONE

The general performance on this question was good. 80 out of the 160 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%. The lowest score was 0, whilst the highest was 35 out of the available 40 marks.

This question covered the taxation of farming operations including the computation of capital allowances on implements, plant and machinery and other farming capital expenditure.

In part (a) candidates were asked to calculate capital allowances on implements, plant and machinery and other farming capital expenditure. This part of the question was generally answered with the exception of a few candidates who used the wrong rates to compute the allowances especially on motor vehicles and development expenditure.

Part (b) required candidates to calculate the tax adjusted farming profits for the year. The following were the most common challenge faced by candidates:

- i. failure to identify the relevant disallowed expenses to be added back in the computation of the taxable profits.
- ii. Failure to correctly treat benefit in kind items (free accommodation and personal to holder car) given to senior employees. These are supposed to be added back to the profits.
- iii. failing to identify the relevant items to be deducted in the computation of taxable profits. Some candidates were grossing up the interest income before deducting it 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 the interest income 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 the interest income when computing the final company income tax payable.
- iv. Using the wrong tax rates in computing the tax payable.

In part (d) of the question candidates were required to state the due date for the payment of the income tax computed in part (c) and submitting the related self-assessment income tax return. Most candidates demonstrated a general lack of knowledge of the relevant due date and therefore failed to provide the correct answer. Some candidates stated the due dates for the payment of the four quarterly instalments of provisional income tax.

In part (e) of the question candidates were required to calculate the penalties due for the late submission of the return. The following weaknesses were identified in most responses:

- i. Failure to establish the correct number of months the return was outstanding, as a result of not knowing the correct due date for the submission of the return.
- ii. Failure to computing the correct amounts of penalties arising due to a failure to apply the correct penalty units. Some candidates used the penalty of 5% which arises on the late payment of income tax and interest of 2%, above the BOZ discount rate instead of the correct penalty units applying to a company of 2,000 (K600) per month or part thereof.

QUESTION TWO

The general performance on this question was very good. 95 of the 144 candidates that attempted the question managed to obtain at least 10 marks out of a total of 20 available marks. A pass rate of 66% was recorded. The highest score was 20 out of 20 marks while the lowest was 0.

In part (a) (i) and (ii) candidates were required to explain two practices which indicate that a company is evading taxes and to explain two consequences of evading taxes. Candidates generally provided satisfactory answers for both parts of the question.

Part (b) asked candidates to calculate the amounts of profits/losses on which each partner will be taxed and the income tax payable by each partner. The following were the most common challenges faced by candidates who scored poor marks on the question:

- i. Failure to correctly allocate the losses to the partners and deduct them from the taxable income of each partner.
- ii. Failure to apportion the period correctly into the first three months and the remaining period of nine months.

QUESTION THREE

The general performance on this question was very poor. 31 of the 108 candidates that attempted the question managed to obtain at least 10 marks out of a total of 20 available marks. A pass rate of 28.7% was recorded. The highest score was 17 out of 20 marks while the lowest was 0.

This question covered ethical issues in tax practice and VAT.

Part (a) required candidates to explain how the principles of integrity objectivity apply to the provision of tax services and was generally answered well. However, a few candidates failed to provide the required explanations due to lack of sufficient knowledge of the two fundamental ethical principles.

Part (b) which required candidates to compute the Value Added Tax payable by the company was generally poorly answered. The most common challenges faced by candidates included:

- i. Claiming input VAT on petrol and diesel which are zero rated.

- ii. Claiming input VAT on items on which VAT is irrecoverable such as the pool motor car and entertainment expenses.
- iii. Failure to compute recoverable non-attributed input VAT on the overheads.
- iii. Failure to calculate input VAT on items which were stated at their VAT inclusive values.

In part (c) candidates were required to explain the consequences of submitting the VAT return late. Most candidates stated the penalty of 5% which arises on the late payment of income tax instead of the correct daily penalty which is the higher of 1000 penalty unit and 0.5% of the VAT payable.

QUESTION FOUR

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

This question examined taxation of employment income and Customs and Excise duty. 34% of the candidates who attempted the question passed and 66% failed.

In part (a) candidates were required to calculate the income tax payable by the employee. The most common weaknesses made by candidates included:

- i. Failure to distinguish between taxable and exempt benefits
- ii. Not time apportioning the period correctly in order to calculate the basic salary and related allowances before the salary increment and after the increment
- iii. Failure to correctly calculate overtime
- iv. Not including capital allowances and motor car running expense on the personal motor car used partly for employment purposes as allowable deductions when computing the taxable income in the computation

Part (b) candidates were required candidates to calculate import taxes on the importation of Toyota Hiace bus was generally answered well.

QUESTION FIVE

The general performance on this question was poor. 22 of the 81 candidates that attempted the question managed to obtain at least 10 marks out of a total of 20 available marks. A pass rate of 27% was recorded. The highest score was 17 out of 20 marks while the lowest was 0.

This question examined taxation of rental income, turnover tax and presumptive taxes for transporters.

In part (a) candidates were required to explain how each client in the given scenario would be assessed for tax purposes. Most candidates demonstrate a general lack of knowledge of the

administration of direct taxes and therefore failed to explain how each of the tax payers will be assessed to tax.

Part (b) required candidates to compute the income tax payable by each client. Most candidates failed to provide the required computations as they failed to identify the relevant types of taxes which will apply to each taxpayer.

Overall performance of candidates

Highest mark obtained in this paper: **77%**

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

Overall pass rate in this paper: **45%**

SUBJECT: CA2.5 – FINANCIAL MANAGEMENT

QUESTION ONE

The general performance on this question was fair. 76 out of the 175 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 43%. The lowest score was 2, whilst the highest was 35 out of the available 40 marks.

The common mistakes include:

- i. Some candidates who attempted this question failed to correctly compute the cost of debt (k_d) and the cost of equity (k_e). These figures were used to determine the Weighted Average Cost of Capital (WACC). Therefore, they computed incorrectly the WACC of 12% in part (a) as a follow through error of incorrect calculation of the costs of equity and debt, and assignment of wrong debt to equity ratios. The WACC was the discount rate used to discount the Net Cash Flows in order to arrive at the Net Present Value (NPV) in part (b).
- ii. The sales figures were wrongly calculated by some candidates due to the incorrect selling prices used from year 1 to year 4. The candidates also were not able to correctly calculate the taxable cash flows which were after the deduction of variable costs and the fixed costs. Surprisingly, some candidates when determining the financial viability using the NPV of the proposed Investment added the fixed costs and the variable costs to the yearly sales figures instead of deducting. Further, common errors were to include capital allowances in the cash flow statement (and alternatively not to add back) instead of the resulting tax relief, and also not to reverse the working capital in the fourth year, at the end of the machine's useful life.
- iii. The Internal Rate of Return was not correctly calculated by some of the candidates who attempted this part of the question; as a consequence, the decision to either accept or reject the project based comparison the IRR and the WACC i.e. cost of capital was incorrect. In the computation of the IRR, an error was not to use a higher discount rate – to the 12% used in computing the positive base case NPV, in order to obtain a negative NPV.
- iv. Some candidates were not able to explain how the managerial reward schemes could have been used to resolve the agency problem. This implied that these candidates may not have fully prepared for this part of the syllabus.

QUESTION TWO

The general performance on this question was very poor. 17 of the 100 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% was recorded. The highest score was 14 out of 20 marks while the lowest was 1.

The common mistakes include:

- i. Candidates failed to compute earnings after Tax by deducting tax from earnings before tax. Candidates were also failing to compute dividend despite the dividend payout percentage being given in the question.
- ii. Candidates failed to identify the dividend policy of the company because they failed to calculate it initially. Therefore, the discussion on the dividend policy did not come out clearly and this led to a wrong conclusion.

QUESTION THREE

The general performance on this question was fair. 70 of the 164 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 1.

The common mistakes include:

- (a) Calculation of PV of cost of Leasing proved a challenge an indication that students had difficulties in this area.
- (b) This was fairly attempted.
- (c) Students who identified the four theories i.e. Liquidity preference theory, Expectation theory, Market Segmentation theory and Fiscal policy to explain the reasons were mixing up these theories.

QUESTION FOUR

The general performance on this question was good. 77 of the 135 candidates that attempted the question managed to obtain at least 10 marks out of a total of 20 available marks. A pass rate of 57% was recorded. The highest score was 17 out of 20 marks while the lowest was 1.

The common mistakes include:

- i. Some of the candidates who attempted this question failed to explain clearly the features of the conservative policy in response of financing working capital. Candidates were also explaining ALL the working capital policies instead of confining themselves to the conservative policy as stated in the question.
- ii. Candidates failed to explain clearly the aspects that determined the policy in respect of investment and financing working capital.
- iii. This question required the candidates to calculate the discount in order to accept the offer. However, the candidates failed to calculate the cash discount. Some candidates used a wrong percentage of 3% instead of 5%. This therefore resulted into an incorrect cash discount and therefore, a wrong decision.

QUESTION FIVE

The general performance on this question was poor. 30 of the 87 candidates that attempted the question managed to obtain at least 10 marks out of a total of 20 available marks. A pass rate of 34% was recorded. The highest score was 18 out of 20 marks while the lowest was 1.

The common mistakes include:

The forecast income statement required in part(a) was incorrectly made by the few students that attempted this question, and as a consequence, the forecast EPS and projected level of gearing required in Part(b) and Part(c) were wrongly calculated.

Most answers did not analyze the two required scenarios i.e. Bank Loan (Existing) and Share Issue (New). Further issued shares were incorrectly computed or not factored in.

Overall performance of candidates

Highest mark obtained in this paper: **67%**
Lowest mark obtained in this paper: **4%**
Overall pass rate in this paper: **33.7%**

SUBJECT: CA 2.6 - STRATEGIC BUSINESS ANALYSIS

QUESTION ONE

The general performance on this question was poor. 74 out of the 212 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 35%. The lowest score was 0, whilst the highest was 33 out of the available 40 marks.

This was a case study-based compulsory question to be attempted by all candidates. It had three (3) sub-questions with a total of 40 marks.

Part (a) required the candidates to identify the competitive advantage discussed in the case study and described the generic competitive strategies being used.

The majority of the candidates answered correctly.

Part (b) asked candidates to describe the steps Toyota (Case study) should take to succeed in the highly competitive auto industry as discussed in the case study.

Many of the candidates got this answer correctly.

Part (c) required candidates to calculate financial ratios from the given data and explain to stakeholders the implications (ratio analysis)

Most candidates failed to calculate the ratios (interest cover, Cash flow ration and gearing) At this level accounting students should have taken this part of the question with interest but the Candidates were just mixing the figures. Most of them merely used common knowledge and thus lost marks.

QUESTION TWO

The general performance on this question was fair. 87 of the 202 candidates that attempted the question managed to obtain at least 10 marks out of a total of 20 available marks. A pass rate of 43% was recorded. The highest score was 19 out of 20 marks while the lowest was 0.

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

This was a scenario-based question on product life cycle (PLC). About 204 (96%) of the candidates attempted this question and more than 93% got it right got above average pass mark. Only 16 candidates failed this question because they could not answer part (b) property.

Part (a) asked candidates to define the PLC.

Part (b) required candidates to use the diagram and discuss the four stages of the PLC.
Part (c) asked candidates to explain the relevance of the PLC in strategic planning.

The majority of the candidates understood this question and scored good points.

QUESTION THREE

The general performance on this question was very good. 125 of the 194 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% was recorded. The highest score was 20 out of 20 marks while the lowest was 0.

This scenario based question on Cross—border investments and had two sub-question parts (a) and (b).

Part (a) required candidates to discuss strategic benefits for Cross-border Alliances for a supermarket.

Most of the candidates got this part of the question correct with full marks.

Part (b) required candidates to describe some pitfalls or risks involved in cross-border alliances. Most candidates gave correct answers although some dwelt more on behavioral aspects alliances or partners and they lost marks.

QUESTION FOUR

The general performance on this question was good. 95 of the 165 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% was recorded. The highest score was 18 out of 20 marks while the lowest was 0.

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

This question was a scenario based on use of the BCG matrix model to analyze business products to aid with strategic planning.

Part (a) required candidates define the BCG Matrix

Most of the Candidates got this part of the question correctly

Part (b) asked candidates to use the diagram to describe the components of the BCG Matrix

Most of the candidates lost marks on this part of the question. Many of them could not come up with a clearly labeled BCG Matrix diagram therefore could not describe the elements therein.

Part (c) required candidates to advise strategic planners' cautions to be taken when using the BCG Matrix.

Most of the candidates could not give correct answers on this part of the question

Candidates must understand the importance of these models in strategic planning decision marking.

QUESTION FIVE

The general performance on this question was poor. 10 of the 71 candidates that attempted the question managed to obtain at least 10 marks out of a total of 20 available marks. A pass rate of 14% was recorded. The highest score was 13 out of 20 marks while the lowest was 0.

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

This was a scenario question which included some calculations on company investment evaluations.

Part (a) asked candidates to propose some measures to reduce costs and those to increase revenue.

The majority of the candidates failed to answer this question correctly.

Part (b) required candidates to describe some factors sponsors could look for when selecting alliance partners for investments (scenario)

This was poorly answered. Most of the candidates were using common knowledge to attempt and lost marks.

Part (c) This part had two sub-questions which involved calculations of ratio to evaluate growth in earnings, Return on Invested Capital and required sales from the figures given. And also to explain the meaning of the answers.

The majority of the candidates failed to give the correct answer. This showed lack of seriousness in students doing accounts because this part of the question should have been easy for them.

Overall performance of candidates

Highest mark obtained in this paper:	75%
Lowest mark obtained in this paper:	8%
Overall pass rate in this paper:	63.7%

SUBJECT: CA 3.1 - ADVANCED FINANCIAL REPORTING

QUESTION ONE

The general performance on this question was excellent. 141 out of the 157 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 89.8%. The lowest score was 5, whilst the highest was 40 out of the available 40 marks.

The question had two (2) parts. Part (a) required candidates to discuss:

- i. the pressures for extending the scope of external reports prepared by entities to include voluntary disclosures about their environmental policies, impacts and practices
- ii. what might users expect to see in a company's annual report to indicate that environmental concerns are receiving adequate attention?
- iii. the potential advantages and disadvantages to the Love group of providing voluntary environmental disclosures.

Finally part (b) required candidates to prepare the consolidated statement of financial position for the Love Ltd Group as at 30 September 2021.

Part (b) involved a parent, subsidiary, sub-subsidiary and an associate.

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). In note 6 of the question, candidates were told that the recoverable amount of each subsidiary was determined '**without consideration of liabilities**'. In other words, candidates were given the recoverable amounts of the **assets only**. Candidates were expected to compare recoverable amounts to the carrying value of each subsidiary's **assets** (rather than the **net assets**).
- 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 (ii) of the question clearly stated that "it is group policy to the measure Non-controlling

- interests at fair value (the full goodwill method) at the date of acquisition.
- v. Improper treatment of the fair value adjustments for land.
 - vi. Failed to conclude that the first transaction (part a) was on non-financial reporting issues.

QUESTION TWO

The general performance on this question was poor. 20 of the 124 candidates that attempted the question managed to obtain at least 10 marks out of a total of 20 available marks. A pass rate of 16.1% was recorded. The highest score was 17 out of 20 marks while the lowest was 2.

The question required candidates to explain accounting for leases both in the books of the lessor and those of the lessee. Further, the question required the application of principles of the revaluation model in IAS 16 to assets when they have not been de-recognized as a consequence of an operating lease.

Performance on this question was below average. Candidates could not describe in technical language accounting for a lease in the books of the lessor as expected of them in part a). As a consequence, they could not apply the rules to given figures in part c). Accounting for the lease in the books of the lessee were poorly handled in part b) of the question. It appeared that candidates focus on accounting for leases in the lessees books, because there was a repetition of answers in all the parts. Further, candidates could not correctly calculate initial measurement of the ROUA asset involved, depreciate it before accounting for revaluation in part c) of the question. The initial measurement for the lease liability was also incorrectly calculated as candidates could not correctly discount future payments to the present value.

In part (d), most candidates failed to state that the business in question had obtained a loan in the Sale and Lease back transaction. Instead, they were applying IFRS 16 *Revenue from transactions with customers*. They stated in general terms how a finance lease is identified but were not specific or decisive that the seller had not transferred a significant amount of risks and rewards on the asset purported to have been sold in the scenario of the question.

QUESTION THREE

The general performance on this question was very poor. 3 of the 103 candidates that attempted the question managed to obtain at least 10 marks out of a total of 20 available marks. A pass rate of 2.9% was recorded. The highest score was 11 out of 20 marks while the lowest was 0.

The general performance on the question:

This question had the worst performance at a pass rate of 3%. Though the lowest score was 0%, the highest amounted to 55% and the average score was 23%.

The total number of candidates who attempted the question, percentage of those who passed and failed the question:

The question was relatively popular question in section B with 103 out of 157 (66%) candidates attempting it. The percentage pass on the question (scoring at least 10 out of 20 marks) was only 3% (97% fail).

What the question required candidates to do:

This was a very well thought-out compound question with three transactional sub-questions dubbed: "Technical Queries" on a number of accounting matters within the reporting framework of varied reporting entities for correct advice of candidates.

This question was not a popular one among candidates and those that attempted it scored below half the available marks.

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

Common mistakes on Technical Query 1 included the following:

- (a) (i) Candidates failed to identify that the question was asking for circumstances where a reporting entity would prepare individual financial statements that were not wholly compliant with full IFRSs.
- (ii) Candidates needed to apply critical thinking skills to adequately answer this question.
- (b) Some candidates wrongly advised that at its acquisition, Mwapona would have to start preparing its financial statements that are fully IFRSs compliant when Mwapona's corporate characteristics did not favour such a recommendation.

Common mistakes on Technical Query 2 were as follows:

- (a) Candidates could not bring-out scenario backed evidence for excluding an acquired entity from consolidation by the parent company; i.e. they produced generic responses.
- (b) Most candidates incorrectly advised a measurement method for an investee's given carrying amount of K80 million as opposed to the calculated fair value of K84 million.

Common mistakes on Technical Query 3 were as follows:

- (a) Technical Query 3 was about stating *where* and *how* financial items would be reported in financial statements of which more than three-quarters of the candidates wrongly advised on this aspect.
- (b) This shows that candidates rote-learn reporting aspects.

QUESTION FOUR

The general performance on this question was poor. 17 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 23.2% was recorded. The highest score was 16 out of 20 marks while the lowest was 1.

The question required candidates to explain and apply requirements of IFRS 2 Share Based Payments. It was in two parts, (a) and (b) each part with two sub parts (i) and (ii).

Part (a)(i) required candidates to explain how an entity would account for a grant of share options to its employees where the grant required satisfaction of future performance conditions. Part (a)(ii) required candidates to explain how the accounting in (a)(i) would change if the grant was in respect of share appreciation rights.

Part (b) (i) required candidates to explain and show amounts to be reported in financial statements in respect of a grant of share options with future performance conditions whilst part (b)(ii) required candidates to explain and show amounts to be reported in financial statements in respect of a grant of share appreciation rights.

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

In part (a) (i), most candidates did not explain that the grant would be an equity settled transaction with the consequence that the cost of the services would be measured based on the fair value on the grant date. In part (a)(ii), most candidates did not explain that the grant would be a cash settled transaction with the consequence that the cost of the services would be remeasured based on the fair value on the reporting date as an estimate of the cash payable. A number of candidates did not explain that the grant of option would required presentation of amounts within equity whilst the grant of the appreciation rights would require recognition of a liability.

In part (b) (i) and (ii), common shortfalls included the following:

- i. Failure to use the correct fair value of the options (value at grant date) and appreciation rights (at reporting date)
- ii. Failure to compute the number of employees estimated to qualify for the grant.
- iii. Wrong computation of the performance period to date in (b) (ii).

QUESTION FIVE

The general performance on this question was poor. 53 of the 137 candidates that attempted the question managed to obtain at least 10 marks out of a total of 20 available marks. A pass rate of 38.7% was recorded. The highest score was 17 out of 20 marks while the lowest was 2.

The question required candidates prepare a report commenting on the performance and position of the entity that had expanded the range of products on the market and had identified a need for additional borrowings.

The most common mistakes made by the candidates on each part of the question: About half of the candidates calculated the relevant ratios correctly whereas the other half either could not calculate the ratios or calculated them wrongly. The comments on the performance and position was merely in the form of trend analysis, without reference to business factors that had caused the change in the ratios. Further, most candidates could not include a recommendation of the whether to borrow more fund or not in the light of the circumstances as analysed.

Overall performance of candidates

Highest mark obtained in this paper: **73%**
Lowest mark obtained in this paper: **14%**
Overall pass rate in this paper: **47.8%**

SUBJECT: CA 3.2 - ADVANCED AUDIT AND ASSURANCE

QUESTION ONE

The general performance on this question was poor. 51 out of the 211 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 24.2%. The lowest score was 5, whilst the highest was 28 out of the available 40 marks.

Part (a)

This part of the question required candidates to discuss the reporting requirements where there is noted noncompliance with laws and regulations by the client company. Candidates needed to apply their knowledge of the guidance in ISA 250 and discuss the reporting to management, the shareholders and the shareholders. Candidates are reminded that they are required to answer examination questions in accordance with the guidelines given in the relevant auditing standards. The low marks scored are indicative of lack of knowledge of the provisions of the standard.

The following observations were made:

- i. A majority of the candidates seemed not to know to whom the auditors should report the non-compliance with a majority simply dealing to reporting to management only.
- ii. A large majority of the candidates discussed the consequences on non-compliance with laws and regulations without addressing the question requirements.
- iii. A majority of the candidates did not mention or seem to know the provisions of ISA 250 which clearly explain the reporting responsibilities for the auditor.

Part (b)

This was an easy question requiring candidates to identify and explain five business risks in the given scenario. The question did not require candidates to explain the possible auditor responses to the business risks identified. Candidates needed to show that they understand the difference between business and audit risks and well-prepared candidates should have scored maximum marks. It was disappointing that candidates at the advisory level did not know the distinction between audit and business risks.

The following observations were made:

- i. Some candidates explained audit risks which showed that they did not know the distinction between audit and business risks. No marks were awarded for explaining audit risks which were not the question requirement.
- ii. A sizeable number of candidates simply identified business risks without explaining as per question requirement and so only scored half the available marks.
- iii. Some candidates tried to play it safe by identifying and explaining both audit and business risks. No marks were awarded for explaining audit risks. For example, wrong inventory valuation considered as a business risk.
- iv. Some candidates could not explain business risks and ended up repeating what is the scenario.

- v. Some candidates went further and suggested suitable responses to the risks identified. This was not required and no marks were awarded but valuable examination time was wasted. Candidates should address the question requirements.

Part (c)

This part of the question required candidates to draft audit procedures of the values of dairy animals, orange trees and processed foods in the financial statements of Kimberly Foods Plc.

The performance in this part of the question was very poor with very few candidates scoring more than half the available marks. This is indicative of the fact that a majority of the candidates did not know the accounting for agriculture and so could not suggest suitable audit procedures.

The following were observed:

- i. Most candidates gave general audit procedures with little or no relevance to the agricultural sector.
- ii. Many candidates explained accounting treatment for the items in (i) to (iii) without suggesting audit procedures per question requirement. This shows that candidates are not able to relate audit procedures to the assertion in the figures in the financial statements.
- iii. Most candidates mentioned IAS 2 without specifying where it is applicable and explaining the necessary audit procedure to ensure correct accounting treatment.

Part (d)

This part of the question required candidates to discuss the impact of environmental matters on the financial statements as they related to the valuation of assets, provisions and contingent liabilities. The increasing importance of environmental matters suggest that importance should be given to this topic and how environmental matters may affect the financial statements. These are clearly covered under other assurance engagements in the study manual. The performance in this part of the question was poor and the following were observed:

- i. A majority of the candidates gave audit procedures instead of discussing the impact of environmental matters in the audit of the financial statements of Kimberly Foods Plc. Candidates should go through the suggested solution and ensure they answer the question requirements in answering examination questions.
- ii. It was clear that a majority of the candidates lacked knowledge of the provisions of IAS36 and IAS 37 which are impacted by environmental matters. Impairment of assets and provision/contingencies should have been discussed.

QUESTION TWO

The general performance on this question was poor. 51 of the 186 candidates that attempted the question managed to obtain at least 10 marks out of a total of 20 available marks. A pass rate of 27.4% was recorded. The highest score was 16 out of 20 marks while the lowest was 1.

Part (a)

This was a knowledge-based question requiring candidates to explain who is supposed to comply with the fundamental principles for accountants for two marks. A majority scored the

maximum marks and correctly stated that all accountants whether in industry or practice are subject to the ethical guidelines.

The following were observed:

- i. Some candidates suggested that the client management also require to abide by the fundamental principles for accountants instead of clearly stating that the accountants who work for the client are subject to the principles.
- ii. For two marks some students wrote far too much and candidates are reminded to consider the marks offered in deciding how much to write. Time is of essence in the examination.

Part (b)

This part of the question required candidates to identify and explain ethical matters in Kariba Import and Export. Candidates who did not refer to the information in the scenario did not get maximum marks. At the advisory level of the examinations, candidates are reminded that general answers will not attract maximum marks and that candidates are required to apply the theory to the information in the scenario.

The following observations were made:

- i. Most candidates wasted time by giving opening remarks in answering the question instead of going straight in answering the question and discussing the ethical matters in the scenario. This is wasting time and no marks are awarded for doing so.
- ii. A sizeable number of candidates gave suitable safeguards that should be applied and yet this was not required by the question. This was a waste of time and no marks were given for doing so.
- iii. A majority of the candidates discussed ethical threats instead of discussing the ethical matters in the scenario.

Part (c)

This part of the question required candidates to explain the audit risk with regards amounts measured at fair value. Candidates were expected to explain what could go wrong in the financial statements with regards accounting estimates. The matter here is concerning the determination of the figures and the fact that it is a risky area because of the lack of a precise means of measuring the amount. The performance here was below expectations and the following were noted:

- i. Some candidates discussed audit procedures for accounting estimates which were not required by the question. Candidates are reminded to always deal with the question requirements otherwise they lose easy marks. No marks were awarded for explaining audit procedures.
- ii. Most candidates discussed general audit risks without restricting themselves to amounts measured at fair value. Candidates should have considered what could go wrong in the financial statements and what will cause this. There is judgment in determining fair values and candidates should have considered this in answering the question.

- iii. Many discussed audit risks in general which did not address the question requirement. Candidates should have discussed the inherent risk in determining fair values.

Part (d)

This part of the question required candidates to suggest suitable audit procedures for auditing figures stated at fair value. To answer this question satisfactorily candidates needed to have the relevant financial statements in mind. It was again disapprovingly noted that a majority of candidates fail to suggest suitable substantive audit procedures and the performance was poor.

The following were observed:

- i. Many candidates gave less than the required number of audit procedures and obtained marks in proportion to the correct procedures suggested.
- ii. A majority of candidates explained the methods of obtaining evidence such as recalculation without explaining how these methods could be used to obtain audit evidence.
- iii. There were candidates who simply mentioned audit procedures without explaining as required by the question and so obtained half the marks. For example, simply stating recalculation without explaining how this will be used to obtain evidence.
- iv. Most candidates had problems suggesting suitable audit procedures and gave answers such as 'inspecting fair values' and 'observing fair values'.
- v. Others simply defined fair values without suggesting audit procedures.

Candidates are reminded that audit procedures are an important part of the syllabus and constitute auditing. Candidates at the advisory level should be able to design suitable audit procedures to audit any of the specific accounting issues covered in the syllabus.

QUESTION THREE

The general performance on this question was very good. 42 of the 153 candidates that attempted the question managed to obtain at least 10 marks out of a total of 20 available marks. A pass rate of 27.5% was recorded. The highest score was 19 out of 20 marks while the lowest was 0.

The following observations were made:

Part (a)

This is a knowledge-based question requiring candidates to explain the responsibility of the auditor with regards events discovered after the date of the audit report and before the issue of the financial statements.

ISA 560 gives guidance and candidates needed to discuss the fact that the auditor has a passive duty during this period but if a matter comes up during this period then the auditor has duties according to the standard and candidates needed to explain these duties.

The following were observed:

- i. A majority of the candidates wasted time explaining subsequent events without dealing with the responsibilities of the auditor. This suggests that candidates know the accounting in accordance with IAS 10 but have no knowledge of the provision of ISA

- 560 which gives guidance on the responsibilities of the auditors with regards subsequent events.
- ii. Many candidates suggested that the auditors have an active duty during this period. After signing the audit report the auditors have a passive duty but if any matter arises during this period then the provisions of ISA 560 take effect and these are the ones that should have been discussed.
 - iii. For 5 marks most of the solutions lacked detail and candidates were expected to state the fact that auditors do not have an active duty to look for subsequent events during this period. The discussion should have continued to explain the effect of an event that becomes known to the auditor after the report and note that the active duty to identify subsequent events will move to the date of any new report that is issued and that audit procedures will require to be performed on any amendments to the financial statements by management.

Part (b)

Candidates were expected to explain the meaning of projected misstatements and to explain the action to take in view of the fact that the misstatements may be material to the financial statements.

The following were observed in the answers:

- i. Some candidates only addressed the first part of the question and did not address the part that required an explanation of the action to take and so lost the marks attributable to doing so.
- ii. Many candidates simply did not know what projected misstatements were and some related this to the determination of the materiality figure. Others considered projected misstatements as those misstatements that are discovered after the audit exercise show clear lack of knowledge what these misstatements are.

Part (c)

The question had information on three issues found during the audit and candidates were required to consider the matters that should be considered including the possible impact on the audit opinion. Information on total assets and the profit before tax was given and candidates needed to consider materiality and also suggest the suitable opinion with justification.

The performance in this part was poor with a majority of the candidates just considering one aspect and for four marks on each issue this was not sufficient to attract maximum marks.

The following observations were made:

- i. Many candidates simply dealt with the possible impact on the audit opinion without discussing the matters to consider.
- ii. Materiality and its computation are important here and the materiality levels will have a bearing on the opinion. A number of candidates did not bother to compute materiality to help then discuss and conclude appropriately on the impact on the opinion.
- iii. Many candidates did not bother to compute the materiality of the amounts given and for those that did, some did not relate the materiality to the opinion suggested.

QUESTION FOUR

The general performance on this question was poor. 30 of the 96 candidates that attempted the question managed to obtain at least 10 marks out of a total of 20 available marks. A pass rate of 31.3% was recorded. The highest score was 14 out of 20 marks while the lowest was 1.

This question was split into two distinct part with the first part (a) dealing with client acceptance and part (b) on group audits. The performance in both parts was generally poor as shown below:

The average score was xx marks.

Part (a)

- (i) This part of the question required candidates to discuss the rationale for annual client evaluations. Knowledge of the provisions of ISQC 1 should have helped candidates answer this part of the question.

The following were observed:

A sizeable number of candidates lost marks because they showed lack of the provisions of ISQC 1 which required an annual evaluation of client relationships. Others simply did not attempt to answer this part of the question.

- (ii) This part of the question required candidates to suggest matters to consider to inquire about from the prospective client.

A majority of the candidates had no problems suggesting matter to be included. Some lost marks because they did not give the four matters as required and were only awarded marks in proportion to the correct number of matters suggested.

- (iii) This was a knowledge-based question requiring candidates to state matters that should be included in the bid documents for a prospective client. A majority of the candidates did not have trouble stating the matters to be included in the audit proposal. Some lost marks because they gave less than the required four matters.

Part (b)

- (i) This part of the question required candidates to identify the component and group auditors in the question. Generally, most candidates were able to do this and scored maximum marks.

- (ii) This part of the question required candidates to discuss three matters that should be contained in instructions by the group management to component auditors. A majority of the candidates either did not attempt to answer this part or did not know that the group management requires to give instructions to component management on the group audit.

- (iii) This part of the question required candidates to describe the work that group auditors require to perform on significant components. ISA 600 gives specific audit work requirements on significant components and those candidates who did not know the requirements of the standard could not satisfactorily answer this part of the question. Candidates are reminded that they require to answer examination questions in line with the provisions of auditing standards.

- (iv) A majority of the candidates could not give the audit procedures as required by the relevant auditing standard and to this effect lost marks. Some candidates explained basic audit procedures without relating them to group audits.

QUESTION FIVE

The general performance on this question was poor. 32 of the 188 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% was recorded. The highest score was 15 out of 20 marks while the lowest was 1.

188 candidates attempted this question and the average score was 7 marks. A total of 30 candidates scored half or more of the available marks.

Part (a)

This part of the question required candidates to discuss audit risks in the scenario and suggest suitable responses. Risk has been examined in this manner many times in the past. It was disappointing that a sizeable number of candidates scored poorly in a question on audit risk identification giving suitable safeguards.

The following observations were made:

- i. Some candidates explained ethical matters for which no marks were awarded contrary to the question requirement.
- ii. There were candidates who explained less than the 5 risks required and scored marks in proportion to the correct risks and responses explained. Candidates are reminded that a little bit of skepticism will enable them identify the audit risks in the scenario.
- iii. There were candidates who discussed management responses to the audit risks explained which is not correct. The responses asked in the question are those of the auditor with a view to reduce audit risk to acceptable levels.

Part (b)

This part of the question required candidates to discuss matters that should be included in the audit strategy of the audit of the financial statements of Luangwa Limited.

A majority of the candidates discussed audit strategy in general which not the question requirement was. Candidates were required to discuss matters in the scenario that will be included in the audit strategy.

Part (c)

This part of the question required candidates to discuss the implication on the current audit opinion of a modification of the opinion by the previous auditors.

Candidates lost marks because some concluded that the appointment should not be accepted when it has already been accepted. Other candidates concluded that the opinion should be modified without supporting this conclusion.

Overall performance of candidates

Highest mark obtained in this paper: **62%**

Lowest mark obtained in this paper: **16%**

Overall pass rate in this paper: **16.6%**

SUBJECT: CA3.4 - ADVANCED TAXATION

QUESTION ONE

The general performance on this question was poor. 52 out of the 138 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 37.7%. The lowest score was 0, whilst the highest was 39 out of the available 40 marks.

Part (a) asked candidates to calculate the amounts of income tax payable by each individual assuming that the business was run as a partnership. The most common mistakes made by candidates who performed poorly on this part of the question included the following:

- i. Deducting capital allowances on the personal vehicles used partly for business purposes from the net profit as per accounts when these should have been deducted from each individual's total allocation of the profits.
- ii. Forgetting to allocate the motor car allowances to be drawn by each individual to each individual in addition to the salaries when allocating partnership profits
- iii. Using the wrong rates to compute the capital allowances and forgetting to restrict the claimable allowances to the business use of each motor vehicle.

Parts (b) (i) and (ii) required candidates to compute income tax and NAPSA contributions payable both by each individual and the company if the business was run as a limited and the additional amounts were drawn as gross annual salaries. The following were the most common challenges faced by candidates:

- i. Using the wrong rates to compute the capital allowances on the personal motor vehicles and forgetting to restrict the claimable allowances to the business when computing the income tax payable by each individual.
- ii. Deducting capital allowances on the motor vehicles when computing the taxable profit for the company which was as wrong as the vehicles were the personal assets of each individual and not owned by the company.
- iii. Adding back the personal to holder motor car benefits in respect of the two personal motor vehicles. The personal to holder motor car benefit does not arise on personal assets but rather arises on company owned motor cars provided to employees or directors.
- iv. Forgetting to add the motoring allowances for each individual to the salaries to derive the gross earnings when computing both the employee's and employer's NAPSA contributions.

Parts (c) (i) and (ii) required candidates to compute income tax and NAPSA contributions payable both by each individual and the company if the business was run as a limited and the additional amounts were drawn as gross dividends. The most common challenges faced by candidates included the following:

- i. Computing NAPSA contributions on the dividends when these do not arise on dividends as dividends are not earnings for NAPSA purposes.
- ii. Not computing both the employee's and employer's NAPSA on the motoring allowances to be drawn by each individual as allowances are included in the definition of earnings for the purpose of NAPSA contributions.
- iii. Not including the motoring allowances to be drawn by each individual as allowable deductions when computing the taxable profits for the company.
- iv. Omitting to include the employer's NAPSA contributions on the motoring allowances to be drawn by each individual as allowable deductions when computing the taxable profits for the company.

Parts (c) required candidates to advise on whether the business should be run as a partnership, a limited company with the additional amounts being drawn as salaries or as a limited company with the additional amounts being drawn as dividends. Some candidates failed to provide the required advice as they failed to provide appropriate computations of net income on which to base their advice.

QUESTION TWO

The general performance on this question was very good. 74 of the 132 candidates that attempted the question managed to obtain at least 10 marks out of a total of 20 available marks. A pass rate of 56.1% was recorded. The highest score was 19 out of 20 marks while the lowest was 0.

In part (a) candidates were required show how the mining loss incurred in the year ended 31 December 2019 will be relieved in each of the relevant subsequent tax year. This part of the questions was generally well answered with the exception of a few candidates who demonstrated the following weaknesses in answering the question.

- i. Failure to apply the indexation formula to compute the indexed loss brought forward at the start of each of the relevant years.
- ii. Failure to restrict profits available for loss relief to 50% of the taxable profits.

Part (b) required candidates to compute the income tax payable by the mining company. The most common 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. failing to compute the correct amount of the balancing charge arising on the disposal of mining equipment.
- iv. Failure to apply the 30% Tax EBITDA restriction to determine whether the interest expense incurred by the company was fully allowable.
- v. Failure to calculate the correct amount of indexed mining loss to be relieved in the tax year 2022.

QUESTION THREE

The general performance on this question was poor. 42 of the 113 candidates that attempted the question managed to obtain at least 10 marks out of a total of 20 available marks. A pass rate of 37.2% was recorded. The highest score was 19 out of 20 marks while the lowest was 0.

This question covered international aspects of taxation and was poorly answered. 37% of the candidates who attempted the question passed and the remaining 67% failed.

Part (a) required candidates to explain any three systems of international taxation. A number of candidates demonstrated a lack of knowledge of these systems and in some cases provided explanations of the methods of giving double taxation relief instead.

Part (b) which required candidates to provide advice on the tax treatment of the foreign income received by the taxpayer was generally answered well as most candidates provided the required explanations.

In part (c) candidates were asked to compute the income tax payable by the tax Payer receiving income from foreign sources. The challenges faced by the candidates who scored poor marks included:

- i. Including dividend income from Zambian sources in the personal income tax computation
- ii. Including rental income from foreign sources which is exempt from tax in the personal income tax computation
- iii. Using the wrong tax rates to compute the amount of income tax liability.
- iv. Failure to calculate and deduct the correct amount of double taxation relief on foreign income.

QUESTION FOUR

The general performance on this question was fair. 23 of the 55 candidates that attempted the question managed to obtain at least 10 marks out of a total of 20 available marks. A pass rate of 41.8% was recorded. The highest score was 16 out of 20 marks while the lowest was 0.

Part (a) required candidates to explain the treatment of group losses and whether the losses suffered by the Zambian subsidiary could be transferred to another company within the group company. Only a few candidates failed to explain a tax loss incurred by one company within a group cannot be surrendered to be set off against profits of another member of the group, as an individual company within the group must utilise its own losses.

In part (b) candidates were asked to explain the meaning of group of companies and the property transfer tax (PTT) implications regarding the internal reorganization within the Zebra group of companies. Only a few candidates demonstrated a lack of knowledge of groups and

the property tax treatment of transfers within the group and therefore failed to provide the appropriate explanations.

Part (c) required candidates to calculate the company income tax liabilities for each of the Zambian resident group companies for each of the relevant tax years. Most candidates failed to appropriately deal with the losses suffered by the Zambian based subsidiaries and therefore failed to compute the company income tax payable by each of the subsidiaries.

QUESTION FIVE

The general performance on this question was poor. 33 of the 96 candidates that attempted the question managed to obtain at least 10 marks out of a total of 20 available marks. A pass rate of 34.4% was recorded. The highest score was 17 out of 20 marks while the lowest was 0.

In Part (a) candidates were required to calculate the amount of income tax payable by the bank. The following were the challenges faced by the candidates:

- i. Failing to identify the relevant disallowed expenses to add back when computing taxable profits
- ii. Making adjustments for commissions on telegraphic transfers, which were not necessary given that these are normal trading items for banks.
- iii. Including dividend income when computing the final taxable income.
- iv. Using the wrong tax rates to compute the company income tax liability. Some candidates were using the personal income tax bands for individuals.

Part (b) required candidates to provide advice on the taxation implications of using equity finance and convertible bonds both from the point of view of the company and from the point of view of an individual investor. A number of candidates demonstrated a general lack of knowledge of the tax implications and therefore failed to provide the required explanations.

Overall performance of candidates

Highest mark obtained in this paper: **92%**

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

Overall pass rate in this paper: **51%**

SUBJECT: CA3.5 - MANAGEMENT ACCOUNTING

QUESTION ONE

The general performance on this question was poor. 3 out of the 18 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 16.7%. The lowest score was 0, whilst the highest was 25 out of the available 40 marks.

This question required candidates to:

- (a) - prepare a budgetary control statement for a hospital
- (b) - identify performance measures that can be used to assess the quality of surgical operations and how the performance measure can be assessed in the hospital
- (c) – evaluate ethical issues which should be considered if the hospital was to consider only patient mix as the main determinant of profitability.
- (d) – explain whether it was appropriate to compare directly the financial performance of the private hospital and a partially funded government hospital.
- (e) – make adjustments to the private and non - private hospitals income statements so as to make them comparable.

The major errors on each sub-question were:

- (a) – not producing the answer in the columnar format as requested.
 - no workings to show the marker where the figures are coming from. This part question required candidates to produce a lot of workings analysing fixed and variable costs, workings for major and minor surgeries for revenues and costs; taking account of different mixes for the budget and actual figures, etc. Without these analyses, it was difficult for a marker to award marks.
 - not flexing for the 90% actual capacity when calculating variable costs and revenues
- (b) - identifying performance measures in a general way instead of those relating to quality of surgical operations.
 - Identifying performance measures but not mentioning how they would be assessed.
- (c) - No major errors.
- (d) – Poor candidates failed to note that the notable differences were from the scenario itself and they related to:
 - funding structure/loan interest/objectives/cost structures/emergency operations
- (e) - copying the figures(for the private hospital) in the question. No marks earned and wasting valuable time .
 - Making lots of adjustments instead of only the three items which caused the differences as requested in the sub-question.

QUESTION TWO

The general performance on this question was fair. 4 of the 10 candidates that attempted the question managed to obtain at least 10 marks out of a total of 20 available marks. A pass rate of 40% was recorded. The highest score was 13 out of 20 marks while the lowest was 0.

Part (a) required candidates to prepare format of controllable profit, this part was poorly answered and majority left it blank. This part was fairly straight forward as it did not require candidates providing figures but just the format but many lost these marks.

Part (b) required to explain the degree of autonomy of a division may affect controllable of profit. Here there was a good attempt and good marks were obtained. Good points were raised and how autonomy could affect controllable profit. However, some candidates were produced lengthy answers which were explanations and not discussions.

Part (c) was not well attempted as many candidates failed to calculate basic adjusted of $30 - 3 = 27$ for the transfer pricing required for scenario (i) (ii) (iii) to do basic calculations. The explanations were not as good such that candidates showed lack of understanding of transfer pricing.

QUESTION THREE

The general performance on this question was fair. 7 of the 16 candidates that attempted the question managed to obtain at least 10 marks out of a total of 20 available marks. A pass rate of 43.8% was recorded. The highest score was 16 out of 20 marks while the lowest was 4.

Part (a) This part was poorly answered as candidates did not understand the term Hybrid Accountant. Many candidates just said Hybrid accountant is one who can do anything. However, some candidates were able to explain who Hybrid accountants are and their role in decision making and their wide spread of relevance in the organization and their ability to use technologies to make decision.

Part (b) was fairly straight forward asking candidates to explain four main forces of Change and candidates were able to identify these forces but the length and the quality of explanations does not match this level of advisory. Many candidates only merely defined each of these forces and there were no explanations and many lost marks for that.

Candidates should note that this is the highest level in accounting and all answers should be written to the demands of this level and its expectations unlike lower levels of accounting.

QUESTION FOUR

The general performance on this question was excellent. 18 of the 18 candidates that attempted the question managed to obtain at least 10 marks out of a total of 20 available marks. A pass rate of 100% was recorded. The highest score was 17 out of 20 marks while the lowest was 10.

The reports were well presented and information could flow. However, many candidates had challenges in explaining the Value Analysis and the Total Quality Management. Some candidates even opted to leave them out in their reports for suspected lack of knowledge on the subject area.

QUESTION FIVE

The general performance on this question was excellent. 10 of the 10 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)

A number of candidates, had problems with discussing the terms in its reporting requirements. On the advantages and disadvantages of exception reports, most of the candidates struggled hence scored maximum marks on this part.

Part (b)

This was not a popular part. For those who attempted the question varying discussions were given but only for few were convincing enough to merit full marks

Overall performance of candidates

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

Lowest mark obtained in this paper: **16%**

Overall pass rate in this paper: **50%**

SUBJECT: CA3.6 - ADVANCED FINANCIAL MANAGEMENT

QUESTION ONE

The general performance on this question was poor. 9 out of the 25 candidates that attempted the question achieved a pass (that is a score of at least 20 out of 40 marks), representing a pass rate on the question of 36%. The lowest score was 8, whilst the highest was 25 out of the available 40 marks.

The common mistakes noted included:

- i. Candidates failed to compute the ungeared cost of equity, present of issue costs for equity and debt as well as the tax shield.
- ii. Although some candidates could compute correctly the overall expected rate of return, they failed to provide the basis of the computation. Others failed completely to compute the overall expected rate of return.
- iii. Candidates failed to show how to hedge the position using the futures contract. Some did not even provide answers.

QUESTION TWO

The general performance on this question was very good. 19 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 76% was recorded. The highest score was 19 out of 20 marks while the lowest was 4.

The candidates' performance was good because out of 25 who attempted this question, 19 passed representing a pass rate of 76%.

The common mistakes included the following:

- i. Some of the candidates failed to state the steps required for obtaining a listing on an international stock exchange such as the London Stock Exchange.
- ii. Surprisingly some candidates failed explain the advantages and disadvantages of a stock listing for a medium sized company satisfactorily and convincingly.
- iii. Some candidates failed to adequately state the ethical considerations or concerns for obtaining a listing on a stock exchange.

QUESTION THREE

The general performance on this question was poor. 4 of the 12 candidates that attempted the question managed to obtain at least 10 marks out of a total of 20 available marks. A pass rate of 33.3% was recorded. The highest score was 17 out of 20 marks while the lowest was 2.

The common mistakes include:

Candidates exhibited lack of knowledge of the Tobin's Q and even projecting future dividends for the purpose of valuation.

QUESTION FOUR

The general performance on this question was excellent. 17 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 81% was recorded. The highest score was 18 out of 20 marks while the lowest was 3.

The common mistakes include:

- (a) The error in part (a) by candidates was to equate required remedies for reduction of the current account deficit on the balance of payments by a government with measures for managing foreign currency risk or multi – lateral netting by a corporation.
- (b) Determination of the required foreign currency net receipts in part (b) was incorrectly computed by multiplying instead of dividing the exposure with the appropriate rate.

QUESTION FIVE

The general performance on this question was good. 12 of the 19 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 15 out of 20 marks while the lowest was 2.

The common mistakes include:

Candidates had difficulties in computing computation of net gain. Students needed to show at what % they had borrowed and at what percentage they had received from Vendita. The difference is therefore the gain or loss.

Overall performance of candidates

Highest mark obtained in this paper: **69%**
Lowest mark obtained in this paper: **6%**
Overall pass rate in this paper: **65.4%**

SUBJECT: CA3.7 - PUBLIC SECTOR AUDITS AND ASSURANCE

QUESTION ONE

The general performance on this question was good. 74 out of the 113 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 65.5%. The lowest score was 6, whilst the highest was 35 out of the available 40 marks.

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

Part (a)

This part of the question required candidates to distinguish attestation engagements from direct reporting engagements.

The following were observed:

- i. A few candidates performed poorly and they seemed not to know the meaning of these types of engagements. A few simply did not attempt to answer this part.
- ii. A few candidates swapped the meaning of the two types of engagements and mistook attestation engagements for direct reporting engagements in their answers.
- iii. Some candidates thought the two types of engagements were the same as they gave the same definition for both.

Part (b)

This part of the question required candidates to evaluate the adherence with the general principles of public sector auditing by the SAI of Malawi. The performance was generally good with a majority of the candidates scoring more than half the available marks.

The following observations were made:

- i. A large number of candidates referred to the Lima and Mexico declarations showing that they did not know the general principles of public sector auditing.
- ii. A few candidates simply repeated the information in the scenario without explaining the extent of adherence to the general principles.

Part (c)

This question required a description of performance auditing in the context of the information in the scenario and giving the audit procedures that should be performed.

- (i) This question required candidates to describe the performance audit that should be carried out on the road project in the scenario.
- (ii) This part of the question required candidates to describe audit procedures that should be performed in the performance audit of the road project.

A majority of the candidates performed well and scored more than half the available marks. A few candidates made no reference to the 3 e's of economy, efficiency and effectiveness which should be at the center of the suggested audit procedures and also in explaining performance auditing. Some candidates explained in general terms the three e's in answering part (i) without relating these to the information in the scenario as expected.

Part (d)

- (i) This question was application in that it required candidates to identify and explain fraud risk factors that exist in the road project.

The following observations were made:

- i. Most candidates answered this part well and scored high marks. A few candidates discussed fraud instead of fraud risk factors as per question requirement.
 - ii. There were candidates who identified the fraud risk factors but could not satisfactorily explain why they considered them as fraud risk factors.
- (ii) This question required candidates to explain the elements of a performance audit using the information on the road project. A majority of the candidates scored poorly in this part of the question.

The following observations were made:

- iii. Most of the candidates explained the elements of an assurance engagements instead of the elements of a performance audit which are different.
- iv. Of the candidates who identified the elements of the performance audit did not relate them to the road project in the question. At this level of the examinations candidates are expected and required to use the information in the scenario in answering examination questions.

QUESTION TWO

The general performance on this question was excellent. 84 of the 104 candidates that attempted the question managed to obtain at least 10 marks out of a total of 20 available marks. A pass rate of 80.8% was recorded. The highest score was 18 out of 20 marks while the lowest was 4.

A total of 104 candidates attempted this question and this was the most attempted optional question.

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

Part (a)

This part of the question required candidates to explain the objectives of the public sector auditor in a financial statement audit. The performance was good with a majority of the candidates scoring high marks.

Part (b)

This part of the question required candidates to identify and explain audit risks in the audit of the financial statements of the Ministry of Foreign Affairs and International Co-operation. A majority of the candidates answered this part of the question well and scored high marks. A minority of candidates failed to give the required number of audit risks with a few poor explanations of the audit risks.

Part (c)

This was a question on auditor responsibility with regards the subsequent event in the question.

Some candidates seemed not to know the provisions of ISSAI 1560 and seemed not to know the duties of the auditors on subsequent events.

Part (d)

This part of question required candidates to suggest suitable audit procedures that that should be undertaken when auditing gifts and donations. Although most candidates scored well in this part of the question there was a sizeable number of candidates who scored poorly.

The following were observed:

- i. Some candidates explained general audit procedures not related to gifts and donations.
- ii. Some audit procedures were not appropriate such as observe the gifts and donations.
- iii. Some candidates mistook that the gifts and donations were to the ministry officials rather than the auditors therefore giving wrong answers.

QUESTION THREE

The general performance on this question was poor. 14 of the 54 candidates that attempted the question managed to obtain at least 10 marks out of a total of 20 available marks. A pass rate of 25.9 was recorded. The highest score was 12 out of 20 marks while the lowest was 0.

The following observations were made:

Part (a)

- (i) The question required candidates to explain the purpose of IT general controls.
Most candidates explained the purpose of IT general controls and scored maximum marks. There were candidates who gave poor explanations of IT general controls a knowledge-based requirement and these lost easy marks.
- (ii) This part required candidates to state four examples of IT general controls. A majority of the candidates were able to state four examples of IT general controls. A few candidates lost easy marks for failing to give the required number of examples.

Part (b)

- (i) This part required candidates to draft the introductory paragraph of a management letter.
A majority of candidates did not attempt to answer this part of the question showing that they did not know what a management letter is.

- (ii) This required candidates to recommend four IT application controls to address the incompleteness of input data in the given scenario.

The following observations were made:

- i. Candidates lost marks for failing to recommend four application controls as per question requirement.
- ii. Some candidates seemed not to know the difference between general and application controls. In their answer to this part, they included IT general controls for which no marks were given.

Part (c)

This part required candidates to recommend three audit procedures to audit the provision in the financial statements giving the reason for each procedure recommended.

The performance in this part of the question was bad with a majority of the candidates scoring below half the available marks.

The following were observed:

- i. A sizeable number of candidates simply did not attempt to answer this part of the question.
- ii. A few gave less than the required number of procedures required.
- iii. A large number of candidates recommended audit procedures but did not state any reasons for the procedures recommended contrary to the question requirement. Candidates are reminded to address all requirements in multiple requirement questions such as this one.

QUESTION FOUR

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

A total of 73 candidates attempted to answer this question. Of this number 41 candidates scored half or more of the available marks and the average score was out of a maximum 20 marks. The average score was 9 out of the maximum 20 marks available.

Part (a)

This part of the question required candidates to explain how materiality is determined in a compliance audit. Candidates lost marks because in many cases the explanations were less detailed for the available marks. Many did not consider the use of professional judgement in considering materiality.

Part (b)

This part required candidates to advise on the materiality of a deviation of K200 in the compliance audit of the program in the question.

Candidates considered the amount of K200 in answering the question instead of considering the matter of non-compliance which is key in compliance auditing.

Part (c)

This part of the question required candidates to identify and explain audit risks in the compliance audit of the cancer project.

A majority of the candidates scored high marks in this part of the question.

Part (d)

This part required candidates to describe audit procedures to be performed in the compliance audit of the cancer project. A minority of the candidates could not give audit procedures in the compliance auditing and lost easy marks as a result.

QUESTION FIVE

The general performance on this question was very good. 72 of the 103 candidates that attempted the question managed to obtain at least 10 marks out of a total of 20 available marks. A pass rate of 69.9% was recorded. The highest score was 19 out of 20 marks while the lowest was 2.

Part (a)

This part of the question required candidates to define forensic investigations in public sector auditing. The performance in this part of the question was good with a majority of those who attempted the question scoring high marks.

A few candidates showed lack of the meaning of forensic investigation and gave answers such as 'Forensic investigations is an audit that is performed at 100% as no sampling is required.'

Part (b)

This part of the question required candidates to describe giving examples the three types of fraud in the public sector.

The performance in this part of the question was good with a majority of the candidates scoring high marks. A few candidates explained the three types of fraud without relating their explanations to the information in the scenario.

Part (c)

This part of the question required candidates to describe four areas in the public sector which give rise to the risk of fraud. The performance in this part was good with most candidates scoring more than half the available marks. Some candidates simply described government ministries that have a higher risk of fraud instead of describing areas such as procurement etc. A few candidates could not give the required number of areas so losing easy marks.

Part (d)

This part of the question required candidates to explain the elements of the fraud triangle. The performance in this question was generally good with many candidates able to explain the elements of the fraud triangle. A few candidates simply listed without explanation and so got half the marks. Other candidates explained the accountability triangle which did not answer the question requirements and no marks were awarded.

Overall performance of candidates

Highest mark obtained in this paper: **75%**

Lowest mark obtained in this paper: **25%**

Overall pass rate in this paper: **74.3%**

SUBJECT: CA3.8 – PUBLIC SECTOR FINANCIAL MANAGEMENT

QUESTION ONE

The general performance on this question was good. 3 out of the 6 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%. The lowest score was 14, whilst the highest was 25 out of the available 40 marks.

The common mistakes include:

- (a) (i) Failure by some candidates to calculate correctly the sales for the years 1 to 6. From year 1 and year 2, candidates were expected to determine the sales by multiplying the selling price which was given in the question with the expected production of K2 Million packs per year which was also provided in the question. The selling price increased to K65 in year 3 and K70 in year 4 and 5 to K75 per pack in year 5. The inability of some candidates to calculate the variable and fixed costs resulted into incorrect after tax inflows. Some candidates used a wrong discount factor when calculating the Present Value (PV). As a consequence, the NPV was not correctly determined.
- (ii) In responding to this question, some candidates failed to clearly state the difference between investment appraisal in the private sector and that of the public sector. Instead of clearly stating the difference, some merely defined the terms "Private" and "public".
- (b) Some responses of the candidates clearly stated the meaning of Interest Rate, but failed to identify and state the Six (6) strategies which the government can use to minimize its exposure. Such inadequate responses resulted into loss of marks.
- (c) The question required the candidates to respond to the question by preparing a response in form of a report format, however some candidates merely listed the reasons as to why financial crises continued to rise. Some of the reasons mentioned were not even correct.

QUESTION TWO

The general performance on this question was very good. 2 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 66.7% was recorded. The highest score was 16 out of 20 marks while the lowest was 6.

The common mistakes include:

- (a) Three points stating the importance of PFM SYSTEM did not come out properly from the majority of the candidates who attempted this question.

The PFM system measurement framework was poorly and inadequately explained. Candidates were expected to explain the following (i) Public Expenditure and Financial Accountability (PEFA) (II) Public Expenditure Tracking Survey (PET) (III) OECD Principles of Budgetary Governance. (iv) The Open Budget Index and (iv) SIGMA Principles of Public Administration:

(b) The two inadequacies were not well explained. In the first inadequacy candidates did not show the fact that government institutions have had a challenge to MEASURE the outputs of their strategic plans. Including the fact that the Budget was supplemented by over 25%. Candidates did not explain the relevant pillar which happens to be Pillar 1 which focusses on Budget reliability.

The second inadequacy discloses the aspect of Fraud. Candidates did not establish that 86.5% of the Ministries accounts were not reconciled on a monthly basis and many of the bank reconciliation had unexplained differences which led to pockets of fraud across Ministries. Pillar 6 is what is applicable. It focuses on Accounting and Reporting. This was not explained by many candidates who should have stated the importance of Pillar 6.

The first inadequacy requires that the budget be prepared based on output and the second should be resolved through timely monthly bank reconciliations.

QUESTION THREE

The general performance on this question was excellent. All the 3 candidates that attempted the question managed to obtain at least 10 marks out of a total of 20 available marks. A pass rate of 100% was recorded. The highest score was 18 out of 20 marks while the lowest was 13.

The common mistakes include:

In Part(c), some candidates were not able to identify and categorize correctly the various types of fiscal risks, namely endogenous or exogenous, continuous or discrete.

QUESTION FOUR

The general performance on this question was excellent. All 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 100% was recorded. The highest score was 19 out of 20 marks while the lowest was 10.

The candidates' performance was excellent because out of 6 who attempted this question, all 6 passed representing a pass rate of 100%. The question was well attempted.

QUESTION FIVE

The general performance on this question was excellent. All 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 100% was recorded. The highest score was 17 out of 20 marks while the lowest was 2.

The common mistakes include:

(a) Explanation of the difference between Revenue and Financing did not come out well. Explanation of the Value Added Tax, Customs and Excise –, Pay As You Earn, Withholding Tax and other including Mineral Royalty Tax were not properly done.

(b) Explanation of the Value Added Tax, Customs and Exercise i.e. Customs Duty, Non Tax Revenue and Domestic Financing were poorly done.

(c) Candidates did not distinguish properly between the following: (i) Public goods (ii) Externalities (iii) Merit Goods and (iv) Market Power. Explanations were inadequate and not convincing.

Overall performance of candidates

Highest mark obtained in this paper: **77%**

Lowest mark obtained in this paper: **52%**

Overall pass rate in this paper: **100%**