



MARCH 2023 EXAMINATIONS

CHIEF EXAMINERS REPORTS

CA ZAMBIA

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

### **QUESTION ONE**

The general performance on this question was poor. 17 out of the 50 candidates that attempted the question passed (got at least 10 out of the total 20 marks available). The pass rate recorded was 34%. The highest mark scored on this question was 14 out of 20 and the lowest was 0 out of 20.

Candidates had challenges on the following:

- (i) On bank reconciliation because they tend to memorize the format without understanding why they are required to reconcile the Bank statement with cash book records.
- (ii) Expenditure classification i.e. Capital vs. Revenue.
- (iii) Candidates failed to adjust the sales figure before making the adjustments.
- (iv) On cashflows. Candidates failed to identify items to include in each part.

### **QUESTION TWO**

The general performance on this question was very good. 32 out of the 49 candidates that attempted the question passed (got at least 10 out of the total 20 marks available). The pass rate recorded was 65%. The highest mark scored on this question was 18 out of 20 and the lowest was 1 out of 20.

Part "a" required candidates to prepare a statement of Profit or Loss for a Limited Company. Candidates performed well.

Part "b" required candidates to prepare a statement of changes in equity. This part was poorly done. Candidates had no idea on the format, what items to include and poor presentation.

Part "c" required candidates to prepare a statement of financial position. Candidates had difficulties on the correct Trade receivables figure.

### **QUESTION THREE**

The general performance on this question was fair. 22 out of the 45 candidates that attempted the question passed (got at least 10 out of the total 20 marks available). The pass rate recorded was 48%. The highest mark scored on this question was 18 out of 20 and the lowest was 0 out of 20.

Part "a" required candidates to record the given transactions using double entry book keeping system and thereafter extracting a trial balance. Candidates failed to obtain good marks by failing to use the right text under each ledger account e.g. under capital account, some candidates were using capital under details column. Another common error was under Rent account.

Part "b" was on conceptual Framework for Financial Reporting terms. Candidates fared well on this part.

#### **QUESTION FOUR**

The general performance on this question was fair. 18 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 45%. The highest mark scored on this question was 19 out of 20 and the lowest was 0 out of 20.

Part "a" required candidates to write up Journal entries to correct the given errors. Candidates fared well on this.

Part "b" required candidates to write up a Suspense account. Many candidates failed to establish the opening balance.

Part "c" required candidates to re-draft the corrected trial balance after taking into account the errors in part "a". Candidates fared well in this part.

Part "d" required candidates to describe three errors that are disclosed by the trial balance. Candidates obtained maximum marks in this part.

#### **QUESTION FIVE**

The general performance on this question was poor. 3 out of the 15 candidates that attempted the question passed (got at least 10 out of the total 20 marks available). The pass rate recorded was 20%. The highest mark scored on this question was 15 out of 20 and the lowest was 0 out of 20.

Part "a" required candidates to use the accounting equation to establish the profit made by a trader who has not kept proper books of accounts. In Part a (i), candidates should have used Assets minus Liability equals Opening Capital figure. Part a (ii), candidates should have used the same approach with minor adjustments for Drawings and winnings to calculate the profit figure of K16,570.

Part "b" required candidates to write up the machinery account, Allowance for Depreciation on machinery and an extract of the statement of financial position. The common error was using wrong text in the ledger accounts. In machinery account, candidates should have used Bank on each occasion not Purchases which many candidates used.

## **QUESTION SIX**

The general performance on this question was very good. 25 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 61%. 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 an adjusted Cash book. Candidates had a challenge on adjustment 3, standing order receipt. This should be debited as it is a receipt.

Part "b" required candidates to prepare a bank Reconciliation statement. Candidates failed to show the bank error effect on the bank reconciliation.

## **OVERALL PERFORMANCE OF CANDIDATES:**

Highest mark obtained in this paper: 78%

Lowest mark obtained in this paper: 6%

Overall pass rate in this paper: 48%

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

### **QUESTION ONE**

The general performance on this question was very good. 22 out of the 29 candidates that attempted the question passed (got at least 10 out of the total 20 marks available). The pass rate recorded was 76%. The highest mark scored on this question was 16 out of 20 and the lowest was 4 out of 20.

This question was multiple choice and compulsory hence attempted by all the candidates.

The multiple choice questions were short answer phrases and calculations on a wide range of topics from the syllabus. The topics covered included numerical data calculation such as the mean, calculation involving concept of compound interest, random values and probability distribution. The performance was very good as most candidates were able to provide correct solutions. For candidates who could not perform well, it was observed multiple choice questions that required calculations were the tougher questions. It is therefore suggested that candidates should familiarize themselves with short mathematical and statistical calculation in order to improve on performance in this section of the examination

### **QUESTION TWO**

The general performance on this question was poor. 10 out of the 29 candidates that attempted the question passed (got at least 10 out of the total 20 marks available). The pass rate recorded was 35%. The highest mark scored on this question was 18 out of 20 and the lowest was 0 out of 20.

This question had two parts. The first part was on regression analysis. Candidates were required to use the given data to construct a scatter plot, find the regression line and calculate the coefficient of correlation. The performance on this question was very good and most candidates showed good knowledge in the required subject.

The second part of the question was on compound interest. Candidates were required to use the given principle, interest rate and investment to calculate the value of investment after the stipulated period. The performance on this question was good except for a few who could not divide the interest rate by 12 since compounding was monthly. The overall performance on question 2 was good.

### **QUESTION THREE**

The general performance on this question was very poor. None out of the 12 candidates that attempted the question passed (got at least 10 out of the total 20 marks available).

The pass rate recorded was 0%. The highest mark scored on this question was 9 out of 20 and the lowest was 0 out of 20.

The first part of the question was on grouped data. Candidates were required to use the grouped data to draw the histogram, calculate the mean and standard deviation. It was observed that candidates did not have any challenges in calculating the mean and standard deviation. However challenges such as inability to draw continuous bars when constructing the histogram. And in few instances it was observed that candidates could not correctly label the bars by their class limits. These omissions resulted in loss of marks on the histogram construction.

The second part required candidates to find total value of investment using the method of compound interest. The compounding was required to be calculated per annum, semi-annually, monthly and daily. There was an observed struggle to find correct answer by a few candidates who could not be able to multiply the period ( $t$ ) by the number of times of compounding.

#### **QUESTION FOUR**

The general performance on this question was good. 14 out of the 27 candidates that attempted the question passed (got at least 10 out of the total 20 marks available). The pass rate recorded was 52%. The highest mark scored on this question was 20 out of 20 and the lowest was 0 out of 20.

The first part of the question required candidates to use the normal distribution method to find Z-values. The Z values from two calculations were supposed to be compared with a higher value representing the expensive form of milk. Candidates were able to find the Z values but could not further use the results to interpret the level of expense of the products that were being compared.

The second part of the question was on time series analysis. Candidates were required to use the given set of data to calculate the moving averages. The performance was not good on this question as it was observed that most candidates made a lot of computation errors in calculating moving averages. The general performance on question 4 was below average.

#### **QUESTION FIVE**

The general performance on this question was poor. 7 out of the 27 candidates that attempted the question passed (got at least 10 out of the total 20 marks available). The pass rate recorded was 26%. The highest mark scored on this question was 17 out of 20 and the lowest was 0 out of 20.

The question had the first part requiring candidates to define compound interest and annuity. It was noted that majority of definitions were not satisfactory and candidates left vital information on their definitions. The second part required candidates to use the method of compound interest to calculate the present value of an investment given future value. The performance on this part was average. This was because some candidates still treated the given future value as a present value and wrongly calculated a future value. This resulted in loss of marks

The third part of this question required candidates to use the NPV method to select a profitable investment given two investments. The performance on this question was good as candidates showed good knowledge of principles required to solve the problem. Those who failed were observed to have been using wrong formula and also could not correctly calculate the NPV. The general performance on this question was above average.

The question was based on one concept which involved random variables and probability distribution. Questions were focused on assessing candidate's ability to find the expected value and the variance. These values are then required to be used to solve various parts. It was observed that most candidates were able to find the expected value but failed to use this value to solve the other questions that required its use, hence the performance was bad on this question.

## **QUESTION SIX**

The general performance on this question was poor. 6 out of the 19 candidates that attempted the question passed (got at least 10 out of the total 20 marks available). The pass rate recorded was 32%. The highest mark scored on this question was 18 out of 20 and the lowest was 0 out of 20.

The first part of the question required candidates to calculate the interest on an investment using the compound interest method. It was observed that most candidates that attempted the question were able to find the correct value of the interest. The few who failed could not correctly replace given values in the formula. This resulted in a wrong value of interest rate.

The second part required candidates to use a given table of grouped statistical data to calculate the mean, standard deviation and the mode. There was a good performance on the mean and standard deviation calculation. The modal calculation posed some challenges on some candidates as they could not correctly select the required modal class. This resulted in wrong modal value that was calculated hence lost marks on this part. The average performance was good on this question.

## **Overall performance of candidates**

Highest mark obtained in this paper: 77%

Lowest mark obtained in this paper: 15%

Overall pass rate in this paper: 34.5%



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

### **QUESTION ONE**

The general performance on this question was good. 15 out of the 27 candidates that attempted the question passed (got at least 10 out of the total 20 marks available). The pass rate recorded was 56%. The highest mark scored on this question was 14 out of 20 and the lowest was 4 out of 20.

This was a compulsory question made up of ten (10) multiple choice question worth 2 marks each. One noteworthy issue was to see a candidate covering ten pages in answering this question! Candidates are advised to answer this question on a single page.

### **QUESTION TWO**

The general performance on this question was poor. 6 out of the 27 candidates that attempted the question passed (got at least 10 out of the total 20 marks available). The pass rate recorded was 22%. The highest mark scored on this question was 16 out of 20 and the lowest was 2 out of 20.

This was another compulsory question. The question was divided into two parts namely (a) and (b) as follows:

- (a) This part of the question was divided into three (3) subparts namely (i) to (iii) as follows:
- (i) Required candidates to explain how profit maximizing output is determined using marginal revenue and marginal cost approach. Performance was fair. The common mistake made by many candidates was to merely define the MR and MC concepts. Many failed to bring out all the three possible conditions namely (i)  $MR = MC$ , (ii)  $MR > MC$ , and (ii)  $MR < MC$ .
  - (ii) Required candidates to explain how profit maximizing output is determined using the Total revenue and total cost curves. Many candidates stated that  $\text{profit} = TR - TC$ . However, this does not guarantee that profit would be maximized. The question required an answer explained in terms of the curves. Specifically, profit is maximized where the distance between the TR curve and the TC curve is the greatest.
  - (iii) Required candidates to explain why the firms marginal cost curve above the average cost curve coincides with the firms supply curve. This was poorly done by many candidates. Key issue is that a firm will shut-down if it cannot meet the variable cost.
- (b) This was also divided into two namely (i) and (ii):
- (i) Required candidates to explain whether the Accountants list of costs was complete. It was badly done. Many candidates brought in of transport costs, etc. The key principle is that Accountants costs do not include implicit costs.

- (ii) Required candidates to calculate the Economic profit. Many candidates calculated the Accountants profit and could therefore not get the full credit. Economic profit = Total Revenue – (Explicit costs + Implicit Costs).

### **QUESTION THREE**

The general performance on this question was very good. 10 out of the 24 candidates that attempted the question passed (got at least 10 out of the total 20 marks available). The pass rate recorded was 42%. The highest mark scored on this question was 20 out of 20 and the lowest was 0 out of 20.

This was an optional question. The question was divided into three parts namely (a) to (c) as follows:

(a) This part of the question was divided into two (2) subparts namely (i) and (ii) as follows:

- (i) Required candidates to explain using diagrams what happens to equilibrium price and quantity of iPhones if the price of iPhone App, the complementary good falls. A fall in the price of iPhone Apps would shift the demand curve for iPhones to the right. Common mistakes observed include (i) Poor graphs and poor or no explanation. Equilibrium occurs at a point where the demand curve and the supply curves intersect. Many candidates just drew demand curves or supply curves. This is not equilibrium! Further candidates can improve the presentation of their graphs by utilizing the graph paper always included at the end of the Answer Booklet.
- (ii) Required candidates to explain what happens to equilibrium price and quantity for iPhones when a preferred Phone Model X is introduced by the competitor. Here the demand curve for iPhones would shift to the left. It's not the supply curve that is affected. Other mistakes are as given in (i) above.

(b) Required candidates to outline any two (2) factors that may determine the demand for smart phones. The question simply required candidates to outline any two factors that affect demand, in general. Performance was good, though some weak candidates outlined none economic factors.

(c) This was divided into two (2) subsections namely (i) ad (ii):

- (i) Required candidates to calculate price elasticity of demand using the given data. There was fair performance. However, some candidate could apply the midpoint formula as the given data dictated so.
- (ii) Required candidates to calculate the price elasticity of demand from the given data. It simply required understanding the definition of price elasticity of demand, that is, percentage change in quantity demanded divided by percentage change in price. Some candidates resorted to complicated formulae, while others interchanged the numerator and the denominator.

## QUESTION FOUR

The general performance on this question was very poor. None out of the 4 candidates that attempted the question passed (got at least 10 out of the total 20 marks available). The pass rate recorded was 0%. The highest mark scored on this question was 8 out of 20 and the lowest was 0 out of 20.

This was another optional question. The question was divided into two parts namely (a) and (b) as follows:

(a) This part of the question was divided into three (3) subparts namely (i) to (iii) as follows:

- (i) Required candidates to derive the aggregate expenditure function using the given data. Many candidates failed to write the identity  $Y = C + I + G$
- (ii) Required candidates to determine the equilibrium level of output. Candidates who failed the identity in (i) completely failed here. Further, some candidates who used the identity failed to substitute and solve for  $Y$ . Some candidates reached  $Y = 2200 + 0.8Y$  but failed to solve for  $Y$  using  $Y - 0.8Y = 2200$ !
- (iii) Required candidates to determine the new equilibrium when  $I = 200$ . It simply required putting 1,200 where there was 1,000. Some candidates used 200 instead of 1,200., that is, an increase of 200 from 1,000
- (iv) Required candidates to explain the multiplier theory of investment. Performance was fair. The common mistake was that some candidates merely defined the theory hence could get the full marks allotted. Candidates are advised to follow the key words in the question to address the specific requirements.

(b) Required candidates to explain any four (4) determinants of consumption. This was fairly done, though there was a considerable amount of non-economic answers. This indicated that some candidates failed to study the entire syllabus.

## QUESTION FIVE

The general performance on this question was poor. 8 out of the 27 candidates that attempted the question passed (got at least 10 out of the total 20 marks available). The pass rate recorded was 30%. The highest mark scored on this question was 20 out of 20 and the lowest was 0 out of 20.

This was an optional question. The question was divided into five (5) parts namely (a) to (e) as follows:

- (a) Required candidates to define commodity money. This was fairly done.
- (b) Required candidates to outline the characteristics of good money. The common mistake was that some candidates confused functions of money with qualities of money!

- (c) Required candidates to explain the meaning of counterfeit money. Performance was fair, largely from common sense.
- (d) Required candidates to explain how the bank of Zambia can use monetary policy to reduce money supply. The common mistake by some candidates was to cite taxation and government expenditure which are not monetary policy tools. Monetary policy is concerned with control over exchange rates, money supply, credit creation by banks, interest rates, etc.
- (e) Required candidates to explain what is meant by expansionary monetary policy. Again, the common mistake was to explain fiscal policy tools of taxation and government expenditure.

## **QUESTION SIX**

The general performance on this question was fair. 12 out of the 25 candidates that attempted the question passed (got at least 10 out of the total 20 marks available). The pass rate recorded was 48%. The highest mark scored on this question was 17 out of 20 and the lowest was 0 out of 20.

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

- (a) Required candidates to describe the comparative advantage theory. This was well done, though a good number of candidates explained absolute advantage theory. Some even gave illustrative tables explaining absolute advantage theory! The key to comparative advantage is not cheaper to produce" but "lower opportunity cost"
- (b) Required candidates to state any four (4) reasons against free international trade. Performance was mixed.
- (c) Required candidates to outline any three (3) factors that may lead to Balance of Payment deficit. This was fairly done.
- (d) Required candidates to explain any two (2) measures government can put in place to correct a balance of Payment deficit. Some candidates were completely lost while others merely listed the measures instead of explaining them as required.

### **Overall performance of candidates**

Highest mark obtained in this paper: 66%  
 Lowest mark obtained in this paper: 15%  
 Overall pass rate in this paper: 40.7%

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

### **QUESTION ONE**

The general performance on this question was excellent. 62 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 95%. The highest mark scored on this question was 20 out of 20 and the lowest was 4 out of 20.

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

### **QUESTION TWO**

The general performance on this question was excellent. 53 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 82%. The highest mark scored on this question was 20 out of 20 and the lowest was 0 out of 20.

This was a compulsory question and was attempted by all candidates. In Part (a) all candidates managed to discuss the Zambian court structure. Part (b) only 50% managed to give the correct answer. The common mistake made was that some candidates were instead trying to give definitions of transfer of title. Part (c) and (d) as well most candidates failed to give the differences. Going forward candidates are encouraged to study and become familiar with all topics.

General comment - The overall performance was good.

### **QUESTION THREE**

The general performance on this question was fair. 26 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 49%. The highest mark scored on this question was 20 out of 20 and the lowest was 0 out of 20.

The question had three parts.

(a) Students did fairly well in this question. Candidates were familiar with when courts can award the remedy of specific performance as well as when damages may arise.

(b) Candidates proved to be knowledgeable about termination of agency.

(c) When it came to money laundering ,a third of the candidates seemed to be guessing based on general knowledge however the others answers were very impressive and revealed a good understanding of the subject matter.

#### **QUESTION FOUR**

The general performance on this question was good. 11 out of the 22 candidates that attempted the question passed (got at least 10 out of the total 20 marks available). The pass rate recorded was 50%. The highest mark scored on this question was 19 out of 20 and the lowest was 0 out of 20.

This question was on pre-incorporation contracts and articles of association of a company. Some candidates failed to appreciate the fact that promoters would be personally liable for pre-incorporation contracts unless there is a provision to the contrary. The question was within the syllabus.

#### **QUESTION FIVE**

The general performance on this question was good. 34 out of the 59 candidates that attempted the question passed (got at least 10 out of the total 20 marks available). The pass rate recorded was 58%. The highest mark scored on this question was 18 out of 20 and the lowest was 0 out of 20.

Under part (a), the performance was not good and most of the scored low marks. They seemed not to have understood the question well. For part (b) they did well with three quarters getting not less than 10 marks. Going forward let candidates be familiar with topics such as employment law which are very important part of the syllabus.

#### **QUESTION SIX**

The general performance on this question was very good. 41 out of the 60 candidates that attempted the question passed (got at least 10 out of the total 20 marks available). The pass rate recorded was 68%. The highest mark scored on this question was 20 out of 20 and the lowest was 0 out of 20.

The question had three parts.

(a) Candidates understood what incorporation is and how it occurred.

(b) Candidates made the distinction between an incorporated company and a partnership. However there is need to coach candidates on how comparison questions ought to be tackled as some merely listed the characteristics as opposed to contrasting between the two.

(c) The agency question was answered well with the majority going alot further and citing a number of cases to substantiate there position.

General Comment: The questions were well prepared, candidates are urged to read and understand the whole syllabus.

### **Overall performance of candidates**

Highest mark obtained in this paper: 88%

Lowest mark obtained in this paper: 10%

Overall pass rate in this paper: 83.1%

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

### **QUESTION ONE**

The general performance on this question was excellent. 20 out of the 22 candidates that attempted the question passed (got at least 10 out of the total 20 marks available). The pass rate recorded was 91%. The highest mark scored on this question was 18 out of 20 and the lowest was 8 out of 20.

This was a compulsory case study question and was expected to be answered by all candidates. It was well answered by most candidates.

### **QUESTION TWO**

The general performance on this question was excellent. 20 out of the 22 candidates that attempted the question passed (got at least 10 out of the total 20 marks available). The pass rate recorded was 91%. The highest mark scored on this question was 18 out of 20 and the lowest was 0 out of 20.

Like question one above, this was also a compulsory question to be attempted by all candidates. It was well answered by nearly all candidates.

### **QUESTION THREE**

The general performance on this question was excellent. 15 out of the 17 candidates that attempted the question passed (got at least 10 out of the total 20 marks available). The pass rate recorded was 88%. The highest mark scored on this question was 18 out of 20 and the lowest was 2 out of 20.

This question was in two parts, (a) and (b). It well done by most candidates who made an attempt and the following was the performance:

### **QUESTION FOUR**

The general performance on this question was excellent. 16 out of the 19 candidates that attempted the question passed (got at least 10 out of the total 20 marks available). The pass rate recorded was 84%. The highest mark scored on this question was 20 out of 20 and the lowest was 3 out of 20.

The question had three parts (a), (b) and (c). Most candidates who attempted this question generally did well in all the three parts.



## **QUESTION FIVE**

The general performance on this question was excellent. 20 out of the 21 candidates that attempted the question passed (got at least 10 out of the total 20 marks available). The pass rate recorded was 95%. The highest mark scored on this question was 18 out of 20 and the lowest was 6 out of 20.

This question was in three parts (a), (b) and (c) which was attempted by all, but one, candidates.

## **QUESTION SIX**

The general performance on this question was excellent. 8 out of the 9 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 7 out of 20.

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

- (a) Internal triggers of change were correctly identified by most candidates.
- (b) Requirements for managing change were correctly given by candidates.
- (c) Transformation change was correctly defined a good number of candidates.

## **Overall performance of candidates**

Highest mark obtained in this paper: 86%  
Lowest mark obtained in this paper: 43%  
Overall pass rate in this paper: 95.5%

## **SUBJECT: CA1.6 BUSINESS COMMUNICATION**

### **QUESTION ONE**

The general performance on this question was excellent. 28 out of the 29 candidates that attempted the question passed (got at least 10 out of the total 20 marks available). The pass rate recorded was 96.6%. The highest mark scored on this question was 20 out of 20 and the lowest was 6 out of 20.

This was a multiple choice question.

This question required candidate the select the best answer from the options that were provided from the 10 sub questions. The common errors on this question were mostly failure to select the best options among the distractors. Mostly what was selected was just close to the best answer.

### **QUESTION TWO**

The general performance on this question was very good. 20 out of the 29 candidates that attempted the question passed (got at least 10 out of the total 20 marks available). The pass rate recorded was 69%. The highest mark scored on this question was 18.5 out of 20 and the lowest was 3.5 out of 20.

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

Briefly explain any two (2) examples of reports an officer may be required to produce at place of work while part (b) required them to write the report and give three (3) recommendations on how the situation could be improved from a given scenario in the question.

The most common errors on this question were:

- (a) (i) Presenting the roles of a report instead of the types of reports as requested in the question.
- (ii) Some cases types of reports were missed up
- (iii) Wrong content was also provided.
- (b) (i) Wrong content provided within different sections of a report ( ie recommendations were provided in the introduction section.)
- (ii) produced inadequate content of a report.

(iii) Wrong format / layout used for a formal report

(iv) Wrong content produced which was totally different from the scenario given in the question.

(v) omitting some sections of the report. In some cases, procedures, conclusions and recommendations were not included in the report.

### **QUESTION THREE**

The general performance on this question was excellent. 24 out of the 27 candidates that attempted the question passed (got at least 10 out of the total 20 marks available). The pass rate recorded was 89%. The highest mark scored on this question was 17 out of 20 and the lowest was 4 out of 20.

Most candidates performed well on this question. This question required candidates to:

State any five (5) advantages of email in part (a) and part (b) required them to state any five (5) tasks an operating system is able to perform. In part (c) candidates were required to explain 'Transaction Processing System' (TPS) and provide two (2) areas of business in which TPS could be used by an organization. Part (c) required candidates to mention any four (4) data quality principles which can be used in data quality assessment and reporting.

Questions three (a) and (b) were well answered by all candidates. However, some common errors that were observed on the remaining parts of the questions were:

- (i) Some candidates struggled to explain where the transaction processing system (TPS) are applied or used in business organizations.
- (ii) Some candidates misunderstood the question. They explained characteristics of information instead of data quality principles which can be used in data quality assessment and reporting.

### **QUESTION FOUR**

The general performance on this question was very good. 8 out of the 12 candidates that attempted the question passed (got at least 10 out of the total 20 marks available). The pass rate recorded was 67%. The highest mark scored on this question was 14 out of 20 and the lowest was 3 out of 20.

The performance on this question was slightly above average.

This question required candidates to; state three (3) main checks or operations involved in logic access controls and also state four (4) ways in which passwords can be obtained

by unauthorized people in part a ( i and ii) of the question . Part b (i) required candidates to give any two (2) examples of such requirements of the choice of an adopted processing System. Part b (ii) required candidates to distinguish between batch processing and real time processing from two (2) perspectives; information time frame and resources required.

Part (c) required them to list any four (4) security risks that are associated with Information Systems.

Questions 4 (i and ii) were well answered by all candidates. However, some common errors that were observed on the remaining parts of the questions were:

(b) (i) Some candidates failed to give examples of the choice of processing to be adopted, either batch or online processing on management requirements.

(ii) Most candidates were able to distinguish between batch processing and real time processing with information time frame, but were unable to explain the resources required for processing.

## **QUESTION FIVE**

The general performance on this question was excellent. 21 out of the 23 candidates that attempted the question passed (got at least 10 out of the total 20 marks available). The pass rate recorded was 91%. The highest mark scored on this question was 20 out of 20 and the lowest was 7 out of 20.

Generally performance on this question was very good and above average.

This question required candidates to (a) Plot a line graph showing the Zambian Kwacha (ZMK) to US Dollar (USD) Historical Exchange Rates for the last 2 quarters of 2021 from the table of statistics that were provided in the scenario. Part (b) required them to explain any three (3) advantages of using graphic communication. Part (c) and (d) required candidates to state any four (4) key principles of effective graphic communication to be considered when designing a diagram or chart and explain the difference between a line graph and a bar chart. The following were common mistakes that were observed:

(a) (i) Failure to use the graph paper provided in the answer booklet resulting into wrong graphs presented.

(ii) Untidy work was also produced

- (iii) Wrong scale used to plot the points on the graph.
- (b) Wrong content presented through mixing up of contents of advantages of visual communication and its key principles with question 5 (c) which required candidates to state key principles of effective graphic communication.
- (c) (i) Repeated answers
  - (ii) Wrong contented was produced
- (d) (i) Omitting this particular question
  - (ii) In some cases wrong content was presented

### **QUESTION SIX**

The general performance on this question was excellent. 21 out of the 24 candidates that attempted the question passed (got at least 10 out of the total 20 marks available). The pass rate recorded was 88%. The highest mark scored on this question was 20 out of 20 and the lowest was 8 out of 20.

Candidates performed well on this question as in question five. From a given scenario, this question required candidates to write a letter to the Human Resources Manager requesting for annual leave. In your letter, candidates were expected to explain why one was taking time off and how long they would be away. This was part (a) of this question. Part (b) and (c) required them to state two (2) characteristics of written communication and explain the parts of a letter (i) Enc and (ii) Pp

The common errors that were observed were:

- (a) (i) Wrong addresses.
  - (ii) Illogical presentation of the message in the letter.
  - (iii) Wrong subject line.
  - (iv) Irrelevant content of the message which did not match with the scenario provided in the Question.
  - (v) Poor grammar.
  - (vi) Inadequate content.
  - (vii) Omission of some parts of a letter.
- (b) (i) Wrong content presented.
  - (ii) Mixed characteristics of oral instead of written communication.

(c) (iii) Presented line graphs as bar charts which was not supposed to be the case.

(iv) some candidates simply omitted this part of the questions.

**Overall performance of candidates**

Highest mark obtained in this paper: 88%

Lowest mark obtained in this paper: 41%

Overall pass rate in this paper: 89.7%

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

### **QUESTION ONE**

The general performance on this question was poor. 14 out of the 46 candidates that attempted the question achieved a pass (that is a score of at least 20 out of 40 marks), representing a pass rate on the question of 30%. The lowest score was 2, whilst the highest was 30 out of the available 40 marks.

The general performance on this question was poor. This was a compulsory question testing candidates' skills on the key syllabus areas of consolidated financial statements. The 40 marks were split among three areas of (a) preparation of the consolidated statement of profit or loss for 30 marks, (b) Calculation of goodwill for 5 marks and (c) providing factors that are indicative of significant control.

The followings were observations on part (a) of the question:

- (i) Forgetting to time-apportion entries and omitting adjustment for the amortization of the intangible asset and the calculation of share of after-tax profits of the associate in the consolidated statement of profit or loss,
- (ii) Failure to split the profit for the year and the Total comprehensive income into the NCI share and the group share of the in the Consolidated statement of profit or loss.
- (iii) Candidates failed to calculate the deferred consideration because they could not apply the discounting factors correctly.

In part (b), the figure of goodwill calculated was incorrect because of failure to include the 6 months pre-acquisition profits in the retained earnings figure which would later be used as net assets. None of the candidates used the alternative way of calculating goodwill.

In part (c), candidates provided factors that presume control of a subsidiary, instead of those that presume significant influence of an associate. Differentiating factors that are similar during study preparation would have prevented this mistake.

### **QUESTION TWO**

The general performance on this question was good. 23 of the 39 candidates that attempted the question managed to obtain at least 10 marks out of a total of 20 available marks. A pass rate of 59% was recorded. The highest score was 20 out of 20 marks while the lowest was 2.

This was a published question with three sub-questions:

- (i) Part (a), worthy 9 marks, required candidates to prepare the statement of profit or loss and other comprehensive income for Kapunda Plc for the year ended 31 December 2022.

- (ii) Part (b), with an allocation of 8 marks, required candidates to prepare the statement of financial position for Kapunda Plc as at 31 December 2022.
- (iii) Part (c), which carried 3 marks, required candidates to prepare the statement of changes in equity for Kapunda Plc for the year ended 31 December 2022.

The following were the observations made during marking:

#### Statement of profit or loss and other comprehensive income

- (i) Few candidates are still picking raw figures into the profit or loss statement from the trial balance for such entries as revenue, cost of sales, finance costs, income tax expense and revaluation when these line items had reference notes that needed appropriate adjusting. Candidates are reminded that most marks are in transactions that involve adjustments to trial balance figures.
- (ii) Incorrectly computing depreciation charge for the year on buildings.
- (iii) Failure to derive appropriate figures to go to the statement, notably due to inability to prepare workings in form of T-accounts which are an easier form of handling self-balancing accounts.
- (iv) Not showing how certain figures were derived, please remember that if the examiner is not shown how figures were arrived at, no part marks will be awarded.

#### Statement of financial position

- (i) Majority candidates impressed the examiners that other than the erroneous computation of depreciation on billings, treatment of the assets figure was correct and failure to balance was mainly due to the equity and liabilities side of the statement.
- (ii) Surprisingly, some candidates wrongly included a credit balance on bank (overdraft) among current assets instead of treating this as a current liability.
- (iii) Under equity and liabilities side of the statement, some candidates failed to accurately show the correct value of loan notes, deferred tax and current tax. As these are standard line items, candidates preparing for financial reporting are encouraged to ensure they are comfortable with correct treatment of these entries to increase chances of passing this paper.

#### Statement of changes in equity

- (i) Majority candidates had trouble dealing with equity and share premium figures by deriving opening balances, having been given opening balances. Candidates are encouraged to master the proforma for this straightforward element of financial statements in order to increase chances of obtaining maximum marks.
- (ii) Candidates are reminded that once their statement of changes in equity is on point, the equity section of the statement of financial position is merely a reproduction of the closing balances from the equity statement.



### **QUESTION THREE**

The general performance on this question was good. 25 of the 44 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 20 out of 20 marks while the lowest was 0.

The general performance on this question was good. The question required candidates to prepare a statement of cash flows for Musika for the year to 31 March 2022 in accordance with IAS 7 statement of cash flow. The main figures which were expected to be calculated by candidates were:

- (i) Cash paid to acquire property, plant and equipment;
- (ii) Taxation;
- (iii) Interest paid;
- (iv) Cash proceeds from issue of equity shares;
- (v) Amortisation of grant;
- (vi) Amortisation of development expenditure; and
- (vii) Dividends paid;

Even though this is a common diet type of question for financial reporting, some of the candidates did not perform well. The following were the common mistakes which were observed:

- (i) Candidates made mistakes when calculating cash paid for PPE, tax, finance cost, dividends etc. especially those that used ledger accounts (T-accounts) as they did not know where to put the opening and closing balances (swapped entries). Candidates who are not familiar with double entry system are strongly encouraged to use columnar format.
- (ii) Misclassification of cash items. Candidates are advised to be familiar with headings of cash flow. Candidates showed weaknesses when preparing the actual cash flow statement as they confused the items. They did not know which items were supposed to be under the following headings: operating activities, investing activities and financing activities.
- (iii) Others did not know how to determine whether increase or decrease means inflow or outflow for inventory, receivables and payables.
- (iv) Not knowing the format for the statement of cash flow. Knowing the format helps in earning stress-free marks related to treatment of depreciation charge for the year, working capital changes, profit or loss on disposal of property, plant and equipment, proceeds from issue of shares, cash paid to acquire property, plant and equipment, tax paid and dividends paid just to mention but a few.
- (v) Failed to transfer excess depreciation K150, 000 from revaluation surplus account to retained earnings, hence computed the wrong amount of dividends which were paid.
- (vi) Ignored deferred tax balances in calculating tax paid. Tax paid is computed by taking into account current and deferred tax balances, income tax expense in the profit or loss account.

### **QUESTION FOUR**

The general performance on this question was very poor. None of the 22 candidates that attempted the question managed to obtain at least 10 marks out of a total of 20 available marks. A pass rate of 0% was recorded. The highest score was 8 out of 20 marks while the lowest was 1.

The general performance on this question was very poor. All candidates that attempted the question obtained below 10 marks out of a total of 20 available marks. A pass rate of 0% was recorded. The highest score was 8 out of 20 marks while the lowest was 1.

The question had two (2) transactions, Transaction 1- Acquisition of mine and Transaction 2- Construction project. The question required candidates to explain the accounting treatment of the two transactions. The question was either poorly answered or not attempted at all. It appeared that many candidates had little or no knowledge of IFRs 15 in relation to construction contract. Most candidates had a challenges with theory parts. Candidates are strongly advised to balance between theory and computations. The most common mistakes were:

- (i) Failure to discount future costs (cost of restoration and burying the mine).
- (ii) Expensed restoration costs.
- (iii) listed five steps in revenue recognition instead of explaining how the construction contract must be accounted for in the financial statements for the year ended to 31<sup>st</sup> December 2022
- (iv) Failure to determine the outcome of the contract and percentage of completion.

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.

For future, candidates are advised to have an understanding of each area of the syllabus to increase their chances of passing.

## **QUESTION FIVE**

The general performance on this question was very poor. 2 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 11% was recorded. The highest score was 13 out of 20 marks while the lowest was 0.

The question had three (3) parts. Part (a) required candidates to briefly explain the circumstances under which a financial asset would be classified as an amortised cost instrument. Part (b) required candidates to show the effect of a loan note on financial statements, and that of a convertible note.

For part (a) majority of candidates either discussed financial instruments generally, or mis classified the instrument. Few candidates provided the direct answer of the business model and the cash flow model.

For part (b) candidates discussed financial instruments generally instead of calculating the required amounts first: by the amortization cost method, and by splitting the convertible loan note into the equity component and the liability component. As a consequence, candidates could not extract of amounts to report on the statement of profit or loss and those to report of the statement of financial position. Further, few candidates mentioned the probable reaction of investors to the effect of the financial instruments on the financial statements.

### **Overall performance of candidates**

Highest mark obtained in this paper: 76%

Lowest mark obtained in this paper: 11%

Overall pass rate in this paper: 27.7%

## **SUBJECT: CA2.2 MANAGEMENT ACCOUNTING**

### **QUESTION ONE**

The general performance on this question was very poor. 5 out of the 54 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 9%. The lowest score was 2, whilst the highest was 29.5 out of the available 40 marks.

This question is a compulsory one and it examined the calculation of the selling price using the full cost plus method, why this method is popular in practice and to differentiate between marginal cost plus pricing and target cost pricing in parts (a), (b) and (c). Parts (d), (e) and (f) examined budgeting, demand-based pricing and accept reject decisions.

The computation parts of the question were well answered, i.e. (a) and (d). However, many students failed to arrive at the selling price that would maximize the company's profit in part (e). Parts (b), (c) and (f) were poorly answered. It appears that students are mastering computations without having a detailed knowledge of the theory behind the computations. There is need for students to focus on both the theory and the computations of any topic that they cover.

### **QUESTION TWO**

The general performance on this question was good. 21 of the 38 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 20 out of 20 marks while the lowest was 0.

This question tested the understanding of Absorption Costing and Activity Based Costing (ABC).

In part (a), many candidates did very well on calculating the unit cost under absorption costing. Under ABC costing a number of candidates could not calculate the correct unit cost because they were not dividing the set-up costs, order processing and purchasing costs by the number of times a particular activity was carried out.

Only a few candidates managed to score good marks on this part.

Part (b) was on the preparation of the profit statement using the Absorption Costing and ABC costing approaches.

Many candidates managed to get all the marks on the profit statement under the Absorption Costing method. The major weakness was in failing to value inventory under ABC costing. As a result, the budgeted profit under ABC costing was in many cases wrong.

### **QUESTION THREE**

The general performance on this question was good. 18 of the 34 candidates that attempted the question managed to obtain at least 10 marks out of a total of 20 available marks. A pass rate of 53% was recorded. The highest score was 16 out of 20 marks while the lowest was 3.

This question examined candidates on cash flow forecasts.

Part (a) requested candidates to come up with the cash flow for six months. A good number obtained marks here. Poorer candidates did not know or use the correct format for cash flow but were just calculating without following the cash flow format. Such candidates lost easy marks

Part (b) required candidates to calculate how much funding should be given and to indicate when it should be received. The answers here were merely guess work and the majority of candidates did not attempt this part.

### **QUESTION FOUR**

The general performance on this question was very good. 27 of the 43 candidates that attempted the question managed to obtain at least 10 marks out of a total of 20 available marks. A pass rate of 63% was recorded. The highest score was 18 out of 20 marks while the lowest was 2.

This question examined candidates on make or buy decisions and relevant costs. It was the most popular question in Section B and most the candidates opting to go for it.

In part (a), candidates were expected to calculate and give advice whether the company should produce or purchase the product. Few candidates performed accurate calculations and gave correct advice to continue making the product. This was due to incorrect figures.

Part (b) was poorly answered on cost considerations for both financial and non-financial reasons. Very few managed to obtain all the marks here as most candidates were not answering the question. A number of them left this part blank.

Part (c) asked candidates to calculate relevant costs and the majority of candidates obtained good marks and were able to explain reasons why a cost was relevant or not relevant. Very few candidates showed ignorance on how to determine relevant costs.

Part (d) was on management accounting information and was worth only two marks. It was poorly answered as most answers were guess work and the majority did not even attempt this part thereby losing easy marks.

The common answer that was given here was planning and decision making. But the correct answer was financial, non- financial or both financial and non-financial information.

## **QUESTION FIVE**

The general performance on this question was very good. 31 of the 41 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 5.

Question Five examined cost classification by function, explanation of mix and yield variances, organizational objectives and differentiating between product and service cost centres.

This was the second most popular question in Section B. However, poorer candidates made the following errors:

- (i) Explaining other types of cost classifications such as by cost behaviour(variable and fixed), by element, etc instead of by function as required by the question;
- (ii) Not knowing when a FAVOURABLE mix variance and an ADVERSE yield variance occur.

### **Overall performance of candidates**

Highest mark obtained in this paper: 74%

Lowest mark obtained in this paper: 14%

Overall pass rate in this paper: 42.6%

## **SUBJECT: 2.3 AUDITING PRINCIPLES AND PRACTICE**

### **QUESTION ONE**

The general performance on this question was very poor. 9 out of the 84 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 11%. The lowest score was 3, whilst the highest was 27 out of the available 40 marks.

#### **Part (a)**

- (i) This part of the question required candidates to explain the meaning of social and environmental audits. It was disappointing to note that a majority of the candidates did not answer this question satisfactorily and so lost the 3 marks allocated to doing so.

The following observations were made:

- i. A sizeable number of candidates did not attempt to answer this part of the question.
  - ii. Other candidates gave clearly wrong answers showing that they did not know social and environmental audits. For example, there were answers such as social audits are audits of society and the environment!
- (ii) This part of the question required candidates to explain the pressures for social and environmental audits to Cairo Plc. Those who did not know social and environmental audits did not answer this part of the question satisfactorily. The scenario had sufficient information to help candidates answer this part of the question.

The following observations were made:

- i. A good number of candidates ably used the information in the question and answered this part correctly.
- ii. A minority of candidates gave general answers and did not make reference to the information in the question as required.

#### **Part (b)**

- (i) This part of the question required candidates to distinguish reasonable assurance engagements from limited assurance engagements. In order to score maximum marks, candidates were expected to explain at least three distinguishing factors rather than simply give examples each of reasonable and limited assurance engagements.

A majority of candidates showed lack of understanding of these two forms of engagements which have been examined in a similar manner previously. Candidates are encouraged to practice using past examination papers in preparing for these examinations.

The following observations were made:

- i. Some candidates showed lack of knowledge of reasonable and limited assurance engagements and in some cases explained elements of an assurance engagement for which no marks were awarded.
  - ii. Most candidates gave shallow answers in that they only explained the level of assurance and for 6 marks candidates were expected to give more points in addition to the level of assurance. This has been examined in this same manner in the past and candidates are encouraged to go through past examination question when preparing for the examinations.
  - iii. A sizeable number of candidates explained in detail information relating to reasonable assurance engagements with no mention of limited assurance.
- (ii) This part of the question required, for two marks, candidates to state the type of engagement the audit of the financial statements of Cairo plc is. A large number of candidates correctly determined the type of engagement of being a reasonable assurance engagement.

Part (c) of the question required candidates to identify and explain factors that may be indicative of non-compliance with laws and regulations by Cairo Plc. These factors are well explained in the study manual and the fact that some have been incorporated into the scenario should have helped candidates answer this question easily.

The performance in this part was poor with many candidates scoring less than half the available marks.

The following observations were made:

- i. Some candidates gave less than the required four indicators and scored marks in proportion to the correct indicators identified and explained.
- ii. Candidates gave general answers rather than use the information in the scenario as required by the question. For example, some candidates gave money laundering as one of the indications which was not mentioned in the question.
- iii. Some candidates identified indicators of non-compliance without any explaining as required by the question.



Part (d) of the question required candidates to identify the conflicts of interest that faced the audit of the financial statements of Cairo Plc. This part of the question was poorly answered resulting in many candidates scoring low marks and showing that candidates did not understand the topic.

Candidates should have identified the conflict of interest between the auditors and the client and the conflict of interest between clients and discussed these.

The following observations were made:

- i. Many candidates simply explained the meaning of conflict of interest and did not explain the conflicts of interest in the scenario.
- ii. Many candidates did not address the second part of the question which required candidates to suggest measure to mitigate the conflicts of interests in the question.

Part (e) required candidates to explain the responsibilities of the auditor with regards subsequent events from the year end to the date of the Annual General Meeting. Knowledge of the provisions of IAS 10 *Subsequent events* and ISA 560 *Events after period end* was required in answering this part of the question. This topic has been examined in a similar way in the past and well-prepared candidates should have had no problems answering this question. In order to score maximum marks of 8 candidates should have explained the active and passive duties of the auditors with regards subsequent events. Candidates should be guided by the marks offered in deciding on how much to write.

The following observations were made:

- i. A sizeable number of candidates explained the rights of the auditors instead of dealing with subsequent events. The information in the scenario is clear to show that it is subsequent events that should have been explained.
- ii. Some students concentrated on explaining adjusting and non-adjusting events in accordance with IAS 10 Subsequent events instead of explaining the duties of the auditors with regards subsequent events in accordance with ISA 560.

The second part of (e) required candidates to advise the audit team on action that should be taken in the event that management refuses to amend the financial statements in view of a specific event that occurred on 20 March 2022. This is a knowledge-based questions and candidates should have considered informing those charged with governance and seek their indulgence and if this fails, consider the impact of the refusal on the financial statements. If the impact is considered significant, the auditors will need to consider modifying the audit report and also reconsider the integrity of management and the reliability of any written representations obtained from management.

## QUESTION TWO

The general performance on this question was poor. 13 of the 64 candidates that attempted the question managed to obtain at least 10 marks out of a total of 20 available marks. A pass rate of 20% was recorded. The highest score was 11 out of 20 marks while the lowest was 0.

This question covered a number of topics including internal controls, audit evidence, client acceptance and continuance and reporting. It was very disappointing to note that a majority of the candidates scored poorly and yet there were easy marks for well-prepared candidates.

Part (a) of the question required candidates to suggest internal controls for the sales system and also explain a control objective for each control activity suggested. Controls are the activities implemented by management in order to help prevent and detect errors and fraud. Control objectives are the reasons for putting in place suggested controls. Generally, the performance was poor with many candidates scoring low marks.

The following observations were made:

- i. Most candidates showed lack of knowledge of control activities and control objectives and so lost easy marks.
- ii. A sizeable number of candidates explained tests of controls instead of the control objectives for which no marks were awarded.
- iii. A number of candidates suggested control activities but did not answer the part that required the candidates to explain the control objective and so lost the marks allocated to doing so.

Part (b) required candidates to explain the principle of directional testing. It is a knowledge-based question and it is well explained in the study materials used by candidates.

Candidates should have included in their answers the need to test for over and understatement of the figures contained in the financial statements. The use of the principle of double entry whereby each transaction has two aspects should have been highlighted and the fact that assets and expenses are primarily tested for overstatement and that by so doing the corresponding credit entries are tested for overstatement as well. Liabilities and income are primarily tested for understatement and following the double entry principle, the corresponding debit entries are also tested for understatement. Following this approach, both assets and expenses and liabilities and income are tested for both overstatement and understatement.

A majority of the candidates showed lack of understanding of directional testing and used common sense in attempting to answer this part for which few or no marks were awarded.

Part (c) of question was based on client acceptance and continuance and candidates required knowledge of the relevant auditing standard to answer the question satisfactorily. A large majority of candidates simply did not attempt to answer this part which is poor examination technique resulting in many losing all the available marks.

A majority of the candidates did not know the matters that should be considered which are basically the firm having the skills and competences to undertake the audit and the integrity of management. A majority of the answers were general in nature and were not related to acceptance and continuance of audit relationship.

Part (d) was a knowledge-based question requiring candidates to state matters that are implied in an unmodified audit opinion.

To answer this part correctly, candidates needed to know the unmodified opinion where the auditor concludes that the financial statements show a true and fair view. They needed to understand that the audit opinion is a means of communication whereby it reports by exception in that by issuing an unmodified opinion a number of matters are implied such as the following:

- i. That the financial statements are in agreement with the underlying financial records.
- ii. That all information from branches not visited where relevant has been received by the auditors and
- iii. That the auditors have been given the information that they required during the audit.

The above matters are not expressly stated in the audit report and they are implied where an unmodified opinion is expressed.

Candidates lost marks by explaining the meaning of unmodified audit opinions instead of explaining the matters implied by an unmodified opinion.

### **QUESTION THREE**

The general performance on this question was poor. 31 of the 82 candidates that attempted the question managed to obtain at least 10 marks out of a total of 20 available marks. A pass rate of 38% was recorded. The highest score was 18 out of 20 marks while the lowest was 1.

Part (a) of the question required candidates to define audit risk and also explain how the auditors may reduce audit risk to acceptable levels. This required candidates to explain the meaning of audit risk and briefly explain each of the three elements of audit risk. Further, they needed to show understanding of the element of detection risk which is under the control of the auditors and which if reduced will result in overall audit risk being reduced. It was disappointing to observe that a sizeable number of candidates showed lack of understanding of audit risk and as a result scored low marks.

The following observations were made:

- i. A sizeable number of candidates simply explained the meaning of audit risk without explaining the three elements of audit risk. Candidates should be guided by the number of marks in deciding the depth of their answers.
- ii. A few candidates did not address the second part of the question requiring an explanation of how audit risk could be reduced. Some simply suggested that the auditors should resign but should have observed that this is a measure of last resort and that detection risk could be reduced and ultimately result in a reduction in overall audit risk.
- iii. A few candidates considered audit risk as audit risk for which no marks were awarded because detection risk is only one of the three elements of audit risk.

Part (b) of the question required candidates to identify and explain 4 audit risks in the scenario and for each risk to suggest a suitable response by the auditors. This topic has been examined in this manner almost at each past examination session and well-prepared candidates should have had no trouble answering this part.

The following observations were made:

- i. Most candidates were able to identify the audit risks in the scenario and in most cases the explanations were poor.
- ii. A sizeable number of candidates did not suggest suitable auditor responses to the identified risks and in some cases, candidates gave management responses instead of the auditor responses as required by the question.

Part (c) of the question required candidates to describe the difference between ICQs and ICEQs two methods that are used to record a client company internal control system. In order to make it easy for candidates to answer this part two questions used in ICQs and ICEQs were included in the question which should have helped candidates explain the difference.

Simply put, ICQs are question designed to establish whether desired controls in a system exist while ICEQs are designed with a view to establishing whether certain errors could occur in a system. This question was poorly answered signifying lack of knowledge of the topic and most candidates simply repeated information in the scenario for which no marks were awarded.

Part (d) required candidates to explain, giving examples, general and application controls in a computerized accounting system. Candidates are reminded of the increased computerization of modern accounting systems and the risks that arise as a result. Controls in this environment are therefore very important. A majority of the candidates

could not ably explain the two types of controls in a computerized environment and as a result lost easy marks.

Most candidates gave general answers and could not distinguish between general controls and application controls as required.

#### **QUESTION FOUR**

The general performance on this question was good. 44 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 54% was recorded. The highest score was 18 out of 20 marks while the lowest was 2.

This is the question where candidates scored the highest average mark of 10 out of the 20 available marks. It was disappointing again that candidates did not perform as expected in this generally easy question showing lack of preparedness by candidates in preparing for the examination.

Part (a) of the question required candidates to explain the elements of an assurance engagement using the information in the scenario. Candidates only needed to use their theoretical knowledge to score above half the available marks in this part of the question.

The following were observed:

- i. A majority of the candidates identified and explained the elements of an assurance engagement and scored maximum marks.
- ii. A few candidates identified the elements but did not explain as required and scored half the available marks. Candidates should address the question requirements in answering examination questions.
- iii. a few candidates explained the role of the audit committee which were not asked for and no marks were awarded for doing so.

Part (b)

(i) This part of the question required candidates to explain why good corporate governance principles are important in the running of Masuku Limited a company with shareholders some of whom are not involved in the day to day running of the company. The issue of accountability should have been discussed in answering this question.

The performance in this part of the question was poor and below expectation.

The following observations were made:

- i. a majority of the candidates discussed general principles of corporate governance instead of considering the information relating to Masuku Limited.
- ii. Some candidates discussed the structure of the organization instead of discussing the need for good corporate governance systems in the running of Masuku Limited.
- iii. Some candidates discussed the possible composition of the board of directors of Masuku Limited instead of assessing the question requirement.

(ii) This part of the question required candidates to distinguish executive from non-executive directors in the Board of Directors of Masuku Limited.

Most of the candidates scored maximum marks and ably distinguished the executive from non-executive directors. A few candidates swapped the meaning of the two types of directors and lost marks.

(iii) This part of the question required candidates to explain 4 roles of NEDs of the Board of Directors of Masuku Limited. The performance in this question was generally good.

The following observations were made:

- i. Some candidates discussed the importance of having NEDs on the board instead of explaining their role.
- ii. Some candidates discussed the roles of the committees of the board of directors

## **QUESTION FIVE**

The general performance on this question was very poor. 1 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 6% was recorded. The highest score was 14.5 out of 20 marks while the lowest was 1.

The general performance was poor and below expectation.

Part (a) of the question required candidates to explain the meaning of anomalies in sample results of receivables confirmations and explain how they could impact projections of misstatements in the receivables balance.

A majority of candidates did not attempt to answer this part of the question and lost all the available marks.

A sizeable number of the candidates explained anomalies as misstatements in the financial statements and did not relate anomalies with the results of receivables confirmations as expected in answering this question.

Part (b) required candidates to explain 4 reasons for differences between the receivables balances as per client records and the amounts confirmed by the receivables. This was knowledge based and candidates should not have had trouble answering this part of the question.

A number of candidates scored less marks because they failed to give 4 possible reasons as required by the question and so were awarded marks in proportion to the correct answers of the number of reasons given.

Part (c) of the question required candidates to evaluate the extract of the audit report in the question. It is important to state here that candidates should have restricted their evaluation to the information that is given in the question. Remember it is only an extract of the report that is included and the question clearly states that candidates should evaluate the extract. Some candidates made no reference to the draft report and gave general answers and yet there was enough information to enable candidates answer the question correctly.

### **Overall performance of candidates**

Highest mark obtained in this paper: 58%

Lowest mark obtained in this paper: 15%

Overall pass rate in this paper: 14.3%

## **SUBJECT: CA2.4 TAXATION**

### **QUESTION ONE**

The general performance on this question was fair. 35 out of the 76 candidates that attempted the question achieved a pass (that is a score of at least 20 out of 40 marks), representing a pass rate on the question of 46%. The lowest score was 3.5, whilst the highest was 33 out of the available 40 marks.

In part (a) candidates were required to calculate the partnership's tax adjusted business profit for the year, before division between the partners. The most common weaknesses demonstrated by candidates who performed poorly on this part of the question included:

- i. Failure to identify the relevant disallowable items to added back in computing taxable profit.
- ii. Adding back the investment income received by the partners in their personal capacity to the partnership's profit as per accounts and in some cases deducting it, when computing the taxable partnership profit.
- iii. Using wrong rates when computing the capital allowances claimable by the partnership.
- iv. Deducting capital allowances on motor vehicles personally owned by the partners, when computing the tax adjusted partnership profit. These should instead have been deducted from each partner's total allocation of the tax adjusted profits.

In part (b), candidates were required to calculate the amount of the business profits on which each partner will be assessed on. The most common challenges faced by candidates in answering this part of the question included:

- i. General poor presentation of solutions making it difficult for marker to appropriately award marks.
- ii. Not apportioning the year into the correct number of months before and after the changes to the terms of the partnership agreement. This also resulted in such candidates calculating the wrong amounts of salaries to be allocated to each partner.

In part (c), candidates were required to calculate the income tax payable by each partner. The most common challenges faced by candidates who performed poorly on this part of the question were as follows:

- i. Including the investment income on which withholding tax is final which comprised dividends and fixed deposit interest in the personal income tax computation of each partner.



- ii. Forgetting to gross up the investment income on which withholding tax is not final comprising management fees and copy right royalties before including the income in the relevant individual's income tax computation.
- iii. Deducting the wrong amount of withholding tax from each individual's tax liability when computing the final amount of tax payable by each individual.

## **QUESTION TWO**

The general performance on this question was very good. 43 of the 62 candidates that attempted the question managed to obtain at least 10 marks out of a total of 20 available marks. A pass rate of 69% was recorded. The highest score was 20 out of 20 marks while the lowest was 1.

This question covered company income taxation for a company generating both farming and non-farming income.

Part (a), required candidates to explain the circumstances under which capital allowances on expenditure incurred by farming enterprises may be available at higher rates and was generally well answered. Only a few candidates demonstrated a lack of knowledge of the circumstances and failed to provide the required explanations.

In part (b), candidates were required to explain the tax treatment of tax losses arising from farming operations. Only a few candidates demonstrated a lack of knowledge of the treatment and therefore failed to provide the required explanations.

In part (c), candidates were required to compute the final taxable farming profits after capital allowances for the company. Candidates who performed poorly on this part of the question demonstrated the following weaknesses:

- i. Forgetting to restrict the expenditure qualifying for capital allowances on farming dwellings to K20,000.
- ii. Using the wrong rates of wear and tear allowances when computing capital allowances on the other expenditure incurred by the company qualifying for capital allowances.

Part (d), which required candidates to calculate the amount of income tax payable by the company, was reasonably well answered. However, a few candidates faced the following challenges in answering this part of the question:

- i. Using the wrong rates to compute the income tax arising. Some candidates taxed both the farming and manufacturing income using tax bands for individuals, instead of taxing the manufacturing income separately using the normal company income tax rate of 30% and the farming income separately at 10%.
- ii. Including the investment income on which withholding tax is final which comprised dividends in the company income tax computation.

- iii. Forgetting to gross up the bank interest income before including it in the company income tax computation.
- iv. Not deducting the correct amount of withholding tax on the bank interest from the company's income tax liability when computing the final amount of company income tax payable.

### **QUESTION THREE**

The general performance on this question was very good. 43 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 72% was recorded. The highest score was 19 out of 20 marks while the lowest was 0.

Candidates performed well on this question which examined presumptive taxes for transporters and property transfer tax.

Part (a), required candidates to explain the reasons why the taxpayer would be required to pay presumptive taxes and was generally well answered.

In part (b), candidates were required to explain any three (3) reasons why the Government of the Republic of Zambia introduced presumptive taxes for transporters. Only a few candidates demonstrate a lack of knowledge of the reasons and therefore failed to provide the required explanations.

In part (c), candidates were required to calculate the amount of presumptive tax paid for each bus and the total tax for all the buses for the tax year. The most common weaknesses demonstrated by candidates who performed poorly in this part of the question included:

- i. Lack of knowledge that an operator can opt to pay presumptive tax on a quarterly or annual basis.
- ii. Failure to count the correct number of quarters the buses were operational in the tax year.
- iii. Failure to use the tables on presumptive taxes correctly.

In part (d), candidates were required to explain the meaning of property for Property Transfer Tax (PTT) purposes and state any four categories of qualifying property.

This part of the question was fairly answered by most candidates with the exception of a few candidates who demonstrated a lack of knowledge that Property transfer tax is only chargeable on immovable property and not chattels.

In part (e), candidates were required to explain the property transfer tax implications arising on the sale of each property and also to include a computation of property transfer tax paid on each transaction. The most common mistakes made by candidates who scored poor marks on this part of the question included:

- i. Using the wrong rates to compute the PTT arising on chargeable property.
- ii. Failure to determine the correct realized value on which PTT is chargeable.
- iii. Computing PTT on exempt transfers which included the disposal of shares in a company listed on Lusaka Securities Exchange and on the disposal of motor cars.

#### **QUESTION FOUR**

The general performance on this question was poor. 14 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 22% was recorded. The highest score was 16 out of 20 marks while the lowest was 1.

This question covered taxation of employment income and international aspects of taxation and was generally poorly answered.

In part (a), candidates were required to explain the reasons, why the tax payer would be regarded as being resident and ordinarily resident in Zambia. Most candidates failed to apply the information provided in the question to explain that the tax payer will be regarded as resident and ordinary resident from the time of arrival in Zambia as he had intentions of staying in Zambia for a period of more than 12 months as evidenced by the contract of employment of two years he signed with a Zambian resident company.

In part (c) candidates were required to calculate the income tax payable by the tax payer. The most common challenges faced by most candidates included the following weaknesses:

- i. Failure to count the correct months the individual was in employment in the charge year in order to compute the correct salary and some allowances chargeable to income tax.
- ii. Not grossing up the dividend income from foreign sources before including it in the income tax computation of the individual.
- iii. Including the rental income from foreign sources in the income tax computation, which is exempt from tax.
- iv. Failing to compute the correct amount of double taxation relief available on the income received from foreign sources.

#### **QUESTION FIVE**

The general performance on this question was poor. 8 of the 39 candidates that attempted the question managed to obtain at least 10 marks out of a total of 20 available marks. A pass rate of 21% was recorded. The highest score was 15 out of 20 marks while the lowest was 4.

This question examined Value Added Tax and customs and excise duty.

In part (a), candidates were required to explain when the trader would be required to register for VAT. The performance on this question was poor. Most of the candidates failed to apply both the quarterly and annual VAT registration requirements to the information provided to determine when the business will be required to register for VAT.

In part (b), candidates were required to explain the consequences for the trader if she registered her business for VAT late by three months after the time the business should have been registered. Candidates demonstrated a general lack of knowledge of the penalties arising and therefore failed to provide the required explanations.

Part (c) which required candidates to explain any three conditions that must be met for the trader to be able to claim input VAT on her expenditure was generally answered well with the exception of a few candidates who failed to give the required conditions.

In part (d), candidates were required to compute the Customs Value of the Honda Civic and the total import taxes paid by the trader on the importation of the car. The most common mistakes made by candidates who performed poorly on this part of the question included:

- i. Failure to compute the correct CIF by including even costs incurred after the border, comprising comprehensive insurance and road tax incurred in Lusaka.
- ii. Using the wrong exchange rate when computing the Value for Duty purposes in Zambian Kwacha.
- iii. Using the duty rates for used motor vehicles to determine the duties arising instead of using the table for new cars.

### **Overall performance of candidates**

Highest mark obtained in this paper: 80%

Lowest mark obtained in this paper: 21%

Overall pass rate in this paper: 53.9%

## **SUBJECT: CA2.5 FINANCIAL MANAGEMENT**

### **QUESTION ONE**

The general performance on this question was very poor. 6 out of the 91 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 7%. The lowest score was 1, whilst the highest was 25 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 ( $k_e$ ). Candidates had challenges to compute the equity beta and some casually used the given asset beta in the computation of the cost of equity. The challenge in the computation of cost of debt was to calculate the redemption premium value of which candidates casually used the par value. These figures were used to determine the Weighted Average Cost of Capital (WACC). 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 (a).
- ii. Most of the candidates were unable to use the annuity factors perhaps due to lack of skills to find the factors on the table. Unfortunately, these annuity factors were allocated marks thus candidates lost the marks. Those that attempted to use the annuity factors; at least they were wrongly picked from the table.
- iii. Most candidates found it difficult to calculate the net cash flows due to the failure to calculate the depreciation and adding it back to the net accounting profits. Significant majority of candidates could not deduct the disposal value from the cost of investment thereby but rather divided the investment cost directly by the number of years thereby making it wrong. Related to this, some candidates wasted time by using reducing balance method of finding capital allowances and tax relief and yet the question was very clear about the use of straight-line method. Furthermore, the decision was made based on the individual project rather than in comparison to the other project.
- iv. The Accounting Rate of Return in part (a) was not corrected calculated by majority of the candidates mainly because of failure to calculate the average profits and average investment. For average profit, the common mistake was to take the accounting profits as they were and dividing by 3 years rather than the 10 years as indicated by the question. Also, majority of the candidates were unable to estimate the accounting profits for the annuity period thereby using them as if they were one off inflow rather than recurring inflows for some years. In the case of average investment, candidates were unsure whether to add or to add the disposal value to the cost of investment.
- v. It was also very disappointing to see candidates fail to calculate the payback period even with the wrong net cash flows.
- vi. Most of the candidates generically discussed the advantages and disadvantages of IRR rather than in relation to the NPV in part (b) of the question thus losing easy

marks. Examiners were looking for superiority of IRR over the NPV such as the use of the rate which could easily be used for comparison rather than an absolute value of NPV. Also, candidates wasted time to define the IRR and NPV.

- vii. Most candidates in part (c) were unable to provide satisfactory answers to the question requirement. Significant majority of the candidates provided reasons for manipulation rather than ways of manipulation for this part of the question.

Generally, the presentation of the answer was poorly done which demonstrated lack of question practice and uptake of previous advice on these areas that are commonly examined.

## **QUESTION TWO**

The general performance on this question was poor. 11 of the 42 candidates that attempted the question managed to obtain at least 10 marks out of a total of 20 available marks. A pass rate of 26% was recorded. The highest score was 14 out of 20 marks while the lowest was 2.

The common mistakes include:

- i. Some surprisingly failed to compute the current level of investment in receivables and instead used the turnover figure.
- ii. Failure to compute the proposed level of investment in receivables and consequently the net effect of whether a reduction or increase in the level of investment. In this case there was a reduction in the level of investment in receivables.
- iii. Most candidates failed to compute the interest charge on the savings.
- iv. Some candidates had challenges with calculating the floor value and conversion premium despite getting the conversion value correctly.

## **QUESTION THREE**

The general performance on this question was fair. 34 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 42% was recorded. The highest score was 17 out of 20 marks while the lowest was 2.

The common mistakes include:

(a)

- i. The question requested the candidates to estimate the value of Marka Plc using the present value of the earnings. Some candidates did not add back depreciation

to the Earnings before taxes (whose figures were provided). Depreciation was to be added before it is a non-cash expenditure. Instead the depreciation was deducted and the resultant taxable income was incorrect.

- ii. Common mistake for those candidates that attempted this section of the question involved the incorrect use of the taxation rate on the taxable income instead of using 25%.
- iii. The incorrect use of the discount rate instead of using 15% was the other mistakes that some candidates applied. This resulted into an incorrect Present Values.
- iv. Almost most candidate's responses did not calculate the Present Value beyond year 4. This meant that this part of the question was entirely omitted. This resulted into an incorrect calculation of the total value of the company.
- v. In obtaining depreciation, written down values should have be calculated for each year and using the Capital allowance (CA) of 20%, depreciation amount was to be determined on reducing balance basis. However, some candidates used a wrong depreciation %.

(b)

Some candidates failed to clearly explain the circumstances under which the Net Asset valuation method would have been preferred to have been used in valuing a business.

(c).

The question required that candidates were to explain three reasons for undertaking a business valuation. Some answers lacked an in depth identification and analysis of the reasons identified. Some failed to identify the reasons and submitted incomplete response.

## **QUESTION FOUR**

The general performance on this question was very good. 38 of the 61 candidates that attempted the question managed to obtain at least 10 marks out of a total of 20 available marks. A pass rate of 62% was recorded. The highest score was 16 out of 20 marks while the lowest was 0.

The majority of the candidates who attempted this question failed to recognize that part (b) was an investment appraisal question and hence provided wrong answers. Others could not inflate the cash savings from year 1 and discount using the money cost of capital of 14% given in the question.

## **QUESTION FIVE**

The general performance on this question was good. 43 of the 78 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 18 out of 20 marks while the lowest was 3.

The following common mistakes were noted:

- i. Some candidates that attempted this part of the question failed to identify and state the (4) major factors that were to be considered by MMK Ltd, when making a decision regarding the mix of short-term borrowing and long-term financing.
- ii. Responses of Some candidates only listed 1, 2 or 3 instead of all the four while some merely stated factors not related to the question.
- iii. Some candidates were unable to clearly distinguish between overtrading and over capitalization in their responses.
- iv. Some Candidates were unable to clearly distinguish between the risk and uncertainty regarding finance. While they were able to explain what risk was, some could not explain what uncertainty was. Some answers were not clearly distinguishing the two terms.

### **Overall performance of candidates**

Highest mark obtained in this paper: 61%

Lowest mark obtained in this paper: 7%

Overall pass rate in this paper: 18.7%



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

### **QUESTION ONE**

The general performance on this question was poor. 28 out of the 111 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 25%. The lowest score was 0, whilst the highest was 32 out of the available 40 marks.

This was a compulsory case study question and was expected to be answered by all candidates. It was made up of four sections whose comments were on:

- (a) SWOT analysis and the Porter's five forces model. Less than half of the candidates got these models correctly done. Most of them instead gave a Porter's value chain analysis model and PESTEL analysis model.
- (b) The answer for this section (b) was closely tied to (a) above hence those who got a wrong answer did not get (b) correct.
- (c) This part was well answered by most candidates as they recalled and illustrated well the three tests (3) tests
- (d) This part was also well answered as candidates stated and explained the six (6) key stages in the strategic planning process.

### **QUESTION TWO**

The general performance on this question was excellent. 80 of the 92 candidates that attempted the question managed to obtain at least 10 marks out of a total of 20 available marks. A pass rate of 87% was recorded. The highest score was 17 out of 20 marks while the lowest was 2.

This question was in three parts (a), (b) and (c) with following comments from the marker:

- (a) Characteristics of an effective leader were correctly given by most candidates.
- (b) Some candidates gave correct strategic management elements while others failed to.
- (c) This section of the question at strategic level of a company was correctively given by majority of the candidates.

### **QUESTION THREE**

The general performance on this question was very good. 77 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 77% was recorded. The highest score was 20 out of 20 marks while the lowest was 0.

This question was in three parts, (a), (b) and (c). It was attempted by almost all candidates. The performance was very good with all the three parts well done. The layouts of answers were well done by most candidates.

### **QUESTION FOUR**

The general performance on this question was poor. 24 of the 74 candidates that attempted the question managed to obtain at least 10 marks out of a total of 20 available marks. A pass rate of 32% was recorded. The highest score was 20 out of 20 marks while the lowest was 0.

The question was poorly answered. Most candidates did not understand the question for both parts (a) and (b). The candidates did not understand the strategic choice focus of this course. They needed to have basic knowledge of strategic tools.

### **QUESTION FIVE**

The general performance on this question was poor. 17 of the 65 candidates that attempted the question managed to obtain at least 10 marks out of a total of 20 available marks. A pass rate of 26% was recorded. The highest score was 18 out of 20 marks while the lowest was 1.

This question was poorly answered on all aspects, (a) and (b). Most candidates did not understand what was expected of them in the question.

### **Overall performance of candidates**

Highest mark obtained in this paper: 80%

Lowest mark obtained in this paper: 04%

Overall pass rate in this paper: 44.7%

## **SUBJECT: CA 3.1 ADVANCED FINANCIAL REPORTING**

### **QUESTION ONE**

The general performance on this question was good. 49 out of the 88 candidates that attempted the question achieved a pass (that is a score of at least 20 out of 40 marks), representing a pass rate on the question of 56%. The lowest score was 2, whilst the highest was 34 out of the available 40 marks.

The question had three (3) parts. Part (a) of the question asked candidates to prepare a consolidated statement of cash flows in accordance with the requirements of IAS 7 'Statement of cash flows'. Part (b) asked candidates to discuss the extent to which the directors' comment "indirect method of reporting cash flows from operating activities is more useful and informative to users of financial statements than the direct method" was valid. The last part (part 3) asked candidates to describe the main circumstances that give rise to related parties and to explain why disclosure of related party status and transactions is important.

The following were noteworthy mistakes made by candidates:

- i. Subtracted (reversed) net actuarial loss on defined benefit plan of k180 million, which was reported in other comprehensive income.
- ii. Deducted net retirement benefit expense (K120 million) as cash outflow, instead of contributions (K200 million).
- iii. Some candidates started with profit after tax (K5,634 million), but failed to adjust for the tax expense (K2,172 million), in order to come up with profit before tax of K7, 806,000.
- iv. Added share of associate profit, the profit should have been subtracted (reversed) since it was added when profit was determined.
- v. Failed to reconcile finance cost in order to determine the interest paid.
- vi. Swapped the balances brought forward and balances carried forward. Further, few candidates indicated balances on a wrong side of the ledger accounts. For future examinations, you are advised to use narrative if you are not comfortable with ledger accounts. Take note that both narrative and ledger accounts are acceptable.
- vii. Misclassification of cash items. Candidates are advised to be familiar with headings of cash flow.

Candidates are encouraged to revise the principles and format of group cash flows as this was an area of weakness for those who did not perform well. Brought forward knowledge from financial reporting and financial accounting is cardinal at advisory level. Knowing the format helps in earning easy marks related to treatment of depreciation charge for the year, working capital changes, profit or loss on disposal of property, plant and equipment, proceeds from issue of shares, cash paid to acquire property, plant and equipment, tax paid and dividends paid just to mention but a few.

Candidates are once more advised not to take the increase in the examinations sittings (four sittings per year) for granted. They should ensure that they have completed the syllabus, revised and worked through series of questions before registering for the examinations.

## **QUESTION TWO**

The general performance on this question was very poor. 6 of the 56 candidates that attempted the question managed to obtain at least 10 marks out of a total of 20 available marks. A pass rate of 11% was recorded. The highest score was 13.5 out of 20 marks while the lowest was 0.

This was a very well thought-out mixed-bag question with four mini case studies requiring candidates to explain how the “technical issues” raised were to be accounted for in financial statements of Zicamunobe for the year ended 30<sup>th</sup> September 2022.

### Observations on Part (a) – on IAS 9: Financial Instruments

Clearly, candidates still have very poor grasping of technical issues surrounding accounting for financial instruments. As financial instruments are a key aspect of the CA 3.1 paper, candidates are strongly encouraged to spend time in grasping and doing much question practice of this syllabus area.

### Observations on Part (b) – Accounting for PPE under IAS 8

- i. Few candidates wrongly advised that the omitted depreciation charge in the prior year should be charged to the current year together with current year depreciation. IAS 8: Accounting policies, accounting estimates and errors permits for adjustment of errors with retrospective effect in the Statement of changes in equity as a movement in the prior year retained earnings so as to show a correct position of the business.
- ii. Majority candidates also incorrectly treated depreciation of the overhauled asset and leaned more on the discursive elements of the answer rather than computational ones and accounting treatment.

### Feedback on Part (c) – Accounting for a Provision under IAS 37

This, by far, was the most popular sub-question of all the four in Question Two and candidates who attempted this question performed well on this requirement. Candidates are encouraged to extend same mastery of technical skills of accounting standards to other less popular ones like Financial instruments, Taxation, Share based payments and Employee benefits, etc.

### Common mistakes on Part (d) – Accounting for Discontinued operations under IFRS 5

Candidates who attempted this sub-question displayed very good answers and many performed above average. The only weakness noted was the growing tendency by candidates to sideline extracts of accounting treatment of events in the relevant financial statements to demonstrate their comprehension and skills in dealing with non-current assets held for sale and discontinued operations.

### **QUESTION THREE**

The general performance on this question was poor. 11 of the 39 candidates that attempted the question managed to obtain at least 10 marks out of a total of 20 available marks. A pass rate of 28% was recorded. The highest score was 20 out of 20 marks while the lowest was 1.

The question had three parts:

Part (a) required candidates to explain to directors of a company how investment in a debt instrument would be accounted for in the financial statement. The instrument was a financial asset that would be measured using the amortised cost method according to IFRS 9 *Financial Instruments*.

Part (b) required candidates to discuss the nature of Management Commentary as providing information to primary users of financial statement, in the light of qualitative characteristics of financial information.

Part (c) required candidates to discuss practical considerations that present a challenge to implementing an additional new IFRS.

The performance, as can be seen from the statistics above was poor.

There were candidates who identified the financial instrument correctly as a FVTOC financial asset, and stated correctly how it was to be accounted for and reported. A number of candidates commented as though it was a liability and mentioned interest as an expense to the SPL instead of it being an income. There were answers where this part of the question was completely blank, indicating lack of knowledge on the topic.

Part (b) was well attempted by a good number of candidates and they correctly mentioned the matters that are covered in a Management Commentary as an additional report to the regular financial statements. A number of candidates tended to write excessively on the qualitative characteristics of financial statements, though this was not the primary emphasis of the questions. Candidates, however, could not the impact on users of each aspect of the matters covered in the Management Commentary, and their reaction to investment in the entity under review.

Part (c) Despite there being so many points available on the issue of implementing a new IFRS, few candidates mentioned more than three correct points. Majority of candidates discussed matters to be considered if an SME were to shift from using the IFRS for SMES to implementing full IFRSs. Few candidates mentioned financial implications of implementing a new IFRS.

#### **QUESTION FOUR**

The general performance on this question was very poor. 7 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 10% was recorded. The highest score was 17.5 out of 20 marks while the lowest was 0.5.

There were three (3) parts to this question in which candidates were to advise on accounting for various scenarios presented.

Feedback on Part (a) – Accounting for Borrowing costs under IAS 23

While candidates were able to discuss the rationale for IAS 23 and suggesting both the recognition and measurement criteria for borrowing costs, marks were lost for failure to accurately compute the base figure and borrowing costs figure to be reported in the financial statements of Peacelover.

Feedback on Part (b) – Accounting for Share-based payments per IFRS 2

This part had two sub-parts both testing knowledge and application of IFRS 2: Share-based payments.

Both transaction 1 and transaction 2 required students to identify whether the mini-scenarios were to be accounted for under IFRS 2: Share-based payments or not. Clearly, students presented varying answers in response to the tasks at hand but majority wrongly recommended inappropriate treatment and hence presentation. Candidates are strongly advised to spend some time reviewing the question requirements and suggested solutions from the published question and answers for this diet.

Feedback on Part (c) – contrasting other comprehensive income and profit or loss sections

This was a purely theoretical as well as regulatory requirement question testing on the reporting framework under the generally accepted accounting practices (GAAPs) regarding differences between items recorded in the other comprehensive income and profit or loss sections.

An understanding of the differences between the two sections helps measure the candidates' appreciation of the format of this statement and the essence of the reported line items.

Most candidates scored maximum marks on this part of the question, save for very few ones who could not bring-out the expected stunning differences between the two sections of the Statement of profit or loss and other comprehensive income.

## **QUESTION FIVE**

The general performance on this question was very poor. 9 of the 77 candidates that attempted the question managed to obtain at least 10 marks out of a total of 20 available marks. A pass rate of 12% was recorded. The highest score was 16.5 out of 20 marks while the lowest was 0.

The question had three parts as follows:

Part (a) required candidates to analyse performance of an entity and comment on it after comparing with industry averages. Part (b) required candidates the basis of allocation of common costs in a scenario where there are operating segments and segmental reporting was obvious. Part (c) required candidates to discuss the likely response of primary users of financial statement to the entity's raising finance by either a loan note, or by a convertible loan note.

The performance, as can be seen from the statistics above was poor.

Majority of candidates provided answers to part a), and poorly attempted parts b) and c). Most of the candidates could compute the required corresponding ratios and commented appropriately on them. This part, however, earned candidates only half the marks on this question.

Candidates tended to mention the nature of the instrument (a re-description of the question) and not the impact of profits in terms of paying interest, and effect on earnings per share. A good number of students who attempted this question mentioned generally that the convertible loan note would be split between the equity component and the liability component. They, however, did not describe the initial measurement and subsequent measurement that included the amortising of the liability component.

They were expected to highlight the impact of the instrument on earnings, calculation of basic EPS and the need to provide information on diluted EPS once the debt instrument was converted.

## **OVERALL PAPER PERFORMANCE**

Highest mark obtained in this paper: 72%

Lowest mark obtained in this paper: 19%

Overall pass rate in this paper: 10.1%



## **SUBJECT: CA3.2 ADVANCED AUDIT AND ASSURANCE**

### **QUESTION ONE**

The general performance on this question was very good. 103 out of the 149 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 69%. The lowest score was 8.5, whilst the highest was 32 out of the available 40 marks.

#### **Part (a)**

This part of the question required candidates to distinguish audit risk from risk of material misstatement. In order to get maximum marks for 4 marks candidates should have discussed briefly the three elements of audit risk and the two elements of the risk of material misstatement.

A majority of the candidates scored half or more of the marks in this part and the following observations were made regarding those who performed poorly:

- i. A sizeable number of candidates explained audit risk without explaining the risk of material misstatements and so lost half the marks.
- ii. a number of candidates explained audit risk without explaining the elements of audit risk and the risk of material misstatement. Audit risk has three elements while the risk of material misstatements is before the audit and has two elements namely inherent and control risks.

#### **Part (b)**

This part of the question required candidates to identify and explain audit risks in the audit of the financial statements of a client company. This question has been examined in this way many times before in the past. A majority of candidates managed to identify and explain the required audit risks but there were candidates who scored poorly.

The following observations were made:

- i. It was shocking that some candidates confused ethical matters with audit risks. For example, by explaining the long association with the client and an audit risk.
- ii. Some candidates could not distinguish audit risks from business risks and discussed business risks in this part for which no marks were awarded. The objective of the question was to establish whether candidates are able to distinguish audit risks from business risks.
- iii. There were candidates who identified audit risks but could not relate the risks to what could go wrong in the financial statements. At the advisory level of the examinations, it is not sufficient to identify the audit risk candidates should be able to explain how the audit risk impacts the financial statements.

- iv. In answering the second part of the question to suggest suitable responses some candidates discussed management responses such as management required to put in place suitable controls.

There were candidates who did not address the part of the question which required candidates to suggest suitable responses to the risks explained and so losing the marks allocated for doing so.

#### Part (c)

This part of the question required candidates to identify and explain business risks. the objective of the question was to require candidates to show an understanding of the difference between audit and business risks.

The following observations were made:

- i. There were candidates who explained ethical issues in answering this part for which no marks were awarded.
- ii. Some candidates explained audit risks in this part signifying that they do not know the difference between audit and business risks. It is important to observe that some risks are both audit and business risks and the difference comes in the explanations made. For example, non-compliance with laws and regulations is an audit risk in that it impacts on provisions made in the financial statements. Non-compliance is also a business risk in that it can result in the withdrawal of the licence to operate for the company.

#### Part (d)

This part of the question required candidates to identify and explain ethical issues in the audit of the financial statements of Hippo Plc. Again, this part of the question has been examined in this form many times in the past. A majority of candidates scored well in this part of the question.

The following observations were made regarding candidates who scored poor marks in this part of the question:

- i. Weak candidates lost easy marks by discussing audit and business risks in answering this part of the question.
- ii. There were candidates who did not address the part of the question that required to suggest suitable responses to the ethical matters discussed.
- iii. Some candidates discussed the fundamental principles in accordance with the code of conduct for accountants for which no marks were awarded. Candidates should address the question requirements in answering examination questions.

#### Part (e)

- (i) This part of the question required candidates to discuss the use of the materiality figures computed at the planning stage of audits of financial

statements. To score maximum marks candidates were expected to explain at least two uses of the materiality figures computed.

The following observations were made:

- i. A sizeable number of candidates explained the meaning of materiality without addressing the question requirement to discuss the use of the materiality figures computed. No marks were given for simply explaining the meaning of materiality.
  - ii. A number of candidates did not attempt to answer this part of the question and so lost all the available marks.
- (ii) This part of the question required candidates to explain performance materiality and also to suggest a suitable performance materiality figure for Hippo Plc using the information given in the question. This is a multi-requirement question and it is important that candidates ensure that they address both parts of the question in order to score maximum marks.

The following observations were made:

- i. Some candidates simply explained the meaning of performance materiality without explaining its use and also not suggesting a suitable materiality figure. The question stated that there was a materiality figure of K1.2 million and candidates should have simply suggested a performance materiality figure below this amount.
  - ii. A number of candidates did not know what performance materiality was and defined it as materiality for specific areas of the audit which is incorrect.  
Performance materiality is set at below materiality earlier computed and is the one that will be used in the audit. The concept is that of reducing the risk that undetected misstatements will exceed the materiality set for the financial statements as a whole or that for specific assertions.
- (iii) This part of the question required candidates to evaluate the need for amending the materiality figures initially computed at the planning stage. To score maximum marks, candidates needed to use the information in the scenario in answering this part of the question.

The following observations were made:

- i. There were many candidates who gave general answers on why materiality may need to be revised without using the information in the scenario as required.
- ii. There was enough information in the scenario to enable candidates to give sufficient points requiring the need to amend the materiality figure. Most of the candidates only gave one justification for amendment of the materiality figure.

## **QUESTION TWO**

The general performance on this question was very poor. 4 of the 115 candidates that attempted the question managed to obtain at least 10 marks out of a total of 20 available marks. A pass rate of 4% was recorded. The highest score was 11 out of 20 marks while the lowest was 0.

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

Part (a) of the question required candidates to explain the use of the results of tests of controls in an audit of financial statements. It was shocking to find out that a majority of candidates simply explained the meaning of tests of controls without addressing the question requirement to explain the use of the results of the tests of controls. Candidates should have observed that the results of the tests of controls help the auditors determine the extent and nature of substantive tests that should be taken in the areas concerned.

Part (b) of the question required candidates to know the difference between relying the work of internal audit and seeking direct assistance of internal audit. The performance was very poor and a clear indication that candidates did not know the difference and they failed to use the information in the scenario in answering the question.

- i. This part of the question required candidates to assess the possibility of the use of the work of internal audit in the audit of the financial statements of Giraffe Plc. Candidates needed to use the information in the scenario and general answers did not attract maximum marks. For example, the fact that management of Giraffe Plc does not address the recommendations of internal audit should have been one of the arguments used in answering this part of the question.  
A majority of the candidates gave general answers in answering this part instead of using the information in the scenario. Candidates are reminded that at this level they are required to support their answers with information in the scenario. General answers do not attract maximum marks.
- ii. This part of the question required candidates to areas in the audit plan where the audit team may wish to rely on the work of internal audit of Giraffe Plc. Candidates should have been guided by the information given in the audit plan in the question.

Giving general knowledge answers did not attract maximum marks. Candidates should note that at the advisory level of this subject candidates are supposed to use the information in the scenario in answering questions.

It was observed that little reference to information in the scenario was made in answering this question. General answers did not attract maximum marks.

- iii. This part of the question required candidates to know the meaning of direct use of internal audit and also the areas where auditors would not use the direct assistance of internal audit. Again, candidates required to use the information in the scenario in answering this part of the question. General answers did not attract maximum marks.

Part (c) of the question required candidates to evaluate the information in the scenario and advise Mutti Limited on the intended litigation against the auditors of the financial statements of Giraffe Plc. Candidates needed to use their knowledge of auditor liability and the rules regarding third parties in answering the question.

Reference to the Caparo case should have guided candidates and enabled them score maximum marks and also the proving of all three criteria when third parties intend to sue the auditors for professional negligence. Candidates should in such questions conclude and give advice as required by the question.

It was clear that a majority of the candidates did not know the theory regarding auditor liability and as it related to third parties suing the auditors. A majority of the candidates clearly did not know the rules and could not explain how the three criteria apply in this case and could not conclude and advice as required by the question.

### **QUESTION THREE**

The general performance on this question was poor. 34 of the 131 candidates that attempted the question managed to obtain at least 10 marks out of a total of 20 available marks. A pass rate of 26% was recorded. The highest score was 17 out of 20 marks while the lowest was 1.

The following observations were made:

Part (a) of the question required candidates to define money laundering and to explain the need for ethical guidance in this area giving two examples.

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

- i. Some candidates simply explained the meaning of money laundering and scored only the marks allocated to doing so.

- ii. A majority of the candidates did not address the question requirements on the importance of ethical guidance on money laundering which carried half the available marks.

Part (b) required candidates to explain the importance of tailoring the materiality computed to the nature of the business and the users of the financial statements.

It is not enough for candidates at the advisory level to simply know the meaning of materiality and how it is computed. They are expected to know that there is the use of professional judgment in computing materiality and the nature of the business and the users of the financial statements should be considered in deciding on the benchmarks to use in computing materiality.

A majority of the candidates showed lack of understanding of materiality and how it is related to the nature of the business and the users of the financial statements. Simply defining materiality did not attract maximum marks.

Part (c)

- (i) This part of the question required candidates to explain three financial statement assertions regarding investment properties in the financial statements of in the financial statements of Chacha Ltd.

Candidates should know the difference between stating and explaining. A large number of candidates simply stated three financial statements assertions without any explanation the meaning of the stated assertions.

- (ii) This part of the question required candidates to recommend one audit procedures for each of the assertions explained in (i).

The following observations were made:

- i. A large number of candidates simply could not give suitable audit procedures for the assertions suggested in (i).
- ii. There were many candidates who did not suggest suitable audit procedures for assertions in (i) and lost all the marks allocated to doing so.

#### **QUESTION FOUR**

The general performance on this question was very poor. 12 of the 94 candidates that attempted the question managed to obtain at least 10 marks out of a total of 20 available marks. A pass rate of 13% was recorded. The highest score was 12.5 out of 20 marks while the lowest was 1.

#### Part (a)

This part of the question required candidates to explain the meaning of a component in group accounts and to state three instructions given by group management to components to achieve uniformity and comparability in financial information.

The following were observed:

- i. Some candidates confused components with component auditors and explained the component auditors for which no marks were awarded.
- ii. There were candidates who described components as significant entities in a group of companies.
- iii. Many of the candidates discussed instructions given to component auditors instead of instructions to group management as required by the question.

Part (b) of the question required candidates to suggest audit procedures in the audit of goodwill arising on consolidation. Audit procedures are an important area of the auditing syllabus and will feature prominently in future examinations.

Disappointingly the performance was poor and the following were observed:

- i. Many candidates recommended general audit procedures for consolidated financial statements instead of restricting themselves to the audit procedures for goodwill arising on consolidation as required.
- ii. There were also candidates who gave audit procedures on impairment with no reference to the audit of goodwill arising on consolidation.

Part (c) required candidates to describe the implications of big data and data analytics regarding audits for large companies.

This part was not well answered with many candidates either not attempting it altogether signifying lack of knowledge of this topic which is topical in the current computerized environment.

The following observations were made:

- i. A majority of the candidates simply defined big data and data analytics without describing the implication to the audit. Marks were awarded for defining big data and data analytics as agreed by the marking team. Marks were lost by not describing the implication of big data and data analytics on the audit.
- ii. Some candidates described big data and data analytics from the point of view of the client company and not the auditor as expected.

## QUESTION FIVE

The general performance on this question was very poor. 11 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 11% was recorded. The highest score was 12.5 out of 20 marks while the lowest was 0.

It was disappointing to note the poor performance in this question which required basic knowledge of the topics that were examined.

### Part (a)

This part of the question required candidates to explain the meaning of professional judgement and also give 4 examples of areas in an audit when professional judgement can be used. This is a knowledge-based question and did not require candidates to use much of the information in the scenario.

The following observations were made:

- i. Some candidates did not give the 4 examples of situations when professional judgement can be used or gave less than the required 4 examples.
- ii. There were many candidates who simply answered the first part of explaining the meaning of professional judgement and completely did not give any examples of when the auditors use professional judgement in the conduct of the audit.

Part (b) was a multi requirement question requiring a definition of Key Audit matters and in the second part stating the issues to consider in deciding on which matters to report in the KAMs paragraph.

A majority of the candidates defined Key Audit Matters but did not address the part of the question that required a statement of the issues that should be considered in deciding on the matters to report as KAMs. The marks attributed for doing so were lost.

Part (c) of the question required candidates to evaluate the suitability of the proposed 'Other information' section of the auditor's report suggested by the Audit Senior.

The performance in this part was poor. It was observed that a sizeable number of candidates brought in matters not included in the draft audit report in the question in answering this question. The question was very categorical and required candidates to evaluate the suitability of the proposed draft report and there is enough information to enable candidates to do so. Candidates simply needed to have been skeptical on the information and using their knowledge of the provisions of ISA 720 comment appropriately. Candidates should have read the information in the extract and discuss whether they agree or not and support their answers with correct arguments.



The following were observed:

- i. Some candidates stated that the auditors do not have any responsibilities for other information in the financial statements. This signifies that the candidates did not know the provisions of ISA 720.
- ii. Other candidates simply appeared not to know what other information is and so could not competently evaluate the extract of the audit report on other information.
- iii. There were candidates who confused the other information with the Other matter paragraph which they brought in answering this part for which no marks were awarded.
- iv. There were candidates who simply agreed with the information in the extract without any evaluation at all.

### **Overall performance of candidates**

Highest mark obtained in this paper: 65%

Lowest mark obtained in this paper: 19%

Overall pass rate in this paper: 22.8%

## **SUBJECT: CA3.4 ADVANCED TAXATION**

### **QUESTION ONE**

The general performance on this question was poor. 25 out of the 72 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 1, whilst the highest was 32 out of the available 40 marks.

This question examined tax planning involving a choice of business medium. 35% of the candidates who attempted the question passed and 65% failed.

In part (a) candidates were required to compute the income tax and NAPSA contributions payable if the business was a run as a sole proprietorship. The following were the most common the challenges faced by the candidates:

- i. Failure to calculate the skills development levy and deduct it from the business profit.
- ii. Failure to deduct the employee accommodation allowance from the business profits.
- iii. Failure to calculate the employer's NAPSA contributions and deduct it from the business profits.
- iv. Failure to compute the capital allowances on Mitsubishi Light Trucks correctly.

In part (b) candidates were required to compute the income tax payable by the partners if the business was run as a partnership. The following are were the most common mistakes made by candidates:

- i. Failure to time apportion each partner's basic salary correctly.
- ii. Deduction of capital allowances for vehicles owned by the partnership from the individual partner's profits. The capital allowances should have been deducted from the business profits before appropriation of profits as the vehicles were owned by the business.

In part (c) (i) candidates were required to calculate the income tax and NAPSA contributions payable by the directors if the business was run as a limited company. This part of the question was fairly well answered with the exception of a few candidates who failed to compute the NAPSA contributions payable by each individual.

In part (c) (ii) candidates were required to calculate the amount of income tax payable by the company if the business was run as a limited company. The following were the most common challenges faced by candidates:

- i. Failure to deduct the director's emoluments from the business profits.
- ii. Failure to correctly compute and deduct employer's NAPSA contributions from business profits.

- iii. Failure to correctly compute and deduct the skills development levy from the business profits.

In part (d) candidates were required to advise on whether it will be beneficial to run the business as a sole trader, partnership or as a limited company. Most candidates failed to make the relevant computations of net income and therefore failed to provide the required advice.

## **QUESTION TWO**

The general performance on this question was poor. 27 of the 68 candidates that attempted the question managed to obtain at least 10 marks out of a total of 20 available marks. A pass rate of 40% was recorded. The highest score was 15.5 out of 20 marks while the lowest was 0.

In part (a) candidates were required to explain the specific actions management of the mining company should take to regularize an error identified in the income tax returns. Most candidates demonstrated a general lack of knowledge of the procedures to follow and therefore failed to provide the appropriate responses.

In part (b) candidates were required to calculate the amount of income tax payable by the mining company. The following were the most common challenges faced by the candidates:

- i. Failure to compute the loss relief correctly.
- ii. Failure to make the appropriate transfer pricing adjustment on the intra group sale of copper.
- iii. Failure to add back the hedging losses to the business profits.
- iv. Failure to calculate the Tax EBITDA correctly and correct amount of the disallowable interest expense.

## **QUESTION THREE**

The general performance on this question was good. 33 of the 57 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 20 out of 20 marks while the lowest was 1.

In part (a) candidates were required to explain the meaning of the term "Permanent Establishment" and to determine whether the company in question will constitute a Permanent Establishment. Only a few candidates managed to provide the required responses as most candidates demonstrated a lack of knowledge of the meaning of a permanent establishment.

In part (b) candidates were required to explain the tax incentives available to manufacturing companies. Most candidates demonstrated a lack of knowledge of the incentives and therefore to provide the required explanations.

Part (c) required candidates to advise on the resident status of a foreign national who came to Zambia to work as a managing director for a company incorporated in Zambia and was generally well answered.

In part (d) candidates were required to calculate the amount of income tax payable by the tax payer. The following are the challenges faced by the candidates:

- i. Failure to calculate the taxable income from employment.
- ii. Failure to calculate the taxable income from foreign sources.
- iii. Failure to apply the correct income tax bands in computing the income tax payable.
- iv. Failure to calculate the double taxation relief on foreign income.

#### **QUESTION FOUR**

The general performance on this question was very good. 29 of the 46 candidates that attempted the question managed to obtain at least 10 marks out of a total of 20 available marks. A pass rate of 63% was recorded. The highest score was 18 out of 20 marks while the lowest was 0.

In part (a) candidates were required to compute the income tax liability on the income earned by the deceased before his death. This part of the question was generally well answered with the exception of a few candidates who failed to correctly time apportion the salary earned by the deceased from the beginning of the year to the date of his death in the computation of the income tax payable.

Part (b) required candidates to compute the income tax payable on the estate of the deceased and the amount of the estate after tax available for inheritance by the children of the deceased and was generally well answered.

In part (c) candidates were required to explain the nature and income tax implications of whole of life assurance, permanent health insurance and critical illness insurance. This part of the question was generally well answered with the exception of a few candidates who demonstrated a lack of knowledge of these financial protection products and therefore failed to provide the required explanations.

#### **QUESTION FIVE**

The general performance on this question was poor. 13 of the 37 candidates that attempted the question managed to obtain at least 10 marks out of a total of 20 available marks. A pass rate of 35% was recorded. The highest score was 15 out of 20 marks while the lowest was 0.

In part (a) candidates were required to explain four audit objectives that a quality tax audit should achieve. A good number of candidates demonstrated a general lack of knowledge of the objectives and therefore failed to provide the required responses.

In part (b) candidates were required to explain any three audit procedures a tax auditor should carry out to uncover hidden income. Most candidates failed to provide explanations of the appropriate procedures.

In part (c) candidates were required to compute the amount of taxable income and the income tax payable by an insurance company. The following are the challenges faced by the candidates:

- i. Failure to compute WHT on investment income correctly.
- ii. Failure to compute the capital allowances correctly.
- iii. Failure to identify the relevant disallowable expenses to be added back to net income as per accounts when computing the taxable profits.

### **Overall performance of candidates**

Highest mark obtained in this paper: 73%

Lowest mark obtained in this paper: 7%

Overall pass rate in this paper: 41.7%

## **SUBJECT: CA3.5 ADVANCED MANAGEMENT ACCOUNTING**

### **QUESTION ONE**

The general performance on this question was poor. 5 out of the 17 candidates that attempted the question achieved a pass (that is a score of at least 20 out of 40 marks), representing a pass rate on the question of 29%. The lowest score was 8.5, whilst the highest was 29.5 out of the available 40 marks.

This question is a compulsory one and it examined:

- (a) the evaluation of two appropriate performance measures for the company in question.
- (b) NPV calculation and discussion of solar energy investment.
- (c) Appraisal of potentially superior alternatives to the Economic Value Added.
- (d) Factors that affect international transfer prices.

In part (a) the two most appropriate measures were the EVA and shareholders ratio but candidates were suggesting even measures of performance which were not appropriate like the balanced score card, BCG and all sorts of models.

Part (b) required candidates to calculate the NPV in order to discuss and advise the company appropriately. The majority did not realise that the NPV calculation was required. This is in spite of the information being available to do this.

Part (c) was not well attempted. Many candidates failed to calculate ROI and RI which were required to form the basis of appraising the weaknesses of ROI when evaluating project performance and the reward system.

Part (d) was well answered and the majority of candidates scored good marks. Candidates were able to explain the transfer pricing factors; except for the few who gave factors such as culture without explaining how that would affect a transfer price in multinational companies.

### **QUESTION TWO**

The general performance on this question was very poor. None of the 8 candidates that attempted the question managed to obtain at least 10 marks out of a total of 20 available marks. A pass rate of 0% was recorded. The highest score was 9 out of 20 marks while the lowest was 3.

The question required candidates to calculate the Return On Equity before and after the project and recommend the best financing for the project, in part (a). In part (b), an evaluation of the use of the ROCE as a measure of performance was required.

The overall performance was very poor.

Part (a) of the question was poorly answered as many students did not understand the computations that were needed to arrive at the Profit After Tax which was then needed in the calculation of Return on Capital Employed. Most candidates could not come up with the best financing option for the project.

Part (b) was fairly well answered as a number of students mentioned the limitations of ROCE in investment appraisal.

### **QUESTION THREE**

The general performance on this question was excellent. 9 of the 11 candidates that attempted the question managed to obtain at least 10 marks out of a total of 20 available marks. A pass rate of 82% was recorded. The highest score was 18 out of 20 marks while the lowest was 9.

This question invited candidates to: (a) evaluate different types of benchmarking; (b) explain steps required to establish the benchmarking programme; (c) identify problems of benchmarking.

In part (a), candidates were conversant with the types benchmarking and did bring out a variety of benchmarking methods. Only a few students, however, remembered to make a recommendation on the best alternative method to solve the problem.

In part (b), the benchmarking process was properly outlined. Very few students seemed to remember the common 'problem solving process' of identifying the problem.... which ends in reviewing success and repeating the process to eliminate any problems identified. In short this part was not well answered.

In Part (c), candidates were able to pick out the shortcomings of benchmarking.

### **QUESTION FOUR**

The general performance on this question was excellent. 13 of the 15 candidates that attempted the question managed to obtain at least 10 marks out of a total of 20 available marks. A pass rate of 87% was recorded. The highest score was 19 out of 20 marks while the lowest was 0.

This question examined candidates on the 2 E's (Efficiency and Effectiveness), the use of KPI's in public sectors using the balanced scorecard and the evaluation of rolling budgets in local governments.

The overall comment is that candidates did extremely well on this question.

Part (a): The concept of efficiency and effectiveness in local government was well explained. Almost all candidates showed that they understood the difference between efficiency and effectiveness and answered the question satisfactorily. Appropriate examples were given in the direction of road maintenance and other activities that local governments are engaged in.

Part (b). The topic was well understood but not adequately studied for the examination.

Part (c). This sub-question was well answered. There was not much of a problem in answering this part of the question.

## **QUESTION FIVE**

The general performance on this question was fair. 7 of the 15 candidates that attempted the question managed to obtain at least 10 marks out of a total of 20 available marks. A pass rate of 47% was recorded. The highest score was 14.5 out of 20 marks while the lowest was 5.

Question Five requested candidates to: (a) explain how the role of the management accountant would change in the current business environment including the three drivers of change; and (b) explain how Activity Based Costing (ABC) would improve performance reporting in an organization.

Part (a) was well understood and most students were aware of the three drivers of the change that are changing the way management accountants influence performance.

Part (b) was poorly answered by some candidates as they did not have a detailed understanding of the ABC and could not use data in the scenario to explain how ABC would improve performance.

### **Overall performance of candidates**

Highest mark obtained in this paper: 61%

Lowest mark obtained in this paper: 18%

Overall pass rate in this paper: 52.9%



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

### **QUESTION ONE**

The general performance on this question was very poor. 1 out of the 10 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 10%. The lowest score was 5, whilst the highest was 20 out of the available 40 marks.

The general performance on this question was below average as only 1 out of the 10 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 10%. The lowest score was 5, whilst the highest was 20 out of the available 40 marks.

The common mistakes include:

- i. Majority of the candidates could not identify the required evaluation that the question required thus the presentation of the answers were not befitting advisory level but rather the lower level of the course. What examiners instead marked were isolated incidences of near to correct workings and not the answers to the question requirement.
- ii. In the evaluation of leasing, candidates had significant challenges to compute the present values of lease rentals to arrive at present value of cost of leasing due to difficulties to use annuity factors and the timing of cash flows. Those that used the present values, they had issues with when to start and end with the costs.
- iii. As was the case in evaluation of cost of leasing, candidates had challenges on the use of the discount factor in the evaluation of borrowing to buy. Significant majority of candidates used the given WACC of 11% rather than the after-tax cost of debt thereby making the computations wrong. Another critical challenge was inability by most candidates to estimate the net cash flows due to failure to calculate the tax benefit and their associated timing. Most candidates tried to compute the capital allowances but had challenges with the timing.
- iv. It was also very disappointing to see candidates fail to calculate the adjusted annual operating cost savings and this could be attributed to the lack of preparedness by the candidates.
- v. Significant number of candidates was unable to calculate the NPV because they could not relate the present value of benefits as computed in part (a) with the present value of cost of financing in (b).
- vi. Most of the candidates were able to answer part (a) and (b) because of allowances for possible answers. However, they had extreme difficulties in answering part (c) due to lack of knowledge or limited understanding of the question requirement. Examiners would like to encourage future candidates to be open minded as they get to this examination.

## **QUESTION TWO**

The general performance on this question was good. 2 of the 4 candidates that attempted the question managed to obtain at least 10 marks out of a total of 20 available marks. A pass rate of 50% was recorded. The highest score was 12 out of 20 marks while the lowest was 9.

The general performance on this question was average as only 2 out of the 4 candidates that attempted the question achieved a pass (that is a score of at least 10 out of 20 marks), representing a pass rate on the question of 50%. The lowest score was 9, whilst the highest was 12 out of the available 20 marks. Some candidates surprisingly failed to compute the level of gearing.

## **QUESTION THREE**

The general performance on this question was poor. 2 of the 9 candidates that attempted the question managed to obtain at least 10 marks out of a total of 20 available marks. A pass rate of 22% was recorded. The highest score was 13 out of 20 marks while the lowest was 6.

The common mistakes include:

- i. Some candidates were unable to clearly discuss the challenges that are faced in merging the management structures of two companies, in this case EVE plc and HUL Ltd. The responses were not very convincing meaning that these candidates did not adequately prepare.
- ii. In order to determine the "Calculated Intangible Value" which was to be used for estimating the value of HUL, the candidates needed to first determine the earning of ATM Ltd, and then obtain the value spread of HUL. Most candidates were not able to do this, due to the non-determination of percentage return.
- iii. Most candidates did not calculate the CIV and for those that did, the figure was incorrect because of the wrong value spread.

## **QUESTION FOUR**

The general performance on this question was very poor. None 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 0% was recorded. The highest score was 9 out of 20 marks while the lowest was 2.

The majority of the candidates who attempted this question exhibited lack of knowledge of money market hedge and could not estimate the forward exchange rate.

### **QUESTION FIVE**

The general performance on this question was excellent. 6 of the 7 candidates that attempted the question managed to obtain at least 10 marks out of a total of 20 available marks. A pass rate of 86% was recorded. The highest score was 18 out of 20 marks while the lowest was 8.

A few candidates exhibited limited knowledge of the law of comparative advantage.

### **Overall performance of candidates**

Highest mark obtained in this paper: 55%

Lowest mark obtained in this paper: 16%

Overall pass rate in this paper: 30%

## **SUBJECT: CA3.7 PUBLIC SECTOR AUDITS AND ASSURANCE**

### **QUESTION ONE**

The general performance on this question was very good. 45 out of the 71 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 63%. The lowest score was 6.5, whilst the highest was 32.5 out of the available 40 marks.

Part (a) of the question required candidates to describe matters that should be considered in the planned compliance audit of the procurement of waste disposal trucks.

The following observations were made:

- i. Most candidates scored above half the available marks in this part of the question.
- ii. There were candidates that described the matters and went further to suggest audit procedures which were not the requirements of this part of the question. No marks were awarded for the audit procedures explained here.
- iii. There were candidates who did not use the information in the scenario in answering this question as required. For example, they discussed risks and materiality which did not address the question requirement.

Part (b) required candidates to describe regularity and propriety in the context of compliance audit of the LCC.

A good number of candidates did not know the meaning of these terms and simply gave wrong answers which did not attract any marks.

Part (c) of the question required candidates to describe audit procedures that should be conducted in the compliance audit.

There were good answers on answering this part of the question. The following were observed with regards candidates who scored less marks:

- i. Candidates gave general answers instead of addressing the matters in the scenario as identified in part (a) of the question.
- ii. Some candidates did not suggest audit procedures and instead gave questions without suggesting suitable audit procedures.
- iii. Many candidates simply suggested obtaining management representations which are only supposed to support other audit evidence.

Part (d) of the question required candidates to describe the type of fraud that took place in the scenario.

- i. There were many cases where candidates simply explained the types of fraud without making reference to the information in the scenario. Marks were lost for not using the information in the scenario.
- ii. Others did confuse the information in the scenario and the types of fraud and lost marks for doing so.
- iii. a few candidates explained the auditor responsibilities with regards fraud which were not asked for and no marks were awarded for doing so.

The second part of (d) required candidates to explain four duties of the forensic investigator as an expert witness.

- i. Most candidates failed to explain any duties of a forensic investigator as an expert witness and instead outlined the stages of a forensic investigation which was not the question requirement and lost marks as a result.
- ii. A sizeable number of candidates focused on the work of the forensic investigator with regards the irregularities in the scenario without addressing the question requirements.

Part (e)

- (i) This part of the question required candidates to explain the meaning of cyber-crime. A majority of the candidates managed to explain and scored maximum marks.
- (ii) This part of the question required candidates to identify and explain 2 cyber-crime threats facing LCC. A majority of the candidates ably did so and scored half or more of the available marks.  
A sizeable number of candidates did not use the information in the scenario in answering this part and so lost marks.

## **QUESTION TWO**

The general performance on this question was good. 26 of the 51 candidates that attempted the question managed to obtain at least 10 marks out of a total of 20 available marks. A pass rate of 51% was recorded. The highest score was 17 out of 20 marks while the lowest was 0.

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

Part (a) of the question required candidates to explain the use of external confirmations in the audit of payables.

A majority of candidates scored well but there were candidates who did not observe that because of supplier statements which are third party evidence it is not common to perform third party confirmation.

Part (b) of the question was generally well answered with a majority of the candidates scoring more than half the available marks.

The following were observed:

- i. There were candidates who explained audit risk instead of identifying and explaining from the scenario. No marks were awarded for doing so.
- ii. A sizeable number of candidates identified audit risks but did not explain to the required detail why they were considered audit risks.
- iii. It was observed that some candidates suggested suitable responses although they were not asked for. This was a waste of valuable examination time for which no marks were awarded. Candidates need only address the question requirements.

Part (c) required candidates to evaluate the suggestion that the audit team should visit all health institutions in the scenario in order to confirm the completeness of inventory.

Candidates were expected to discuss around the fact that sample tests are used in auditing and the results on the whole population are based on sample results.

The performance in this part was not good because most of the answers were not supported by appropriate arguments. At this level of the examinations, candidates are expected to support their answers with suitable arguments.

### **QUESTION THREE**

The general performance on this question was poor. 14 of the 59 candidates that attempted the question managed to obtain at least 10 marks out of a total of 20 available marks. A pass rate of 24% was recorded. The highest score was 15 out of 20 marks while the lowest was 1.

The following observations were made:

Part (a)

This part of the question required candidates to define performance audit and explain how it promotes accountability and transparency in the public sector. There were good answers with most candidates scoring half or more of the available marks.

The following were observed with regards candidates who scored less marks:

- i. Many defined performance audits without addressing the second part of the question requiring candidates to explain how it contributes of accountability and transparency.
- ii. There were poor explanations of accountability and transparency in some cases resulting in the loss of easy marks.

Part (b) of the question required candidates to explain three features of a performance audit report.

This was a knowledge-based question whereby candidates should have simply explained the features of a balanced performance audit report. A majority of candidates explained the three elements of economy; efficiency and effectiveness which were not answering the question requirements.

Part (c) required candidates to recommend 7 audit procedures in the performance audit of NNC.

Most of the candidates scored well in answering this question. Others lost marks because in some cases candidates gave questions instead of suggesting audit procedures. Others simply repeated the information in the scenario for which no marks were given.

#### **QUESTION FOUR**

The general performance on this question was very good. 46 of the 61 candidates that attempted the question managed to obtain at least 10 marks out of a total of 20 available marks. A pass rate of 75% was recorded. The highest score was 16 out of 20 marks while the lowest was 2.

Part (a)

This part of the question required candidates to identify and explain violations of the principles of the Mexico declaration by the SAI in the scenario. A majority of the candidates scored well in this part of the question.

Candidates needed to explain the extent of the violation rather than simply to state which principles were violated. A few candidates that did not show knowledge of the provisions of the Mexico declaration lost marks by not explaining why they felt the principles were violated.

Part (b)

(i) This part of the question required candidates to explain the objective of the intended compliance audit in the scenario.

Most of the candidates scored well in this part of the question. A few lost marks because they discussed the objective of constructing the center of excellence instead of discussing the objective of the compliance audit.

(ii) This part of the question required candidates to define the subject matter in the intended compliance audit of the construction of the center of excellence.

A majority of the candidates scored poorly in this part of the question and did not address the question requirement. Candidates should have observed that the subject matter is what is going to be subject to the compliance audit. A majority discussed the criteria which is examined in part (iii).

- (iii) This part of the question required candidates to suggest suitable criteria for the compliance audit of the center of excellence.

The performance in this part was average. There were candidates who discussed the deferent approached of result-oriented approach and systems approach which clearly were not answering the question and no marks were awarded for doing so. There were a few that suggested audit procedures instead of suggesting suitable criteria for which no marks were awarded.

## **QUESTION FIVE**

The general performance on this question was poor. 11 of the 45 candidates that attempted the question managed to obtain at least 10 marks out of a total of 20 available marks. A pass rate of 24% was recorded. The highest score was 15 out of 20 marks while the lowest was 0.

### **Part (a)**

This part of the question required candidates to discuss the need for auditing an entity subject to private sector auditors by the SAI.

Most of the answers were not detailed as expected for the marks available. Candidates should be guided by the marks on offer in deciding how much to include in the answer.

### **Part (b)**

This part of the question required candidates to explain audit risk and distinguish it from the risk of material misstatement.

The following were observed:

- i. There were candidates who only explained audit risk without mentioning risk of material misstatements which was expected.
- ii. There were candidates who explained audit risks in the scenario without addressing the question requirement of distinguishing audit risk from risk of material misstatements.

Part (c) of the question required candidates to suggest a suitable response arising from the assessment that audit risk is above acceptable levels in the audit of a public sector institution such as Mafuta Refinery Limited. Candidates should have considered the fact that in the audit of private sector entities, auditors may opt to resign from the engagement unless audit risk can be reduced to acceptable levels. In the public sector on the other hand, the SAI is mandated by law to perform audits regardless of the risk levels and the option of declining to perform an audit is not there.

The performance was poor and the following were observed:



- i. Most of the answers did not address the question requirements and ignored the points raised in the introduction to this part above.
- ii. Some candidates explained how to deal with weak internal controls which clearly did not address the question requirement.
- iii. A sizeable number of candidates did not attempt to answer this part of the question.
- iv. Some candidates explained the general procedures external auditors can perform in order to reduce audit procedures. The question clearly stated that audit risk cannot be reduced to acceptable levels.

### **Overall performance of candidates**

Highest mark obtained in this paper: 68%

Lowest mark obtained in this paper: 16%

Overall pass rate in this paper: 54.2%

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

### **QUESTION ONE**

The general performance on this question was excellent. 3 out of the 3 candidates that attempted the question achieved a pass (that is a score of at least 20 out of 40 marks), representing a pass rate on the question of 100%. The lowest score was 19, whilst the highest was 26 out of the available 40 marks.

The common mistakes include:

- i. Some candidates did not fully explain the institutional arrangements that Government B could use to improve risk management. Some of the answers failed to demonstrate that they fully understood what the question required them to do.
- ii. For those candidates that managed to respond to part (i) of the question fully, they were unable to state clearly the risk management control activities as they relate to what can be done to manage the risk identified.
- iii. The question required the candidates to explain the concept of public private partnership in general and identify the benefits that this partnership can accrue to both parties. Some of the candidates did not state these.
- iv. Some answers for the candidates that responded to this section of the question failed to clearly explain how public sector outsourcing to private sector would lead to cost reduction.
- v. Candidates common mistakes in responding to this section of the question, was their inability in to identify and state the various advantages that accrues to having a company privatized as was requested by the examiner.

### **QUESTION TWO**

The general performance on this question was 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 67% was recorded. The highest score was 13 out of 20 marks while the lowest was 9.

Some candidate exhibited limited knowledge of risk NTC a public company was exposed to.

### **QUESTION THREE**

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

Surprisingly candidates showed limited knowledge of the functions of the Ministry of Finance.

#### **QUESTION FOUR**

The general performance on this question was poor. 1 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 33% was recorded. The highest score was 10 out of 20 marks while the lowest was 8.

The common mistakes include:

- i. Majority of the candidates could not identify the value for money framework for part (a). Thus, candidates' presentation was somehow haphazard. The responses by candidates were too generic such as macro-economic and fiscal policies and managing the budget holistically. Examiners were looking for candid answers related to economy, efficiency, effectiveness, accountability, and transparency.
- ii. Most of the candidates had significant difficulties to identify the primary objective of fiscal policy in part (b) as they provided generic responses such as budget execution, budget preparation and budget review. Examiners were looking for responses related to revenue, expenditure and debt.
- iii. Part (b) required candidates to explain the importance of budget guidelines. This part of the question was poorly done as candidates could not come up with any good guess around the requirement.

#### **QUESTION FIVE**

No candidate attempted this question.

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

Highest mark obtained in this paper: 58%

Lowest mark obtained in this paper: 51%

Overall pass rate in this paper: 100%