JUNE 2023 EXAMINATIONS

CHIEF EXAMINERS REPORTS

CA ZAMBIA

SUBJECT: CA1.1 - FINANCIAL ACCOUNTING

QUESTION ONE

The general performance on this question was very good. 87 out of the 140 candidates that attempted the question passed (got at least 10 out of the total 20 marks available). The pass rate recorded was 62.1%. The highest mark scored on this question was 16 out of 20 and the lowest was 2 out of 20.

This question had ten multiple choice questions. All candidates attempted the question.

QUESTION TWO

The general performance on this question was very poor. Out of the 124 candidates that attempted the question none passed (got less than 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.

Part "a" required candidates to prepare the revaluation account after one partner retired from the partnership. Candidates had challenges, because they appeared to have not expected revaluation to be combined with retirement of a partner.

Part "b" required candidates to prepare revised Partners' capital account. Candidates showed no idea on how to answer this part. Candidates are encouraged to cover the syllabus.

Part "c" required candidates to prepare an adjusted statement of financial Position for the remaining Partners. Very poor answers were given.

QUESTION THREE

The general performance on this question was good. 66 out of the 131 candidates that attempted the question passed (got at least 10 out of the total 20 marks available). The pass rate recorded was 50.4%. 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 briefly explain two (2) reasons for preparation of bank reconciliation statements. It seems candidates just learn how to prepare the reconciliation statement without knowing why they are doing it as poor or wrong reasons were given.

Part "b" required candidates to prepare an adjusted cash book from the given errors. Although this part was an easy task, many candidates failed to take advantage of easy marks. Candidates must adequately prepare for the examination.

Part "c" required candidates to prepare a bank reconciliation statement. This part was answered well.

QUESTION FOUR

The general performance on this question was very good. 56 out of the 93 candidates that attempted the question passed (got at least 10 out of the total 20 marks available). The pass rate recorded was 60.2%. 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 calculate the opening capital figure. Many candidates omitted the opening Bank balance from the list of assets in the accounting Equation.

Part "b" required candidates to prepare a statement of Profit or Loss on incomplete record. Candidates are encouraged to make use of ledger accounts for critical figures of sales and purchases.

Part "c" required candidates to prepare the statement of financial position. Good answers were given.

QUESTION FIVE

The general performance on this question was fair. 34 out of the 69 candidates that attempted the question passed (got at least 10 out of the total 20 marks available). The pass rate recorded was 49.3%. The highest mark scored on this question was 18 out of 20 and the lowest was 0 out of 20.

Part "a" required candidates to prepare an email explaining key accounting terms. Well prepared candidates obtained good marks.

Part "b" required candidates to draw up an adjusted profit statement. This was answered well.

QUESTION SIX

The general performance on this question was very good. 85 out of the 121 candidates that attempted the question passed (got at least 10 out of the total 20 marks available). The pass rate recorded was 70.2%. The highest mark scored on this question was 17 out of 20 and the lowest was 0 out of 20.

Part "a" required candidates to prepare a statement of Profit or Loss account. This was well answered.

Part "b" required candidates to prepare a statement of changes in equity for the year ended. Candidates had challenges with the following:

(i) Format.
(ii) Bonus issue effect on Equity and share premium.
(iii) The correct figure for declared dividends (0.15 x 132,000 shares).

Part "c" required candidates to prepare a statement of financial Position. Candidates answered this part well.

Overall performance of candidates

Highest mark obtained in this paper   74%
Lowest mark obtained in this paper   7%
Overall pass rate in this paper   35.5%

SUBJECT: CA1.2 – BUSINESS STATISTICS

QUESTION ONE

The general performance on this question was good. 38 out of the 75 candidates that attempted the question passed (got at least 10 out of the total 20 marks available). The pass rate recorded was 50.7%. The highest mark scored on this question was 14 out of 20 and the lowest was 2 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 regression, random values and probability distribution. The performance was not very good as most candidates failed on parts that required calculation. It is therefore suggested that candidates should familiarize themselves with short statistical calculation in order to improve on performance in this section of the examination.

QUESTION TWO

The general performance on this question was good. 39 out of the 76 candidates that attempted the question passed (got at least 10 out of the total 20 marks available). The pass rate recorded was 51.3%. The highest mark scored on this question was 17 out of 20 and the lowest was 0 out of 20.

This question was compulsory and was attempted by all candidates.

The question had three parts. The first part required candidates to use given table data to construct a relative frequency bar chart. Majority of candidates were able to construct the bar chart correctly. The few who failed were observed to have drawn the bar chart wrongly by instead constructing a histogram.

The second part was a descriptive question which required candidates to state business, commercial or industrial example of use of mean, mode and median in preference to other stated measures. Candidates could not fully explain the results as required due to observed insufficient knowledge of application of these measures.

The last part required candidates to use given data to find the expected value. The performance was good on this part as candidate demonstrated good knowledge of the subject.

QUESTION THREE

The general performance on this question was very good. 54 out of the 70 candidates that attempted the question passed (got at least 10 out of the total 20 marks available). The pass rate recorded was 77.1%. The highest mark scored on this question was 20 out of 20 and the lowest was 0 out of 20.

The question required candidates to use the method of least square regression to plot the scatter plot, the coefficient of correlation, and also to find the regression line and use the regression line to predict values of dependent variable, given the independent variable. It was observed that candidates were able to plot the scatter plot but some candidates erroneously drew lines joining the scattered points on the graph.

The calculation involving regression line were correctly done by most of the candidate.

QUESTION FOUR

The general performance on this question was good. 28 out of the 43 candidates that attempted the question passed (got at least 10 out of the total 20 marks available). The pass rate recorded was 65.1%. The highest mark scored on this question was 19 out of 20 and the lowest was 2 out of 20.

The question was split into two parts with the first part requiring candidates to specify if given statement involved qualitative or quantitative data. The general performance on his part was good.

The second part required candidates to use given data on probability distribution to find missing value, the expected value and the standard deviation. The general performance was good on this part. There was an observed struggle in calculation of the standard deviation as most of the candidates were using wrong formula hence found wrong value. Other candidates found a wrong missing value which lead to overall wrong expected value and standard deviation hence loss of marks.

QUESTION FIVE

The general performance on this question was very good. 43 out of the 70 candidates that attempted the question passed (got at least 10 out of the total 20 marks available). The pass rate recorded was 61.4%. The highest mark scored on this question was 17 out of 20 and the lowest was 0 out of 20.

The entire question was on grouped data and required candidates to find the mean, mode, standard deviation and comment on distribution of the data. There was an

observed good performance on all parts except the last part which requires a comment on distribution of the data. Candidates were not able to know that they needed to find the skewness, hence mostly could not attempt the last part of the question. Those who attempted showed lack of knowledge on the best results to use to solve the question.

QUESTION SIX

The general performance on this question was good. 27 out of the 47 candidates that attempted the question passed (got at least 10 out of the total 20 marks available). The pass rate recorded was 57.4%. 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 to find probabilities. There was an observed good performance in the question and the performance was good. The second question required candidates to use given data to find the coefficient of variation and comment on the results. Majority of candidates were able to solve the question correctly except for few computation errors. The candidates who failed the question were observed to have mis-understood the coefficient of variation to the correlation coefficient of regression analysis.

Overall performance of candidates

Highest mark obtained in this paper   85%
Lowest mark obtained in this paper   14%
Overall pass rate in this paper   67.1%

SUBJECT: CA 1.3 - BUSINESS ECONOMICS

QUESTION ONE

The general performance on this question was fair. 29 out of the 61 candidates that attempted the question passed (got at least 10 out of the total 20 marks available). The pass rate recorded was 47.5%. The highest mark scored on this question was 16 out of 20 and the lowest was 0 out of 20.

This was a compulsory question composed of ten (10) Multiple choice questions each worth 2 marks. However, some candidates wasted time by copying the full chosen option instead of just writing the letter as A or B or C or D.

QUESTION TWO

The general performance on this question was good. 34 out of the 61 candidates that attempted the question passed (got at least 10 out of the total 20 marks available). The pass rate recorded was 55.7%. The highest mark scored on this question was 19 out of 20 and the lowest was 0 out of 20.

This was another compulsory question attempted. The common mistakes made were as follows:

(i) Some students defined fixed costs instead of giving the figure as required. Candidates are urged to pay particular attention to command word for each question.
(ii) Though performance was very good, many candidates failed to calculate Marginal Cost values correctly. This because they missed the fact that change in output was not 1 hence there was need to use correctly MC = Change in Total Cost/Change in Quantity. Still others, interchanged the answers for Marginal Cost and Variable Cost.
(iii) Majority of the candidates performed poorly on this part question. Critical examination of the calculated average cost would reveal that costs start by falling as before rising again as output increases basically due to economies and diseconomies of scale. Some merely without explaining the reason for the shape.
(iv) Performance was fair. Candidates needed to know that breakeven point occurs at a point where total cost is equal to total revenue. To do this, candidates need to calculate total revenue values for each output since total cost figures were already given.

QUESTION THREE

The general performance on this question was good. 28 out of the 56 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 17 out of 20 and the lowest was 2 out of 20.

This was an optional question. Solutions required to answer the question were included in the scenario. However, it seemed that many candidates did not read the given scenario before answering the question.

(i) Poor definition of inflation by not attaching time. Inflation is a sustained increase in the average level of prices over time.
(ii) Poor answers were given.
(iii) Few candidates were able to bring out the relationship between the exchange rate and inflation. Some factors were even given in the scenario.
(iv) Many candidates confused the Central bank with the Commercial banks hence presented wrong answers.
(v) The reasons leading to the improvement of asset quality by commercial banks were given in the scenario. Many candidates explained importance of asset quality to the commercial banks instead of explaining the reason for improvement as required.

QUESTION FOUR

The general performance on this question was very good. 29 out of the 44 candidates that attempted the question passed (got at least 10 out of the total 20 marks available). The pass rate recorded was 65.9%. The highest mark scored on this question was 18 out of 20 and the lowest was 2 out of 20.

This was another optional question. This is a popular question based on Demand and supply analysis.

The question required candidates to explain without graphs how the given factors influence the demand for and or supply of unskilled labour. Performance was average. Some candidates did not know which curve is affect when a given factor changes let alone the direction of the shift. Suffice to say (i), (iii) and (iv) affects the demand curve while (ii) affects the supply curve.

(i) Common mistake was that of shifting either the demand curve of the supply curve. The minimum wage is the price of labour and a change in price does not lead to a shift in a curve but rather movement along a curve,
(ii) This was correctly answered by many candidates though mainly from common sense.

QUESTION FIVE

The general performance on this question was very good. 42 out of the 51 candidates that attempted the question passed (got at least 10 out of the total 20 marks available). The pass rate recorded was 82.3%. The highest mark scored on this question was 20 out of 20 and the lowest was 4 out of 20.

This was another optional question. Some common mistakes however included:

(i) Some candidates confused the characteristics of a planned economy with that of a capitalist economy.
(ii) Many had challenges in bringing out clearly the problems or disadvantages of a planned economic system
(iii)Same as for (b)
(iv)This was largely correctly answered though there were a few answers which never did not relate to either a capitalist or planned or mixed economy yet the scenario mentioned those three. In some cases, the correct economic system was given but without justification. No full marks would be given.

QUESTION SIX

The general performance on this question was fair. 14 out of the 32 candidates that attempted the question passed (got at least 10 out of the total 20 marks available). The pass rate recorded was 43.8%. The highest mark scored on this question was 17 out of 20 and the lowest was 0 out of 20.

(i) Some candidates presented answers on trade deficits and surpluses instead of describing the components or contents of the current account. Still others thought of the current account as in Financial Accounting as opposed to Balance of Payment.
(ii) Most candidates failed to describe the method that a country can use to correct a persistent current account deficit. Many were totally off but a few presented methods used to finance a current account deficit as oppose to correcting it.

Overall performance of candidates

Highest mark obtained in this paper: 80%
Lowest mark obtained in this paper: 14%
Overall pass rate in this paper: 72.1%

SUBJECT: CA 1.4 - COMMERCIAL AND CORPORATE LAW

QUESTION ONE

The general performance on this question was excellent. 136 out of the 152 candidates that attempted the question passed (got at least 10 out of the total 20 marks available). The pass rate recorded was 89.5%. The highest mark scored on this question was 20 out of 20 and the lowest was 4 out of 20.

This was a compulsory question, and all students attempted it. Going forward students are advised to study all topics in depth, and when answering questions of this nature, they must always look out for the best answer as most answers appear to be correct.

QUESTION TWO

The general performance on this question was very good. 110 out of the 151 candidates that attempted the question passed (got at least 10 out of the total 20 marks available). The pass rate recorded was 72.8%. The highest mark scored on this question was 18 out of 20 and the lowest was 2 out of 20.

This question hard the following parts:

(a) This question required students to discuss sources of Zambian Law. This is a topic each student must know as it forms the elementary basis of the subsequent topics. The few who failed need to pay attention to detail and prepare adequately for the examination.

(b) The question required students to demonstrate their understanding of implied terms in a contract. Most students failed to exhibit knowledge, let alone show examples. Future candidates are encouraged to study all topics for understanding purposes and not just for passing the exam. This topic is also highly examinable.

(c) This question was based on tort law and required candidates to demonstrate their understanding of the same. Most candidates were able to handle this question with ease whereas the few who missed it clearly had no idea on what the question needed, probably due to selective study and lack of understanding of the topic. About 85% got this question correctly. Future candidates are encouraged to emulate their colleagues by studying hard and make use of the ZICA manuals.

(d) The question demanded students to demonstrate understanding of a contract of Sale. Defining this type of contract needed a student who fully understands the difference between this contract and the rest of other contracts. The performance under this part was average as most students could not distinguish this contract from the rest. This was a clear sign that students were not ready for this topic or failed to understand what the question demanded. Most candidates managed to pass this question. Candidates must continue with the habit of paying attention to all questions and understand the law of on Sale of Goods as it forms the biggest part of their examination. Students must take time to study all topics in full, this section can only be dealt with by candidates who thoroughly go through topics and mastering the principles under each topic. The questions were clear.

QUESTION THREE

The general performance on this question was very good. 92 out of the 132 candidates that attempted the question passed (got at least 10 out of the total 20 marks available). The pass rate recorded was 69.7%. The highest mark scored on this question was 19 out of 20 and the lowest was 0 out of 20.

This question was company administration and had two parts. It was well attempted by candidates despite it not being a compulsory question. Students are encouraged to continue exhibiting such knowledge.

QUESTION FOUR

The general performance on this question was excellent. 135 out of the 145 candidates that attempted the question passed (got at least 10 out of the total 20 marks available). The pass rate recorded was 93.1%. The highest mark scored on this question was 18 out of 20 and the lowest was 4 out of 20.

This was a situational question and it had three-parts. The first part required the students to explain whether by displaying the military attire, John was selling them. The second part required them to explain any four elements of a valid contract. They did pretty well on this part too. The last part required them to explain the difference between criminal and civil law. It was also fairly handled by the students. In future candidates must be encouraged to read to understand the elements of a valid contract.

QUESTION FIVE

The general performance on this question was excellent. 79 out of the 93 candidates that attempted the question passed (got at least 10 out of the total 20 marks available). The pass rate recorded was 84.9%. The highest mark scored on this question was 16 out of 20 and the lowest was 2 out of 20.

This was a three-part question. The first part required the students to give advice on the likely outcome of the case. The second part required them to explain the difference between liability arising in tort, criminal law and contract. Future students need to understand the various types of liability in law. The last part required them to describe the nature of voluntary winding up. This question was also poorly handled. Candidates did not seem to understand the procedure. Future candidates are encouraged to read around this in future.

QUESTION SIX

The general performance on this question was very good. 69 out of the 85 candidates that attempted the question passed (got at least 10 out of the total 20 marks available). The pass rate recorded was 81.2%. The highest mark scored on this question was 17 out of 20 and the lowest was 5 out of 20.

(a) The question was centered on winding up. Students were expected to demonstrate their understanding of the subject matter. Most of the candidates that attempted this part got the answer correct. This is an indication that students understood the question and also understood the topic. Future students are encouraged to read to understand the topic bordering on winding up as this area is highly examinable.

(b) The question focused on shares. Candidates were expected to demonstrate their understanding of shares in company. Particularly, ordinary and redeemable shares. Most of them got the answer correct. This is an indication that students understood the question and also understood the topic. Future students are encouraged to read to understand the topic bordering on winding up as this area is highly examinable.

(c) This question focused on 3 types of meetings a company can hold. It required students to exhibit knowledge of company meetings. Most candidates who answered this question performed quite well. This is an indication that the candidates are

somehow quite familiar with this topic. Future candidates are encouraged to study the topic in full.

Overall performance of candidates

Highest mark obtained in this paper: 82%
Lowest mark obtained in this paper: 27%
Overall pass rate in this paper: 96.7%

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

QUESTION ONE

The general performance on this question was good. 56 out of the 95 candidates that attempted the question passed (got at least 10 out of the total 20 marks available). The pass rate recorded was 58.9%. The highest mark scored on this question was 16 out of 20 and the lowest was 4 out of 20.

This was a compulsory multiple-choice question and was expected to be answered by all candidates.

QUESTION TWO

The general performance on this question was fair. 47 out of the 95 candidates that attempted the question passed (got at least 10 out of the total 20 marks available). The pass rate recorded was 49.4%. The highest mark scored on this question was 20 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. The question was requesting candidates to define organizational culture and identify significant factors of leadership.

(a) The definition of culture was well answered but most candidates failed to identify the significant factors of leadership that influence culture. The answers needed are vision, value and purpose of a leader.

(b) The sub-question here was on management and leadership and only a few candidates could not give the right answer to the difference between leadership and management.

(c) This sub-question was well answered as candidates just needed to define the three leadership styles that is Authoritarian, Democratic and laissez-faire.

QUESTION THREE

The general performance on this question was very good. 36 out of the 54 candidates that attempted the question passed (got at least 10 out of the total 20 marks available). The pass rate recorded was 66.7%. The highest mark scored on this question was 18 out of 20 and the lowest was 3 out of 20.

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

(a) This part required that the candidates explain three factors that may influence managerial ethics in managers when they are under pressure. It was observed that candidates gave diverse scenarios that were acceptable ranging from personal, organizational and environmental situational.
(b) This part asked candidates to define four (4) roles of the board of directors in an organization. Some candidates answered this part very well. However, others were echoing the roles of managers in planning, organizing, controlling, and leading or directing which incorrect.
(c) This last part requested for relationship of planning to other management functions and was well articulated by most candidates.

QUESTION FOUR

The general performance on this question was very good. 32 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 78%. The highest mark scored on this question was 17 out of 20 and the lowest was 2 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 good. 53 out of the 91 candidates that attempted the question passed (got at least 10 out of the total 20 marks available). The pass rate recorded was 58.2%. The highest mark scored on this question was 20 out of 20 and the lowest was 0 out of 20.

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

(a) Most candidates gave correct benefits
(b) Majority of candidates failed to define to give the micro environment and consequently failed to give the micro environment elements as examples. Instead, they were giving examples in the macro environment.
(c) Some candidates were unable to define how job analysis, job description and job specification help an organization.

QUESTION SIX

The general performance on this question was excellent. 88 out of the 93 candidates that attempted the question passed (got at least 10 out of the total 20 marks available). The pass rate recorded was 94.6%. The highest mark scored on this question was 20 out of 20 and the lowest was 0 out of 20.

This question had two parts (a) and (b). It was examining candidates on organization stakeholders and SWOT analysis. It was attempted by 93 of the 95 candidates who sat for this paper and most of these candidates scored more than 80% and only 5 candidates failed this question.

The high score in this question, in both part (a) and (b) demonstrate how easy the question was, such that it may not measure the true understanding among the candidates.
The question should have been more demanding from the candidates in conceptual understanding of concepts and models.

Overall performance of candidates

Highest mark obtained in this paper: 84%
Lowest mark obtained in this paper: 15%
Overall pass rate in this paper: 88.4%

SUBJECT: CA1.6 - BUSINESS COMMUNICATION

QUESTION ONE

The general performance on this question was very good. 82 out of the 99 candidates that attempted the question passed (got at least 10 out of the total 20 marks available). The pass rate recorded was 82.8%. The highest mark scored on this question was 20 out of 20 and the lowest was 4 out of 20.

This question required candidate to select the best from the options that were presented as responses since it was multiple choice question. Some responses were completely off the best options. However, some answers were correct.

QUESTION TWO

The general performance on this question was excellent. 90 out of the 99 candidates that attempted the question passed (got at least 10 out of the total 20 marks available). The pass rate recorded was 90.9%. The highest mark scored on this question was 18 out of 20 and the lowest was 5 out of 20.

This was also a compulsory question which required candidates to:

Write a letter responding to the mail that was provided in the scenario question in the first part of the question. Part (b) required candidate to explain any three (3) reasons why a letter would be appropriate in the situation that was provided in the scenario as opposed to face-to-face communication.

The common errors that were observed on this question were:

(i)   Failure to understand the scenario and link it to the question.
  (a) wrong layout, i.e. memos and reports were written instead of a letter.
  (b) The content in the main body did not indicate why disciplinary action should not be taken against the staff who was constantly late as provided in the question.
  (c) Very poor subject line
  (d) Mismatched letter elements
  (e) Wrong salutations
(ii) Repeated content
  (a) Omitting the question
  (b) some candidates indicated directions of communication which was not the case.

QUESTION THREE

The general performance on this question was very good. 66 out of the 83 candidates that attempted the question passed (got at least 10 out of the total 20 marks available). The pass rate recorded was 79.5%. The highest mark scored on this question was 20 out of 20 and the lowest was 4 out of 20.

This was an option question from section B. Candidates were required to state five (5) reasons for opting for an accounting software over traditional tools like spread-sheets as part (a) and part (b) required them to explain any five (5) useful tips considered when creating a strong password and keeping the information secure.

The errors observed on question 3 were as follows:

(i) Some students explained spreadsheets instead of the reasons for opting for accounting software
(ii) Some students gave tips of using a strong password instead of creating one

QUESTION FOUR

The general performance on this question was very good. 22 out of the 31 candidates that attempted the question passed (got at least 10 out of the total 20 marks available). The pass rate recorded was 70.9%. The highest mark scored on this question was 20 out of 20 and the lowest was 4 out of 20.

This question required candidate to identify any five (5) common network security problems with a solution for it from a given scenario and part (b) required them to explain how to highlight the text that one would wish to format in the profile using the mouse and keyboard.

The common mistakes that were observed include the following:

(i) Some students explained general threats instead network security threads
(ii) Highlighting text using keyboard was poorly answered
(iii)Most students struggled to explain how to select the whole document using a keyboard

QUESTION FIVE

The general performance on this question was very good. 74 out of the 89 candidates that attempted the question passed (got at least 10 out of the total 20 marks available). The pass rate recorded was 83.1%. The highest mark scored on this question was 18 out of 20 and the lowest was 3 out of 20.

This was also an option question. Candidates were required to explain the uses of meeting documents such as Notice, Chairperson's agenda, Minutes and agenda as question (a) and state any four (4) reasons why holding meetings may not be beneficial to an organization as part (b). In part (c) candidates were required to outline any four (4) elements of a notice.

Some of the errors observed on this question were as follows:

(i) Failure to explain the use of given documents

  (a) Wrong examples provided on each document
  (b) Mixing up content of meeting documents
  (c) Explained a meeting notice as any other document not necessarily meant for the meeting.
  (d) Indicated the roles of a secretary and a chairperson for a meeting which was not supposed to be the case.
  (e) meeting terminologies were also included as part of the responses.
  (f) Presented items of a standard agenda.

(ii) Repeated content

  (a) Failed to provide clear reasons written communication was ideal in a given scenario from the question.

(iii) candidates indicated the structure and layout of the message which was not supposed to be the case.

  (a) Some candidates indicated the elements of a memo.

QUESTION SIX

The general performance on this question was excellent. 86 out of the 92 candidates that attempted the question passed (got at least 10 out of the total 20 marks available). The pass rate recorded was 93.4%. The highest mark scored on this question was 20 out of 20 and the lowest was 2 out of 20.

Generally, the performance on this question was also good.

Candidates were required to explain any five (5) common barriers to effective communication as part (a). Part (b) required candidates to state any three (3) reasons why feedback is essential in a business organization. Part (c) required them to highlight any four (4) factors that should be considered when selecting a channel to avoid communication breakdown.

The following were some of the errors noted on this question:

(i) Incomplete explanation on how barriers occur.
(ii) Some candidates included characteristics of information in their response.
(iii) Mixing up of contents of different barriers of communication.
(iv) No explanations on how identified barriers can hinder effective communication.
(v) Inadequate responses.
(vi) Some candidates indicated the 7C's of effective communication
(vii) Some candidates provided ways to overcome the barriers to communication on the identified barriers.
(viii) Omission of this part of the question.
(ix) Repeated answers.
(x) some candidates indicated channels of communication which was not the case.

Question 6 (a) was mixed up with question 6 (c). Barriers and factors that affect the choice of medium were mixed up.

Overall performance of candidates

Highest mark obtained in this paper: 88%
Lowest mark obtained in this paper: 25%
Overall pass rate in this paper: 91.9%

SUBJECT: **CA 2.1 - FINANCIAL REPORTING**

QUESTION ONE

The general performance on this question was poor. 31 out of the 92 candidates that attempted the question achieved a pass (that is a score of at least 20 out of 40 marks), representing a pass rate on the question of 33.7%. The lowest score was 0, whilst the highest was 35 out of the available 40 marks.

The question was one of those that negatively contributed to overall poor performance.

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

What the question required candidates to do:

This was a 40-mark question and was in two (2) parts. Part (a), required the preparation of a consolidated statement of financial position for a parent with one subsidiary. As well as the standard consolidation procedures, the question required candidates to consider a number of accounting issues that primarily related to the financial statements of the parent entity.

The most common mistakes made by the candidates:

In part (a) most candidates performed well. However, some candidates did not show all the workings for them to score highly on this part. Others simply showed consolidated figures for property, plant and equipment and other items of the statement of financial position without showing how they were arrived at. Marks were lost especially where their consolidated figures were incorrect.

More particularly, most candidates did not perform well in the following areas:

(i) The initial calculation of goodwill, especially the calculations of fair value adjustments and the deferred tax on them. The goodwill calculation is a fairly typical calculation that should be practised in advance of the exam.
(ii) Including subsidiary's share capital in consolidated statement of financial position. Candidates should bear in mind that only parent's share capital is part of consolidated statement of financial position.
(iii) The computation of unrealised profits on intra-group sales, many did not appreciate the implications of the sale being originated by a parent, rather than the subsidiary. Further, unrealised profits in inventory was calculated as 1/3 (i.e. as a mark-up on cost) rather than 1/4 (a profit margin).
(iv) Many candidates seemed unsure of the treatment of preference share capital, deferred tax liability, in-process research and development project. According to

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revised IFRS 3, business combinations, all assets, liabilities and contingent liabilities must be recognised at fair value.

(v) A minority of candidates proportionally consolidated the subsidiaries. This has arisen in a number of past examinations. Candidates and tutors should take note of this issue.

Part (b) of this question required candidates to discuss the ethical issues and recommend actions. This part was not generally well answered and a significant number of candidates omitted it altogether. Only a minority of candidates seemed aware of the ethical issues.

QUESTION TWO

The general performance on this question was good. 43 of the 72 candidates that attempted the question managed to obtain at least 10 marks out of a total of 20 available marks. A pass rate of 59.7% was recorded. The highest score was 19 out of 20 marks while the lowest was 1.

The question required candidates to prepare a report addressed to the Shareholders of PROFED Ltd, analyzing the performance and position of PROFED Ltd based on the extracted financial statements and additional information provided. The report was to include comparisons with key sectors ratios (where appropriate).

It appeared that many candidates had little or no knowledge of the Report format as most of them wrote a letter and not a report. Most candidates failed to realise that they needed to just calculate a few ratios in addition to the ratios that were mentioned in the question as key ratios for the supermarket sector, they went ahead to calculate all the ratios hence wasted time and failed to properly use the ratios to analyse the performance of the company in the report.

Some students calculated ratios only for a year, which made it difficult for them to compare the performance between the years. Others failed to earn good marks because they did not calculate the ratios, only used the figures provided in the financial statements to analyse the performance of the company.

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.

QUESTION THREE

The general performance on this question was very poor. 6 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 11.8% was recorded. The highest score was 14 out of 20 marks while the lowest was 0.

What the question required candidates to do:

Part a) of the question required candidates to prepare a Statement of Cash flow for a limited liability company in the banking sector. Further, Part b) of the question required candidates to explain four benefits of cash flow information to the users of financial statements.

The question was the least popular. The question had pre-stated figures that needed only classification on the format. Candidates could not correctly classify entries in the format as they could not distinguish between reversals of non-cash items and actual cash flows. Some candidates correctly found differences between opening and closing balances to find changes in working capital but put brackets on wrong figured. Solutions to part b) of the question were scanty and in many cases actually missing.

QUESTION FOUR

The general performance on this question was good. 37 of the 73 candidates that attempted the question managed to obtain at least 10 marks out of a total of 20 available marks. A pass rate of 50.7% was recorded. The highest score was 18 out of 20 marks while the lowest was 1.

The question had three (3) parts. Part (a) required candidates to justify, how the qualitative characteristics of Relevance, faithful representation, comparability and understandability will apply to the treatment of tangible non-current assets. This part of the question was fairly answered and very few did not attempt. A few candidates did not give examples. Candidates are strongly advised to read the question carefully.
Part (b) required candidates to outline assets that require mandatory testing for impairment in accordance with IAS 36 Impairment of Assets. It appeared that many candidates had little or no knowledge of the standard, a few that got some marks were able to mention goodwill only.

Part (C) required candidates to discuss two (2) safeguards Mwababa could consider to either eliminate or reduce the threats to an acceptable level. Candidates had challenges in identifying the threats. Very few were able to mention, self-interest, advocacy and intimidation threat.

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

Part (a) of the question was fairly answered and very few did not attempt. A few candidates did not give examples. Candidates are strongly advised to read the question carefully.

In Part (b), it appeared that many candidates had little or no knowledge of the standard, a few that got some marks were able to mention good

In part (c), candidates had challenges in identifying the threats. Very few were able to mention, self-interest, advocacy and intimidation threat.

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

QUESTION FIVE

The general performance on this question was poor. 17 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 27.9% was recorded. The highest score was 15 out of 20 marks while the lowest was 0.

This question had three sub-parts testing for technical knowledge of three examinable standards namely: IFRS 16: Leases, IFRS 5: Non-current assets held for sale and discontinued operations and IFRS 9: Financial instruments.

The most common mistakes made by the candidates on each part of the question:
Feedback on Part (a) IFRS 16: Leases

Accounting treatment for Leases was well answered with candidates being able to state that in the books of the lease, the right-of-use asset and a lease liability should be recognized. The right-of-use asset would initially be measured at the amount of the lease liability plus any initial direct costs incurred by the lessee. Adjustments may also be required for lease incentives, payments at or prior to commencement and restoration obligations or similar.

After lease commencement, a lessee shall measure the right-of-use asset using a cost model.

The lease liability would initially be measured at the present value of the lease payments payable over the lease term, discounted at the rate implicit in the lease if that can be readily determined.

The lease liability would subsequently be remeasured at the shorter of lease term and useful life of the asset.

Feedback on Part (b) – IFRS 5: Non-current assets held for sale and discontinued operations

Most candidates were able to able to correctly bring-out measurement rules for classification of an asset as held for sale per IFRS 5; however majority candidates incorrectly computed the asset's carrying amount at date held for sale by not prorating

depreciation hence deriving wrong financial statements amounts to be shown in the statement of profit or loss and the statement of financial position.

Feedback on Part (c) – IFRS 9: Financial instruments

The majority of candidates correctly gave the two possible classifications of financial assets equity instruments as Fair value through profit or loss generically or Fair value through profit or loss and other comprehensive income if not for trading upon making an election to that effect.

Overall performance of candidates

Highest mark obtained in this paper: 67%
Lowest mark obtained in this paper: 5%
Overall pass rate in this paper: 29.7%

SUBJECT: CA2.2 - MANAGEMENT ACCOUNTING

QUESTION ONE

The general performance on this question was very poor. 8 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 11.1%. The lowest score was 0, whilst the highest was 27 out of the available 40 marks.

This question is a compulsory one and it examined the allocation of scarce resources in order to optimize production; to explain non-financial factors; to calculate the Break Even Point and explain its limitations; and finally describe the objectives of cost and management accounting.

However, poorer candidates could not identify the limiting factor. This resulted in wrong rankings. Others did not know what to do with the 500 work suits requested by the new customer. The limiting factor was the material fabric whose square metres per unit were 'hidden' and, therefore, required candidates to derive them by dividing the cost per unit by the cost per m².

Parts (b) and (c) were well answered but part (d) was poorly attempted.

QUESTION TWO

The general performance on this question was poor. 18 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 26.9% was recorded. The highest score was 20 out of 20 marks while the lowest was 0.

This question tested the calculation of variances, preparation of a reconciliation statement and the outlining of the behavioural aspects of budgeting and budgetary control.

In part (a), most candidates calculated variances correctly except for a few poorer ones. In part (b), those who did well in part (a) equally did well here but those who did not get correct variances lost some marks.

Part (c) was poorly answered by many candidates. They wrongly explained how the budget is used as tool for planning, communicating, control and decision making which was not what the question was looking for. The behavioural issues include poor attitudes at the budget setting stage, operational stage and control stage.

QUESTION THREE

The general performance on this question was poor. 15 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 23.4% was recorded. The highest score was 13 out of 20 marks while the lowest was 0.

This question examined candidates on cash flow forecasts and had two parts as follows:

(a) Differences and similarities between a cash-flow statement and a cash budget:

This part was well answered by most candidates. Candidates were able to state the historical aspect of the cash flow statement and the futuristic aspect of the cash budget. Similarities were also stated such as both explaining movements of cash and cash equivalents.

(b) Preparation of a cash budget for 6 months and advising the partners on the business.

This part was poorly answered by most candidates. Wrong figures were calculated. The advice component of the question was omitted by a number of candidates because of the wrong figures in the cash budget.

QUESTION FOUR

The general performance on this question was good. 36 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 59% was recorded. The highest score was 15 out of 20 marks while the lowest was 0.

This question examined candidates on responsibility accounting; advantages and disadvantages of adopting the budget approach used by the company; and reasons for operating profit centres in that company.

Part (a) on responsibility accounting was well answered by most candidates.

Part (b) on advantages and disadvantages of adopting the budget with 70% internal funding and 30% central government funding.

This part was poorly answered by most candidates. Common mistakes included not stating advantages such as motivation to the company to manage costs and revenue, timely implementation of activities as they collect their own funds and low dependency on Central Government. Disadvantages include lack of experience in revenue generation, high cost of public services, etc.

Part (c) on identification of units in a city council, from a given list, that can operate as profit centres. This part was well answered by almost all the candidates. Candidates were able to easily identify profit centres as waste management, libraries, licensing, etc.

QUESTION FIVE

The general performance on this question was fair. 8 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 42.1% was recorded. The highest score was 16 out of 20 marks while the lowest was 0.

Question Five examined service costing in a law firm; disadvantages of the costing system used by the firm; and suggestion of two alternative costing approaches.

In part (a) candidates calculated the chargeable fees correctly for Senior, Associates and Junior partners but could not calculate other recovery costs correctly. A good number of them also forgot to convert the mark-up to margin before applying it on total costs to arrive at the chargeable fees.

Part (b) was well attempted although poorer candidates explained advantages of other methods instead of absorption costing.

In part (c) good marks were obtained for coming up with alternative costing approaches. However, some did not know that absorption costing was used in part (a) and went on to suggest absorption costing as an alternative.

Overall performance of candidates

Highest mark obtained in this paper: 70%
Lowest mark obtained in this paper: 10%
Overall pass rate in this paper: 20.8%

SUBJECT: CA 2.3 AUDITING PRINCIPLES AND PRACTICE

QUESTION ONE

The general performance on this question was good. 89 out of the 172 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 51.7%. The lowest score was 4, whilst the highest was 32 out of the available 40 marks.

Part (a)
This part of the question required candidates to define corporate governance and recommend four (4) responsibilities which should be included in the written terms of reference for the Audit Committee for Busanga Ltd. Candidates needed to clearly demonstrate their knowledge of corporate governance in general and audit committee in particular, as guided by various codes of corporate governance.

The following observations were made:

A majority of candidates lost marks by only defining corporate governance and omitting the four (4) responsibilities. Candidates should attempt all parts of a question to enhance their chances of passing.

Some candidates wrongly gave the responsibilities of the internal audit function instead of the audit committee.

Part (b)
Part (b) (i)
This part of the question required candidates to state, using the guidance in ISA 610 (Revised) *Using the work of internal auditors,* the criteria used to evaluate the internal audit function. This was a straightforward knowledge-based question, which needed candidates to clearly demonstrate their knowledge of the criteria stated in ISA 610.

The main observation was that a majority of candidates were able to answer the question correctly, which clearly showed their understanding of the criteria as guided by ISA 610.

Part (b) (ii)
This part of the question required candidates to evaluate whether Masuku & Co. should use the work of the Internal Audit Function for Busanga Ltd. Candidates needed to demonstrate their application and evaluation skills.

The following observations were made:

(i) A majority of candidates failed to correctly interpret the verb "Evaluate" used by the examiner and simply repeated the answer to part (b)(i). This earned no marks.
(ii) Some candidates gave general answers which had no relationships with the facts given in the question.

Part (c)
This part of the question required candidates to identify and explain four (4) control deficiencies in the credit sales system for Busanga Ltd. Candidates needed to show their Knowledge of control systems in general and credit sales system in particular. This is regularly examined in this paper.

The following observations were made:

(i) A majority of candidates simply identified the control deficiencies and gave no explanation.
(ii) A majority of explanations given were poor, with some candidates simply repeating what was given in the scenario.
(iii) Some candidates wasted time by giving more than the four (4) control deficiencies which were requested.

Part (d)
This part of the question required candidates to recommend five (5) appropriate audit procedures which the auditors should carry out regarding the wages for sales representatives paid in cash. Candidates needed to clearly demonstrate their knowledge of tests of control as a means of getting sufficient appropriate audit evidence regarding the effective operation of controls.

The following observations were made:

(i) A majority of candidates misunderstood the question and instead recommended controls which ought to be in place. This earned no marks.
(ii) Some candidates wrongly gave control procedures for the credit sales system. Candidates must spend quality time in order to understand the question asked and avoid losing such easy marks.

Part (e)
This part of the question required candidates to explain the audit risks identified by the Audit Manager and recommend appropriate responses. Candidates needed to clearly demonstrate their understanding of audit risks as guided by both ISA 315 and ISA 330.

The following observations were made:

(i) A majority of candidates lost marks by simply listing the audit risks and gave no explanations.
(ii) A number of candidates gave no audit responses.
(iii)Some candidates wrongly gave management responses instead of audit responses. Candidates must review past exam questions in order to understand how to answer such questions.

Part (f)

This part of the question required candidates to explain the meaning of substantive procedures and recommend three (3) suitable substantive procedures for outstanding lodgements. Candidates needed to clearly demonstrate their understanding of audit of bank balances in general and outstanding lodgements in particular.

The following observations were made:

(i) A majority of candidates simply defined substantive procedures but lost marks by not recommending three (3) suitable substantive procedures.
(ii) Weak candidates failed to define substantive procedures and instead defined test of controls. This earned no marks.
(iii)A number of candidates gave general audit procedures for auditing bank balances, which had no relevance to outstanding lodgements.

QUESTION TWO

The general performance on this question was poor. 26 of the 85 candidates that attempted the question managed to obtain at least 10 marks out of a total of 20 available marks. A pass rate of 30.6% was recorded. The highest score was 16 out of 20 marks while the lowest was 0.

Part (a)
Part (a) (i)

This part of the question required candidates to define, using the information regarding Kakumbi Ltd, audit test data and clearly distinguish live audit test data and dead audit test data. Candidates needed to clearly demonstrate their knowledge of computer assisted audit techniques (CAATs) in general and in particular audit test data.

The following observations were made:

(i) A majority of candidates did not answer both parts of the question. They simply defined audit test data.

(ii) Some candidates had no idea of test data and instead defined audit software.
(iii)A majority of candidates failed to distinguish live audit test data and dead audit test data, wrongly stating that dead audit test data is past while live audit test data is current.

Part (a) (ii)
This part of the question required candidates to state, using the information regarding Kakumbi Ltd, the basic principle of using audit test data and explain two (2) tests of control to be performed on the programmed controls given. Candidates needed to clearly demonstrate their knowledge and application skills of computer assisted audit techniques (CAATs) in general and in particular audit test data.

The following observations were made:

(i) A majority of candidates did not give the expected length and depth to deserve all the 6 marks which were available.
(ii) Some candidates simply repeated the answer given in part (a)(i).
(iii)A majority of candidates did not answer both parts of the question. They simply stated the basic principle.

Part (a) (iii)
This part of the question required candidates to explain, using the information regarding Kakumbi Ltd, why audit test data is used less as a computer assisted audit technique (CAAT) in modern real-time systems. Candidates needed to clearly demonstrate their knowledge of modern real-time systems.

The main observation was that a majority of candidates had little or no idea about modern real-time systems and hence failed to provide the required responses.

Part (b)
This part of the question required candidates to state, using the information regarding Jumbo Plc, four (4) relevant financial statement assertions for non-current assets and suggest one (1) audit procedure for each financial statement assertion stated. Candidates needed to clearly demonstrate their knowledge of financial statements assertions and substantive procedures relevant to non-current assets.

The following observations were made:

(i) A majority of candidates did not answer both parts of the question. They simply stated the financial statements assertions and did not suggest any audit procedures.
(ii) Some candidates stated all the financial statements assertions without isolating those which are relevant to non-current assets.

QUESTION THREE

The general performance on this question was very good. 138 of the 170 candidates that attempted the question managed to obtain at least 10 marks out of a total of 20 available marks. A pass rate of 81.1% 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 state three (3) advantages of professional codes of ethics. Candidates needed to clearly demonstrate their knowledge of professional codes of ethics, focusing on the advantages.

The main observation was that a majority of candidates simply explained the fundamental principles (Integrity, Objectivity, Professional competence and due care, Confidentiality and Professional behavior) and did not state any advantages. This earned no marks.

Part (b)
This part of the question required candidates to identify and explain four (4) ethical threats in the audit of the financial statements for Ngwee Ltd and recommend the responses that should be made. Candidates needed to clearly demonstrate their knowledge and application skills regarding professional ethics.

The following observations were made:

(i) A majority of candidates answered the question correctly and earned all the 10 marks which were available.
(ii) A few candidates did not use the information in the scenario and ended up giving wrong recommendations.

Part (c)
This part of the question required candidates to explain two (2) methods of obtaining audit evidence which can be used when auditing the depreciation figure in the financial statements of Ngwee Ltd for the year ended 31 March 2022. Candidates needed to clearly demonstrate their knowledge of techniques for obtaining audit evidence.

The following observations were made:

(i) A majority of candidates gave methods which were not relevant to depreciation e.g. observation, confirmation.
(ii) Some simply stated the methods and gave no explanations.

Part (d)

This part of the question required candidates to discuss how analytical procedures can be used as substantive audit procedures to provide audit evidence on the accuracy of the depreciation figure in the financial statements for Ngwee Ltd. Candidates needed to clearly demonstrate their knowledge of ISA 520, which gives detailed guidance in this area.

The following observations were made:

(i) A majority of candidates misunderstood the question and instead gave audit procedures. This earned no marks.
(ii) Some candidates wrote all they knew about analytical procedures but were not responsive to the question asked.

QUESTION FOUR

The general performance on this question was very poor. 2 of the 89 candidates that attempted the question managed to obtain at least 10 marks out of a total of 20 available marks. A pass rate of 2.2% was recorded. The highest score was 12 out of 20 marks while the lowest was 0.

Part (a)
Part (a) (i)
This part of the question required candidates to explain, with reference to receivables, using a suitable illustration, what is meant by teeming and lading fraud. Candidates needed to clearly demonstrate their knowledge and application skills of teeming and lading fraud as it relates to receivables.

The main observation was that a majority of candidates had no idea about teeming and lading fraud. Some candidates confused teeming and lading fraud with collusion. This earned no marks.

Part (a) (ii)
This part of the question required candidates to state the action that the auditors must take in view of the suspected teeming and lading fraud. Candidates needed to clearly demonstrate their knowledge and application skills regarding teeming and lading fraud.

Again, the main observation was that a majority of candidates had no idea about teeming and lading fraud. Some candidates confused teeming and lading fraud with collusion. Others never attempted this question. This earned no marks.

Part (a) (iii)

This part of the question required candidates to recommend four (4) cut-off tests, which should be performed on the receivables balance for Kasempa Plc. Candidates needed to clearly demonstrate their knowledge and application skills regarding cut-off tests which are crucial, especially in detecting instances of window dressing.

The following observations were made:

(i) A majority of candidates unnecessarily focused on confirmations. This only earned a few marks.
(ii) Some candidates simply stated performing substantive tests without any elaboration.
(iii) A number of candidates did not attempt this part of the question.

Part (b)
Part (b) (i)

This part of the question required candidates to state, using the guidance given in ISA 570 (Revised) *Going concern,* the objectives of the auditor regarding going concern. Candidates needed to clearly demonstrate their knowledge of ISA 570.

The following observations were made:

(i) A majority of candidates answered the question correctly and earned all the 3 marks which were available.
(ii) A few candidates had no idea about ISA 570 and hence did not write anything.

Part (b) (ii)

This part of the question required candidates to explain, using the guidance given in ISA 570 (Revised) *Going concern,* the actions which the auditors must take given that management of Kasempa Plc have only provided the auditors with a seven (7) months' forecast. Candidates needed to clearly demonstrate their knowledge and application skills regarding the guidance given in ISA 570 that auditors must review an assessment of at least 12 months.

The main observation was that a majority of candidates had no idea of the guidance given in ISA 570 and hence lost all the 7 marks which were available. These were easy marks which candidates should earned without any difficulty. Candidates must prepare adequately for these examinations.

QUESTION FIVE

The general performance on this question was poor. 53 of the 160 candidates that attempted the question managed to obtain at least 10 marks out of a total of 20 available marks. A pass rate of 33.1% was recorded. The highest score was 17 out of 20 marks while the lowest was 0.

Part (a)
This part of the question required candidates to state three (3) advantages of International Standards on Auditing. Candidates needed to clearly demonstrate their knowledge of International Standards on Auditing (ISAs).

The following observations were made:

(i) A majority of candidates only mentioned 'uniformity' and hence failed to earn all the 3 marks which were available.
(ii) Some candidates stated the advantages of accounting standards which are more relevant to the preparers of financial statements. This earned no marks.

Part (b)
This part of the question required candidates to define materiality and discuss its importance when forming an audit opinion. Candidates needed to clearly demonstrate their knowledge ISA 320 and ISA 700, which give detailed guidance in this area.

The following observations were made:

(i) A majority of candidates lost marks by only defining materiality. Candidates must learn to attempt all parts of the questions.
(ii) Some candidates were unable to write anything mainly due to poor time management.

Part (c)
This part of the question required candidates to explain the appropriateness of each of the four (4) suggested audit opinions. Candidates needed to clearly demonstrate their knowledge and applications skills of ISA 700, ISA 701, ISA 705 and ISA 706, which give detailed guidance in this area.

The following observations were made:

(i) A majority of candidates had no knowledge of the relevant ISAs and ended up just writing what was in the scenario.

(ii) Some candidates explained the various audit opinions without making any reference to the suggested opinions.

(iii) A majority of candidates did not suggest appropriate audit opinions.

Overall performance of candidates

Highest mark obtained in this paper: 69%
Lowest mark obtained in this paper: 7%
Overall pass rate in this paper: 40.7%

SUBJECT: CA2.4 - TAXATION

QUESTION ONE

The general performance on this question was very poor. 23 out of the 134 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 17.2%. The lowest score was 0, whilst the highest was 33 out of the available 40 marks.

In part (a) candidates were required to explain how rental income received by the company will be assessed and to calculate the amount of rental tax arising. Candidates demonstrated a lack of knowledge of how rental income is taxed and failed to use the correct rental income tax bands to compute the tax arising.

In part (b) candidates were required to calculate the amount of capital allowances claimable by the company on buildings, implements, plant and machinery. The main challenges faced by the candidates were as follows:

(i) Failure to determine the component of the building to be classified as industrial buildings and the part to be classified as commercial buildings.
(ii) Claiming the initial and investment allowances on the building, which were not available given that the structure was a secondhand building.
(iii) Failure to calculate the correct amount of the balancing charge on the disposal of administration building.
(iv) Using the VAT inclusive values when computing capital allowance on the assets instead of using the VAT exclusive values. Capital allowances are computed using the VAT exclusive values except for assets such as motor cars on which VAT is irrecoverable.
(v) Using the wrong rates to compute wear and tear allowances on the buildings and implements. Most candidates failed to differentiate between implements on which wear and tear is claimed at 50%, 25% and 20%.

In part (c) candidates were required to calculate the tax adjusted business profit for the company. The main challenges faced by the candidates were as follows:

(i) Failure to distinguish allowable expenditure from non-deductible expenditure when computing the tax adjusted business profit.
(ii) Adding back the wrong amount of the accommodation benefit in respect of the accommodation in respect of the free residential accommodation provided to the company's CEO.
(iii) Adding back the wrong amount of the personal to holder motor car benefit in respect of the motor car provided to the CEO on a personal to holder basis.
(iv) Failure to differentiate between taxable other income and exempt other income, and those investment income whose withholding tax is the final tax.

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

(i) Not aggregating the taxable income comparing the taxable business profit and the gross amount of investment income on which withholding tax is not the final tax to compute the total taxable income.
(ii) Using the wrong rates to compute the company income tax arising. Some candidates used the personal income tax bands while others forgot to deduct the 5% discount given that more than 1/3 of the company's shares were held by indigenous Zambians.

QUESTION TWO

The general performance on this question was very good. 88 of the 126 candidates that attempted the question managed to obtain at least 10 marks out of a total of 20 available marks. A pass rate of 69.8% was recorded. The highest score was 20 out of 20 marks while the lowest was 1.

Part (a) required candidates to explain the factors that are used to distinguish employees from self–employed persons and was generally answered well.

In part (b) candidates were required to calculate the income tax payable by an employee who also received investment income from Zambian sources. The following were the challenges faced by the candidates:

(i) Treating exempt benefits as taxable emoluments
(ii) 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.
(iii)Including the investment income on which withholding tax is final which comprised dividends, fixed deposit interest and GRZ bond interest in the personal income tax computation.
(iv)Forgetting to gross up the investment income on which withholding tax is not final which comprised copy right royalties before including the income in the relevant individual's income tax computation.
(v) Using the wrong rates to compute the amount of income tax payable. Some candidates were restricting the personal income tax bands to seven (7) months being the period the taxpayer was employed during the year.

QUESTION THREE

The general performance on this question was very poor. 12 of the 72 candidates that attempted the question managed to obtain at least 10 marks out of a total of 20 available

marks. A pass rate of 16.7% was recorded. The highest score was 14 out of 20 marks while the lowest was 0.

This question covered administrative procedures relating to provisional income tax, rental income tax, and turnover tax.

In part (a) candidates were required to explain whether each of the three (3) persons were required to pay provisional income tax. Candidates demonstrated a lack of knowledge of the types of persons who are assessed under provisional income tax and therefore failed to identify the persons who were chargeable under provisional income tax and also failed to explain how the income generated by each person was to be assessed to tax in the charge year 2023.

Consequentially in part (b) candidates also failed to compute the correct amount of income tax payable by each person on the income they generated during the year because they were not able to identify the correct tax type applying to each taxpayer.

QUESTION FOUR

The general performance on this question was fair. 40 of the 98 candidates that attempted the question managed to obtain at least 10 marks out of a total of 20 available marks. A pass rate of 40.8% was recorded. The highest score was 20 out of 20 marks while the lowest was 1.

Part (a) (i) asked candidates to explain the criterion used to establish the residence status of an individual in Zambia and was generally well answered.

Part (a) (ii) required candidates to explain how the provision of taxation services can create self-review threat and advocacy threat and was generally answered well.

In part (b) candidates were required to explain why the taxpayer who was domiciled in a foreign country but came to take up employment with a Zambian company would be required to pay Zambian income tax. A few candidates failed to explain that the individual will be regarded as resident and ordinary resident in Zambia from the time of arrival as he had intentions of staying in Zambia for more than 12 months.

In part (c) candidates were required to calculate the amount of income tax payable by the taxpayer who received income from both Zambian and from foreign sources. The following were the challenges faced by the candidates:

(i) Forgetting to restrict the salary to only one month worked by the individual during the tax year 2023.

(ii) Not grossing up the consultancy fees received from Zambian sources before including the amount in the computation.

(iii) Failure to calculate the correct amount of the gross foreign income to be included in the Zambian income tax computation.

(iv) Using the wrong rates to compute the income tax liability. Some candidates used the old personal income tax bands, while others were using the rate of income tax for companies.

(v) Failure to calculate the correct amounts of double taxation relief available on foreign income.

QUESTION FIVE

The general performance on this question was very good. 64 of the 98 candidates that attempted the question managed to obtain at least 10 marks out of a total of 20 available marks. A pass rate of 65.3% was recorded. The highest score was 18 out of 20 marks while the lowest was 0.

In part (a) candidates were required to calculate the amount of value added tax payable or refundable by the company.

The main challenges faced by the candidates were as follows:

(i) Failure to properly adjust for exempt sales and zero – rated sales, when computing output VAT on the sales

(ii) Failure to make the relevant adjustments for sales and purchases returns.

(iii) Claiming input VAT on items on which VAT is irrecoverable such as the motor car and entertainment expenses.

(iv) Failure to compute the correct amount of the recoverable non-attributed input VAT on the overheads.

(v) Failure to calculate the correct amount of input VAT on items which were stated at their VAT inclusive values.

In part (b) candidates were required to calculate the value for duty purposes on and import taxes arising on the importation of the Rosa bus.

The most common challenges were:

(i) failure to identify the costs that should be included in the computation of VDP.

(ii) Failure to identify the correct specific customs and excise duty arising using the taxation table.

Overall performance of candidates

Highest mark obtained in this paper: 90%
Lowest mark obtained in this paper: 4%
Overall pass rate in this paper: 35.1%

SUBJECT: CA2.5 - FINANCIAL MANAGEMENT

QUESTION ONE

The general performance on this question was very poor. 18 out of the 161 candidates that attempted the question achieved a pass (that is a score of at least 20 out of 40 marks), representing a pass rate on the question of 11.2%. The lowest score was 0, whilst the highest was 30 out of the available 40 marks.

Part (a) required candidates to estimate the WACC. The common mistakes include:
Most candidates who attempted this question failed to correctly compute the cost of debt (kd) and the cost of equity (ke). Candidates had challenges to compute the market price of shares and market price of debt mainly because they were given as cum-dividend and cum-interest market value of loan notes respectively. Candidates were required to calculate to find ex-div and ex-interest to earn full marks on this. The challenge in the computation of cost of debt was also noticeable in the calculation of the redemption premium value of which candidates casually used the par value and some weaker candidates erroneously used the 12% which was related to the premium amount of the debt rather than the 5% which was the interest rate. Furthermore, it is not clear why candidates mistook the K0.8 million as the number of shares which they comfortably multiplied by the book value of shares which was given as K5 to find the share capital. Moreover, most candidates had significant challenges in calculating the market values of equity and debt and worse still they included the reserves in the computation. For some reason, some candidates took the period of the project as the period of the loan note thereby making the annuity computation in the cost of debt wrong. Also, candidates appeared to be unsure when to use IRR to estimate the cost debt and when not.

Part (b) required candidates to evaluate the investment using NPV. Generally, this part was well done. However, a significant minority candidates exhibited limited skills in inflating operating cash flows and working capital as well as computing the capital allowances. With some candidates using the actual cash flows as given and instead of using incremental working capital, candidates used the inflated figures per annum. It is not clear why this was the case as previous diet on this question has so much on these techniques. Admittedly, candidates genuinely were unable to estimate the written down value of the equipment at the end of the project life as it required some little skills of compounding, and this was quite unusual on this question. However, the most unfortunate thing about this part of the question was the poor presentation of the answer which demonstrated lack of question practice and uptake of previous advice on these areas that are commonly examined. A significant majority of candidates demonstrated lack of knowledge as to where to place working capital, initial investment, written down

value and tax relief. For example, working capital and initial investments were put first before the operating cash flows.

Part (c) required candidates to discuss the refinement of the financial evaluation of the investment. This part was poorly done, and it appears candidates did not fully appreciate the question requirement as they were mixing the responses with those of part (d) of the question which was about factors influencing the choice of finance for the new equipment. The candidates demonstrated lack of knowledge on this part of the question. Ordinarily, the examiners were looking at how candidates could have overcome the inherent assumptions that comes with the WACC as discount factor as well as the constant cash flows and taxes.

Part (d) required candidates to explain the factors that may influence the choice of finance for the new equipment. This part was generally well done with candidates spotting easy marks.

QUESTION TWO

The general performance on this question was very poor. 14 of the 140 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 13 out of 20 marks while the lowest was 1.

Part (a) required candidates to calculate total cost of inventory policy and provide advice, calculate the EOQ, calculate the numbers of orders per annum and provide advice and finally explain the objectives of JIT and how they may be achieved. However, most candidates do not know how to calculate the carrying cost. This is because in most cases they used a wrong formula. The correct thing is: Average inventory multiply by carrying cost per annum. Some candidates had challenges calculating the number of orders per annum. Candidates did not apply the correct formula to get the answer. The formula should have been USAGE X 52 Weeks/EOQ.

QUESTION THREE

The general performance on this question was very poor. 17 of the 119 candidates that attempted the question managed to obtain at least 10 marks out of a total of 20 available marks. A pass rate of 14.3% was recorded. The highest score was 18 out of 20 marks while the lowest was 0.

Part (a)
Most of the Students who attempted Question 3 (a) failed to correctly calculate the Dividend Growth Model as per question. The Earnings per Share of 40 ngwee and the

proposed pay-out ratio of 60% was provided for in the question relating to Micro Vest Plc. The proposed dividend for Micro Vest Plc was 24n per share (40*60%).

The proposed dividend calculated as above was to be used to determine the average geometric dividend growth rate over the last two years. Some candidates did not calculate this and as a result the value of ordinary shares from the dividend growth model was incorrect and hence the value of Micro Vest.

The cost of equity for Micro Vest was also not correctly determined as some candidates failed to calculate the Capital Asset Pricing Model (CAPM) by using the Equity Beta (1.4), Average sector price/earnings ratio, Risk Free return (4.6%) and the return on the market. All these were provided in the question for use to calculate the cost of equity which was calculated as 13%.

This part of the question required the candidates to determine the value of Micro Vest Plc using the Price/ earnings ratio method. The Earnings per share (40n) and the Average sector price/earnings ratio (10) for Micro Vest Plc were provided in the question so that the implied value of ordinary share would be calculated by obtaining the product (K4.00). This resultant figure was to be used to multiply with the number of ordinary shares (5 million) whose figure was also provided. Some candidates were unable to use them in order to eventually calculate the Value of MicroVest using the Price/earnings method of valuation as required. It could be that these candidates did not fully prepare for this part of the syllabus.

Part three of this question required the candidates to explain the significance to Nova Capital Plc based on the values the candidates calculated to the current market value of Micro Vest Plc. Since those candidates were failed to determine the value of MicorVest Plc using both the Dividend Growth Models and Price/earnings (as per i and ii above), the explanation of the significance to Nova Capital Plc in comparison to the current market value of MicroVest Plc was therefore incorrect.

Part (b)
The Candidates under question 1 (b i). were required to calculate the Conversion value. This required the candidate to first calculate the expected share price in five years' time of Nova Capital Plc by obtaining the future value of the Ordinary share price (ex div basis) given in the question. The rate to be used was the growth tare of 6.5%.

The expected share price obtained from the above calculation (K6.10) was to be used to calculate the value of the 20 bonds which were to be converted into ordinary shares. The most common mistakes committed by the candidates was the inability to first calculate the expected share price in five years' time i.e. the future value.

This question required the candidates to calculate the Market Value of each convertible bond. This required the candidates to discount the cash flows of K9 for the years between 1-5 and K122 in year 5 using the discount factor of 4.100 and 0.713 respectively. The Present values of the cash flows summed up was K123.89. Most candidates did not follow these processes and as a result wrongly determined the Market Value. Some of the candidates did not attempt to answer this question in totality.

The floor value of each convertible bond was to be calculated by discounting the cash flow of the years between 1-5 and for the 5-year period (K100 redeemable at par value). The value obtained was K108.20. Some candidates used an incorrect Discount Factor (DF) and cash flows in calculating the Floor Value.

For those candidates that attempted this part of the question which required that they calculate the conversion premium and explain its significance, the common errors involved the failure to first calculate the conversion value which was obtained by obtaining the product of the number of ordinary shares for Nova Capital Plc (20) by the ordinary share price (ex div basis) i.e K4.45 resulting into the current conversion value of K89.00. Both the Ordinary Share Price and the number of ordinary shares were provided in the question.

This part of the question required the candidates to then explain the significance of calculating the conversion premium. Most of the candidates did not attempt to provide an explanation due to their not calculating it.

QUESTION FOUR

The general performance on this question was very poor. 5 of the 36 candidates that attempted the question managed to obtain at least 10 marks out of a total of 20 available marks. A pass rate of 13.9% was recorded. The highest score was 13 out of 20 marks while the lowest was 2.

The question required the candidates to analyse the effects of increasing the dividend and issuing bond on the company which was incorrectly done. The candidates exhibited lack of knowledge of capital structure. The last part asked candidates to evaluate the proposal to use the funds to reduce gearing and financial risk. Candidates had challenges calculating the current gearing (debt/equity ratio using book values: i.e 30/20 = 150%). In the revised current gearing debt/equity ratio, candidates were not adding Retained earnings to the Equity before dividing by debt.

QUESTION FIVE

The general performance on this question was very good. 92 of the 153 candidates that attempted the question managed to obtain at least 10 marks out of a total of 20 available marks. A pass rate of 60.1% was recorded. The highest score was 19 out of 20 marks while the lowest was 0.

The common mistakes for those candidates that responded to this question was their inability to use the given percentages of the inflation rates for selling price of 5% and for overhead variable costs of 6% incremental from Yr 1 to Yr 5. The selling price and the cost per unit were provided in the question. Due to the failure of not using the correct %, the contribution margin per unit was wrong and further resulting into incorrect Contribution calculated by these candidates.

The other common mistake involved some candidates using an incremental % of 3% on the fixed cost of K100,000. This should not have been the case because the 3% was increase was already factored into the amount of K100,000 so therefore these candidates should not have applied the 3% again yearly increment on the fixed costs.

As a result of the incorrect Net Cash flows, due to the wrong contribution and the Fixed Costs, the Discount rate of 10% though correct, was applied on incorrect Net Cash Flows, this eventual resulted into incorrect Net Present Value (NPV) in which in some cases was negative and thus incorrect decision on whether to accept or reject the investment proposal.

Some candidates completely avoided responding to this part of the question which required them to calculate the IRR as an investment proposal method. For some who did, they used the incorrect Net Cash Flows.

This question the candidates to add back the deprecation of K200 (K1000/5) per year to the Net Cash Floor in order to calculate the Profit amounts. This is because Depreciation is a not cash expense. The Accounting Rate of Return (ARR) which the candidates were expected to use as an investment method required further to determine the Average profits and Average Investment. Some candidates failed to calculate this and hence couldn't establish the correct ARR.

The question required to use calculate the Payback period by carried down the yearly cash flows in order to establish the shortest period the cash-flows would recoup the original investment and start posting positive figures. The period that was determined was 3.79 years. However, due to the incorrect yearly cash flows some candidates calculated, it resulted into different Payback periods some as long as 5 to 6 years.

Overall performance of candidates

Highest mark obtained in this paper: 64%
Lowest mark obtained in this paper: 5%
Overall pass rate in this paper: 13.7%

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

QUESTION ONE

The general performance on this question was very good. 108 out of the 168 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 64.3%. The lowest score was 6, whilst the highest was 33 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 where on:

(a) The question asked candidates to discuss the Ansoff's matrix based on a case study of Trade kings (Z) Limited and carried 20marks. Comments on this section included:

   (i) Most candidates were able to draw the Ansoff matrix and discuss it well
   (ii) The challenge, however, for some of them was the labelling like what is supposed to be in the X and Y axes. The X axis usually has the Existing Products and New products while the Y axis has the Existing and New market.
   (iii) Some candidates presented the BCG matrix instead of the Ansoff matrix

(b) This part requested the candidates to explain three (3) advantages of diversification. This part was well answered by most candidates.

(c) This part requested candidates to distinguish between Vertical and horizontal integrations and to give examples of each. This part was also well answered by most candidates. However, most of the candidates lost marks for failing to provide examples as requested in the question.

(d) This last part requested candidates as business consultants to advise Trade Kings on the way forward. Almost all the candidates got full marks on their good advice.

QUESTION TWO

The general performance on this question was fair. 67 of the 147 candidates that attempted the question managed to obtain at least 10 marks out of a total of 20 available marks. A pass rate of 45.6% was recorded. The highest score was 20 out of 20 marks while the lowest was 0.

This question had three parts and comments on the candidates' performance is as follows:

(a) Most candidates defined the concept of strategy correctly in line with given solution.

(b) A greater number of candidates failed to give the correct version of important characteristics of strategic decisions but inclined to give the general areas of strategic decisions as defined by Johnson *et al* (2005). More attention needed to be given to the key words by the candidates to avoid such mistakes.

(c) Majority of the candidates answered this part correctly as suggested in the solution.

QUESTION THREE

The general performance on this question was very good. 88 of the 147 candidates that attempted the question managed to obtain at least 10 marks out of a total of 20 available marks. A pass rate of 59.9% 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). The analysis of the performance was as follows:

(a) The candidates were expected to to explain the three levels of strategy of any typical business organisation may pursue All candidates were able to identify and explain the three levels and obtained very good marks.

(b) This part demanded identification of the three elements of strategic management 50% of the candidates were unable to identify strategic position, choice and actions and such candidates did not score good marks.

(c) This part of the question requested candidates to discuss characteristics of long term decisions. However, the question was well set but most of the candidates were ill prepared to answer this question.

It is suggested that that the candidates should improve their answering skills at this level of study.

QUESTION FOUR

The general performance on this question was good. 49 of the 95 candidates that attempted the question managed to obtain at least 10 marks out of a total of 20 available marks. A pass rate of 51.6% was recorded. The highest score was 20 out of 20 marks while the lowest was 0.

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

(a) This part was further composed of two sections (i) and (ii)

(i)   This section was requesting candidates to give three advantages institutional investment. Candidates were expected to show how such institutions can affect the market and also the business /industry.

Most candidates did not understand the question and were just describing the operations of NAPSA as an institutional investor. Most of them lost marks this way.

(ii)   In the second section, the question was requesting candidates to identify factors that could influence the institutional investor to intervene in the business/industry.

In this case, candidates most candidates got the request correctly as they identified the clear reasons.

(b) This part of the question was an open one requesting candidates to identify the form of choice and mention three (3) financial reasons.

(c) The third part of the question was clear with most candidates answering correctly. The question was requesting candidates to differentiate between hazard and risks.

QUESTION FIVE

The general performance on this question was very good. 67 of the 112 candidates that attempted the question managed to obtain at least 10 marks out of a total of 20 available marks. A pass rate of 59.8% was recorded. The highest score was 19 out of 20 marks while the lowest was 0.

A good number of candidates avoided this question all together. It was in two parts namely (a), and ((b).

(a) This question was requesting candidates to explain with the aid of a diagram the Executive Information System (EIS) and outline sources.

It is advised that candidates fir this level of study must understand the use of strategic tools that are of significance in the modern era of technological world. The EIS is very fundamental at an executive level of management for quick decision making and information science.

(b) This part required candidates to explain the use of an information system to create a competitive advantage.

Most candidate who attempted the question failed to respond as requested. Most of them just explained the Porters' five forces model without applying it to the information system as requested by question.

Overall performance of candidates

Highest mark obtained in this paper: 82%
Lowest mark obtained in this paper: 10%
Overall pass rate in this paper: 60.4%

SUBJECT: CA 3.1 - ADVANCED FINANCIAL REPORTING

QUESTION ONE

The general performance on this question was very good. 97 out of the 158 candidates that attempted the question achieved a pass (that is a score of at least 20 out of 40 marks), representing a pass rate on the question of 61.4%. The lowest score was 2, whilst the highest was 38 out of the available 40 marks.

This was a 40-mark question and had three (3) parts. Part (a) required candidates to explain, how the functional currency should be determined.

Part (b) required candidates to explain the consolidation implication of a change in group structure that does not result in loss of control.

Part (c) required candidates to prepare the consolidated statement of financial position as at 31st December 2022.

Candidates generally had a satisfactory performance in answering the question. Notwithstanding the satisfactory performance candidates had in their responses to the question, the following observations were made, and it is important to point out, to guide candidates who will be sitting for the paper in the future:

(i) Candidates had difficulty in accounting for the change in group structure leading to loss of control. Some candidates were still consolidating the assets and liabilities of the subsidiary that was disposed.
(ii) Though fundamental, some candidates still included pre-acquisition equity elements like share capital, and retained earnings in the consolidated statement of financial position and in addition, the investment in the subsidiaries in the consolidated statement of financial position.
(iii) Generally, the gain on the disposal of the subsidiary upon losing control in the subsidiary was incorrectly done by almost all the candidates.
(iv) Candidates must be familiar with the correct computation of gain or loss in the consolidated statement of financial position, whenever there is disposal leading to loss of control.
(v) Not showing all the workings. Some candidates simply showed consolidated figures for property, plant and equipment and other items of the statement of financial position without showing how they were arrived at. Marks were lost especially where their consolidated figures were incorrect.
(vi) The information for the computation of Goodwill was straight forward yet few candidates could not do it. Few students measured NCI using the fair value of the net assets at acquisition" (i.e. proportionate/partial method) despite note (v) of the question clearly stated that "it is group policy to initially measure Non-controlling interests on the acquisition at fair value (the full goodwill method) in respect of all its acquisition.
v. Improper treatment of the loss making contract and deferred tax was observed in

most scripts.

QUESTION TWO

The general performance on this question was very poor. Of the 8 candidates that attempted the question none 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 0.

This was a two-part question testing accounting treatment of transactions in financial statements involving three International Financial Reporting Standards (IFRSs) namely IFRS 15, IFRS16 and IAS 12.

Despite being asked for "required accounting treatment of the transaction", most candidates still went ahead to theorizing their answers by writing volumes of the unsolicited for five steps for revenue recognition under IFRS 15 and hence lost-out on the 10 marks allocated for this transaction.

Those that attempted to write on accounting treatment of the transaction clearly had no clue on deferred tax effects of details in the scenario.

It was, thus, very evident that candidates have poor grasping of technical issues surrounding deferred tax accounting. Candidates at 3.1 level are encouraged to be comfortable with all examinable accounting standards and to do much question practice of the entire syllabus.

Majority of candidates answered this part wrongly, again opting to theorize their answers by describing the types of leases and stating how each of these leases are supposed to be accounted for, rather than customizing their answers to what was described in the scenario.

As in Transaction one above, students literally either showed no technical knowledge of deferred tax effects or sidelined this scenario requirement altogether.

QUESTION THREE

The general performance on this question was very poor. 12 of the 103 candidates that attempted the question managed to obtain at least 10 marks out of a total of 20 available marks. A pass rate of 11.7% was recorded. The highest score was 15 out of 20 marks while the lowest was 0.

There were three (3) sub-tasks to this question in which candidates were to discuss the appropriate accounting treatment of transactions in the financial statements involving

IFRS 5: Non-current assets held for sale and discontinued operations, IFRS 16: Leases, IAS 37: Provisions, contingent assets and contingent liabilities, IFRS 9: Financial instrument, IAS 38: Intangible assets and IAS 36: Impairment of assets.

This part was the best answered of all the three. Most candidates produced average answers by correctly discussing conditions needed for an asset to qualify as a "held for sale" one and were hence able to score average marks.

However, a number of candidates did not identify that the asset in question needed to be accounted under sale and leaseback and so lost out about half the marks available for this part.

This part was the most poorly answered of all the three as candidates could not relate the franchise in the question to an intangible asset. These candidates having failed to recognize that the franchise was an intangible asset incorrectly suggested that the same be expensed.

Candidates are strongly advised to spend some time reviewing the question requirements and suggested solutions from the published question and answers in order to have some good appreciation of examination style and approach to answering.

As in part (c), candidates poorly brought-out answers that instead of recognizing the franchise registration fee as an intangible asset which should have been recognized as such with initial measurement at cost and subsequent measurement at impaired amount, amortized amount or enhanced cost value.

The general counsel is that candidates at 3.1 should clearly learn and thoroughly revise examinable standards in order to increase their chances of securing a pass in this subject.

QUESTION FOUR

The general performance on this question was very poor. 3 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 4.8% was recorded. The highest score was 11 out of 20 marks while the lowest was 0.

The question examined two aspects of IFRS 9 Financial Instruments: Non derivative financial liabilities designated as FVTPL items and Accounting for a debt instrument asset including its Impairment.

With regard to the transaction on the non derivative liability classified as FVTPL, the following shortfalls were observed:

(i) Failure to explain that the liability will subsequently be measured at FV each reporting date.
(ii) Failure to explain that the remeasurement gains and losses will primarily be reported in PL and that any gains or losses due to changes in the issuer's credit rating be reported in OCI.
(iii)Failures to explain the treatment of transaction costs.
(iv)Failure to compute amounts involved and their presentation.

With regard the transactions relating to the debt instrument asset, the following shortfalls were observed:

(i) Failure to correctly classify the loan asset as an amortised cost item.
(ii) Failure to explain the IFRS 9 requirements in respect of the ECL approach to accounting for impairment of financial assets.
(iii)Failure to compute amounts involved and their presentation.

QUESTION FIVE

The general performance on this question was very good. 116 of the 151 candidates that attempted the question managed to obtain at least 10 marks out of a total of 20 available marks. A pass rate of 76.8% was recorded. The highest score was 19 out of 20 marks while the lowest was 1.

This question required analysis of the financial performance and financial position of a company using comparative ratios for the relevant sector.

The question was attempted by almost all the candidates. The question was unambiguous but rather clear to be understood by an average student or a well-prepared student. The statement of profit or loss however provided year end as well as quarterly information which distracted some candidates.

Some candidates erroneously computed some ratios meant for the statement of financial position using the quarterly information. Some candidates did not compute the required ratios to be used to compare with the given ones in the question before writing the report. They went ahead to use the given ratios for their analysis in the reports. Surprisingly, some of the candidates had basic ratios like current ratios, quick ratio, gross profit margin and asset turnover formula wrong. Most candidates could not interpret the ratios and relate it to the demands of the question with reference to financial performance and financial position of the entity in question. Another area of concern is the report writing and the format of writing reports. Some of the candidates failed to write a report using the appropriate format. Some candidates just quoted the ratios in the report, comparing them period to period without analysing or explaining their relationships.

Overall performance of candidates

Highest mark obtained in this paper: 63%
Lowest mark obtained in this paper: 1%
Overall pass rate in this paper: 21.4%

SUBJECT: CA 3.2 - ADVANCED AUDIT AND ASSURANCE

QUESTION ONE

The general performance on this question was very good. 127 out of the 210 candidates that attempted the question achieved a pass (that is a score of at least 20 out of 40 marks), representing a pass rate on the question of 60.5%. The lowest score was 6, whilst the highest was 37 out of the available 40 marks.

Part (a) (i) of the question required candidates to explain the relationship of financial statements assertions and the audit procedures that will be performed in the audit of the financial statements of Motor Manufacturing Co. Candidates needed to clearly demonstrate their understanding of the relationship between financial statements assertions and audit procedures.

The following observations were made:

(i) A majority of candidates simply defined financial statements assertions and did not even talk about the audit procedures.
(ii) A number of candidates wasted time by writing too much for only 2 marks. Candidates must take instruction to candidates number 6 seriously as the marks shown against the requirement(s) for each question should be taken as an indication of the expected length and depth of the answer.

Part (a) (ii) of the question required candidates to explain the purpose of performing tests of controls when the auditor is required to perform substantive procedures on all material amounts in an audit of financial statements. Candidates needed to clearly demonstrate their understanding of the relevance of the tests of control to the audit process.

The main observation made was that a majority of candidates simply defined tests of control which was not responsive to question asked. Candidates must learn to spend time to understand the question asked in order to avoid losing easy marks.

Part (a) (iii) of the question required candidates to describe the meaning of substantive tests in the audit of the financial statements of Motor Manufacturing Co. clearly explaining the objectives of these procedures. Candidates needed to demonstrate their understanding of the substantive tests.

The following observations were made:

(i) A majority of candidates simply defined substantive tests and failed to describe the objectives of these procedures.
(ii) Weaker candidates completely failed to describe the meaning of substantive tests and gave no answer. These were easy marks for a well-prepared candidate at advisory level.

Part (b) (i) of the question required candidates to discuss the argument by the Chief Financial Officer (CFO) that audit fee should be reduced in view of the advantage of big data and data analytics that the firm can take advantage of. Candidates needed to demonstrate their knowledge of big data and data analytics and appropriately discuss the argument by the CFO.

The following observations were made:

(i) Weak candidates had no knowledge on big data and data analytics and gave no answer.
(ii) A majority of candidates failed to correctly interpret the verb "discuss" used by the examiner and simply disagreed with the CFO. Candidates were expected to give points for and against before arriving at a conclusion.

Part (b) (ii) of the question required candidates to explain the impact of big data and data analytics on sampling risk.

The following observations were made:

(i) A majority of candidates simply explained the advantages of CAATs without making particular reference to the impact of big data and data analytics on sampling risk.
(ii) A number of candidates explained sampling risk only and made no mention of big data and data analytics.

Part (c) of the question required candidates to describe four (4) audit procedures for land and buildings in the audit of the financial statements of Motor Manufacturing Co. Candidates needed to clearly demonstrate their knowledge and application of audit procedures specifically to the audit of land and buildings.

The following observations were made:

(i) A majority of candidates gave general audit procedures not specifically related to land and buildings.
(ii) A number of candidates wasted time by discussing the revaluation and the accounting treatment as guided by IAS 16. This was not responsive to the question asked and earned no marks.

Part (d) of the question required candidates to identify and explain five (5) business risks in Motor Manufacturing Co. Candidates needed to clearly demonstrate their understanding and application of business risks.

The following observations were made:

(i) A majority of candidates were able to identify the business risks but the explanations were poor.
(ii) Weak candidates explained audit risks as they related the risks they had identified to financial statements.
(iii)A number of candidates simply explained the meaning of business risks and were unable to relate the same to the scenario.

Part (e) of the question required candidates to identify and explain five (5) audit risks in the audit of the financial statements of Motor Manufacturing Co. and suggest suitable safeguards that should be applied. Candidates needed to demonstrate their understanding and application skills in respect of audit risks. This directly tested guidance given in ISA 315 and ISA 330.

The following observations were made:

(i) A number of candidates gave elaborate definitions of the components of audit risk (Inherent risk, control risk and detection risk).
(ii) A majority of candidates gave management responses and not audit responses.
(iii)A number of candidates simply identified the audit risks but gave no explanations.
(iv)Some candidates explained business risks instead of audit risks.

QUESTION TWO

The general performance on this question was good. 87 of the 147 candidates that attempted the question managed to obtain at least 10 marks out of a total of 20 available marks. A pass rate of 59.2% was recorded. The highest score was 17 out of 20 marks while the lowest was 0.

Part (a) of the question required candidates to describe the use of analytical procedures in the three (3) stages of an audit clearly explaining the objective of their use in each

stage. Candidates needed to clearly demonstrate their understanding of ISA 520, which gives detailed guidance in this area.

The following observations were made:

(i) A majority of candidates stated the stages but did not describe the use of analytical procedures at each stage. Candidates must take ISA 520 seriously as it is regularly examined.
(ii) Weak candidates had no clue and tried in vain to describe the various techniques for obtaining audit evidence. This earned no marks.

Part (b) (i) of the question required candidates to describe four (4) matters that Bruce & Associates Chartered Accountants should consider in the audit of the consolidated financial statements. Candidates needed to clearly demonstrate their understanding ISA 600, which gives detailed guidance in this area.

The following observations were made:

(i) A majority of candidates simply gave the general matters considered on all audit engagements. This only earned a few marks.
(ii) Some candidates simply stated the matters and gave no description. The marks shown against the requirement(s) for this question should have given candidates an idea of the required length and depth of the answer.

Part (b) (ii) of the question required candidates to explain the responsibility for the opinion of the separate financial statements of the parent and the subsidiaries with that of the consolidated financial statements. Candidates needed to clearly focus on the responsibility for each separate audit opinion before addressing the opinion on the consolidated financial statements.

The following observations were made:

(i) A majority of candidates misunderstood the question and only addressed the responsibility for the audit opinion on the consolidated financial statements.
(ii) Some candidates wrote a lot for only 2 marks.

Part (b) (iii) of the question required candidates to describe the work that should be performed by Bruce & Associates Chartered Accountant on the subsidiary considered as a significant component of the Twiza group of companies. Candidates needed to clearly demonstrate their knowledge in respect of significant components as guided by ISA 600.

The following observations were made:

(i) A majority of candidates lacked knowledge in respect of significant components as guided by ISA 600 and gave no answers.
(ii) Some candidates gave the benchmarks for identifying significant components instead of addressing the question requirements. This earned no marks.
(iii)A few candidates were able to correctly give the details as guided by ISA 600.

QUESTION THREE

The general performance on this question was very good. 167 of the 205 candidates that attempted the question managed to obtain at least 10 marks out of a total of 20 available marks. A pass rate of 81.5% was recorded. The highest score was 18 out of 20 marks while the lowest was 2.

Part (a) of the question required candidates to identify and explain four (4) fraud risk factors in the audit of the financial statements of Kalomo Plc. Candidates needed to show knowledge and application skills regarding fraud risk factors.

The following observations were made:

(i) A majority of candidates were able to correctly describe the fraud risk factors.
(ii) Weak candidates, however, still struggled and gave the frauds instead of the fraud risk factors. This earned no marks.

Part (b) of the question required candidates to explain the written representations that the audit team should obtain from management, those charged with governance and Internal Audit Department regarding fraud in accordance with relevant auditing standards. Candidates needed to show their knowledge of ISA 240, which gives detailed guidance in this area.

The main observation was that a majority of candidates were unable to correctly categorise the written representation under the headings of management, those charged with governance and from Internal Audit Department.

Part (c) of the question required candidates to identify and explain four (4) ethical matters in the audit of the financial statements of Kalomo Plc and suggest safeguards. Candidates needed to show their knowledge and application skills regarding ethics.

The following observations were made:

(i) A majority of candidates earned all the 8 marks which were available.

(ii) Most of the weak candidates, however, lost marks by not suggesting any suitable safeguards. Candidates must learn to answer all parts of the question.

QUESTION FOUR

The general performance on this question was very poor. 27 of the 142 candidates that attempted the question managed to obtain at least 10 marks out of a total of 20 available marks. A pass rate of 19% was recorded. The highest score was 15 out of 20 marks while the lowest was 0.

Part (a) of the question required candidates to discuss the termination of the contract for audit services between Kazungula Plc and Kent Chartered Accountants clearly explaining the professional requirements that should be followed. Candidates needed to show knowledge and application skills regarding professional requirements for removal of removal of statutory auditors.

The following observations were made:

(i) A majority of candidates used commonsense to discuss the unfairness of the decision but were unable to explain the professional requirements.
(ii) Some candidates wrongly discussed what the incoming auditors should do to harmonise the situation. Candidates, especially at advisory level should demonstrate reasonable understanding of the professional requirements.

Part (b) of the question required candidates to explain the matters that should have been considered before responding to the invitation for bids for offering of audit services by Kazungula Plc. Candidates needed to show knowledge and application skills regarding tendering for professional services.

The following observations were made:

(i) A majority of candidates earned all the 4 marks which were available.
(ii) However, weak candidates explained matters to consider after appointment. This earned no marks.

Part (c) of the question required candidates to explain and actions that should be taken from receipt of the notice of appointment as auditors from Kazungula Plc to the time of making a decision whether to accept the appointment. This question was knowledge-based and simply needed candidates to show knowledge and application skills regarding ISA 210, which gives detailed guidance in this area.

The following observations were made:

(i) A majority of candidates repeated the answers given in part (b).
(ii) A number of candidates explained but gave no actions. Candidates must learn to answer all parts of the questions to enhance their chances of passing.

QUESTION FIVE

The general performance on this question was very poor. 5 of the 109 candidates that attempted the question managed to obtain at least 10 marks out of a total of 20 available marks. A pass rate of 4.6% was recorded. The highest score was 11 out of 20 marks while the lowest was 0.

Part (a) (i) of the question required candidates to explain, for each of the two (2) events, the reporting implication in accordance with IAS 10: *Events after the Reporting Period.* Candidates only needed to show knowledge of the accounting guidance given in IAS 10.

The following observations were made:

(i) Some candidates did not relate to the two (2) events in the question and basically gave general answers.
(ii) Some candidates swapped the answers for the two (2) events. This showed lack of the required knowledge, especially at advisory level.

Part (a) (ii) of the question required candidates to explain the auditors' responsibility and the audit procedures that should be carried out in accordance with ISA 560: *Subsequent Events.* Candidates only needed to show knowledge of the auditing guidance given in ISA 560.

The following observations were made:

(i) Some candidates did not relate to the two (2) events in the question and basically gave general answers.
(ii) Some candidates swapped the answers for the two (2) events. This showed lack of the required knowledge, especially at advisory level.
(iii) Weak candidates failed to give any answer.

Part (b) of the question required candidates to explain the additional audit procedures the auditor should carry out in respect of the fine by the environmental agency. Candidates needed to identify that this question related to auditors' responsibility after the audit report had been signed.

The following observations were made:

(i) Some candidates lacked the requisite knowledge and hence lost all the 4 marks which were available.

(ii) A majority of candidates failed to answer this question due to poor time management.

Overall performance of candidates

Highest mark obtained in this paper: 67%
Lowest mark obtained in this paper: 20%
Overall pass rate in this paper: 46.7%

SUBJECT: CA 3.4 - ADVANCED TAXATION

QUESTION ONE

The general performance on this question was very poor. 18 out of the 94 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 19.1%. The lowest score was 1, whilst the highest was 32 out of the available 40 marks.

This question examined tax planning covering Value Added Tax, Property Transfer Tax, Income tax, and Transfer Pricing issues for groups.

In part (a) candidates were required to write a report providing advice on the VAT, Property Transfer Tax (PTT) and income tax implications arising from the discontinuation of the operations of a subsidiary and the sale of the assets of the company.

Most candidates demonstrated a general lack of knowledge of the taxation issues arising from the cessation of operations of a business and sale of the individual assets of such a business. As a result, they failed to explain the relevant VAT, PTT and income implications arising. They also failed to compute the amount of both the VAT arising on the sale of assets held by the business qualifying as taxable supplies and the amount of PTT arising on the sale of assets held by the company qualifying as chargeable property.

Candidates also failed to explain the relevant income tax implications as well as failing to compute the correct amounts of balancing charges and allowances arising on the disposal of the buildings, implements plant and machinery held by the business in computing the final taxable profits of the company. They further failed to apply the cessation rules to determine the tax year in which profits made by the company in the year cessation were to be assessed.

Most candidates did not present their answers in form of a report as required by the question and therefore lost an opportunity to score easy marks available for the presentation, and structure of the report.

In part (b) candidates were required to explain the tax implications arising from the intragroup transactions involving the Zambian resident subsidiary and its foreign based parent company.

Although some candidates managed to explain that transfer pricing adjustments will have to be made with respect to goods imported from the foreign based parent and on the interest payable on intragroup loan obtained the same entity, most candidates failed to explain that reverse VAT will apply on the management consultancy services received from the parent company.

In part (c) candidates were required to calculate the amount of income tax payable by the Zambian resident company. The most common the challenges faced by the candidates on this included:

(i) Failure to make the appropriate transfer pricing adjustment on the intra group sale of raw materials and on the interest arising on the intragroup loan.
(ii) Failure to apply the 30% Tax EBITDA interest limitation rules to compute the correct amount of the allowable and disallowable interest expense.
(iii) Using the wrong tax rate to compute the company income tax payable. Some candidates were using income tax bands for individuals.

QUESTION TWO

The general performance on this question was very good. 55 of the 90 candidates that attempted the question managed to obtain at least 10 marks out of a total of 20 available marks. A pass rate of 61.1% was recorded. The highest score was 20 out of 20 marks while the lowest was 0.

This question was on international aspects of taxation and was reasonably answered well.

In part (a) candidates were required to explain what constitute a Permanent Establishment. Most candidates demonstrated a lack of knowledge of what constitutes a permanent establishment and instead provided explanations of the criteria used to determine whether a company is resident in Zambia.

Part (b) which required candidates to advise on the residence status of the taxpayer who was domiciled to a foreign country but came to work in Zambia for a contract period of three (3) years was generally answered well.

Part (c) which required candidates to explain the income tax treatment of the dividends, bank deposit interest, and rental income received by the Zambian resident person from foreign sources was also generally answered well.

In part (d) candidates were required to calculate the amount of income tax payable by the taxpayer who received income from both Zambian and foreign sources. The following were the most common mistakes made by the candidates on this part of the question:

(i) Including exempt benefits in the computation of taxable emoluments from Zambian sources
(ii) Not grossing up the dividend and interest 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) Failure to calculate the correct amount of double taxation relief on both the foreign dividend income and foreign interest.

(v) Using the wrong rates to compute the income tax payable.

QUESTION THREE

The general performance on this question was very poor. 3 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 6.8% was recorded. The highest score was 13 out of 20 marks while the lowest was 1.

The genera performance of candidates on this question which examined tax audits, and administration of direct taxes was poor.

In part (a) candidates were required to describe the procedures tax inspectors may perform to uncover hidden income during a tax audit. Most candidates demonstrated a lack of knowledge of the procedures and therefore failed to provide the required explanations.

Part (b) which required candidates to describe procedures the tax inspectors may perform to assess the true level of income and tax liability for taxpayers with incomplete records was equally poorly answered.

In part (c) candidates were required to write a report to the directors advising them of the company's exposure to penalties and interest on overdue tax arising from late submission of tax returns and late payments of income tax.

Candidates demonstrated a general lack of knowledge of the operation of the self-assessment system and provisional income tax. As a consequence, they failed to identify the relevant dates on which the instalments of provisional income tax were paid late and when income tax returns were submitted late.

Candidates further demonstrated a lack of knowledge of how penalties and interest on late payment of income tax and on late submission of income tax returns are computed and therefore failed to make the relevant computations.

Most candidates did not present their answers in form of a report as required by the question and therefore lost an opportunity to score easy marks available for the presentation, and structure of the report.

QUESTION FOUR

The general performance on this question was poor. 15 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 24.6% was recorded. The highest score was 13 out of 20 marks while the lowest was 0.

The general performance of the candidates on this question which covered investment and financial planning was poor.

In part (a) (i) candidates were required to advise, with appropriate calculations, the taxation implications of leasing equipment under an operating lease. Most candidates demonstrated a lack of knowledge of the relevant implications and therefore failed to compute the amount of the recoverable input VAT on the lease rentals and also failed to calculate the correct amount of the VAT exclusive lease rentals which will be allowable when computing the taxable profits of the business.

In part (a) (ii) candidates were required to advise, with appropriate calculations, the taxation implications of acquiring the equipment under a hire purchase agreement. The most common challenges faced by the candidates included:

(i) Failure to compute the correct amount of the recoverable input VAT on the cost of the asset.
(ii) Failure to calculate the correct amount of hire purchase interest implied in the agreement, to be deducted when computing the taxable profits of the business.
(iii) Using the wrong rates to compute the allowances claimable on the cost of the asset.

In part (b) candidates were required to explain the taxation implications associated with investment in Certificate of Deposits and Government of Zambia Bonds. Candidates demonstrated a lack of knowledge of the tax implications associated with these investments and therefore failed to provide the required explanations.

In part (c) candidates were required to explain the nature and income tax implications of term assurance 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 good. 46 of the 83 candidates that attempted the question managed to obtain at least 10 marks out of a total of 20 available marks. A pass rate of 55.4% was recorded. The highest score was 19 out of 20 marks while the lowest was 3.

This question covered taxation of mining enterprises and was reasonably answered well.

The following were the challenges faced by the candidates who scored poor marks on this question.

(i) Failure to distinguish allowable expenditure from non-deductible expenditure when computing the adjusted mining profit.

(ii) Using the wrong rates to compute the wear and tear allowances on the on non-current assets acquired from foreign suppliers and failure to calculate the correct amount of the indexed capital allowances on these assets.

(iii) Failing to apply the incremental mineral royalty norm price ranges for copper correctly to compute the amount mineral royalty tax arising on the copper sold by the company during the year. Most candidates taxed the whole amount sold at the rate of 10%.

(iv) Failure to apply the 30% Tax EBITDA interest limitation on the finance cost to determine disallowable interest cost.

(v) Failure to calculate the correct amount of the indexed loss brought forward to be relieved against taxable mining profits for the tax year.

Overall performance of candidates

Highest mark obtained in this paper: 69%
Lowest mark obtained in this paper: 8%
Overall pass rate in this paper: 31.5%

SUBJECT: CA3.5 - ADVANCED MANAGEMENT ACCOUNTING

QUESTION ONE

The general performance on this question was good. 8 out of the 15 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 53.3%. The lowest score was 2, whilst the highest was 27 out of the available 40 marks.

This question is a compulsory one and it examined the advantages of Non-Financial Performance Indicators(NFPI's); possible impacts of using NFPI's; impacts of NFPI's on employees; ROI&RI calculations; Alternative techniques to ROI/RI; Approaches to avoid suboptimality; and Post completion audit.

This question was fairly answered and all the candidates attempted this compulsory question.

The overall comment on this question is that performance was good.

Part (a) was well answered by many candidates.

Part (b) was well answered by many candidates as well and they obtained good marks as they were able to discuss the impact that will result by using NFPI's on the company.

Part (c) was not well attempted because many candidates failed to understand the question. Most of them reproduced the balanced score card instead of the impact on employees.

Part (d) was poorly answered by all the candidates as they did not calculate the ROCE and the RI. This part was left blank by many candidates. A few who attempted part (d) (ii) on alternative accounting techniques and part (d) (iii) on approaches to avoid suboptimal behaviour performed badly on these two areas.

Part (e) on Post Completion Audit (PCA) was left out by many candidates and very few were able to get good marks for this part. A good number showed ignorance about what a PCA is.

QUESTION TWO

The general performance on this question was poor. 3 of the 12 candidates that attempted the question managed to obtain at least 10 marks out of a total of 20 available marks. A pass rate of 25% was recorded. The highest score was 13 out of 20 marks while the lowest was 2.

The question required candidates to calculate the Economic Value Added (EVA); to evaluate the appropriateness EVA; and evaluate whether the company should change from the current traditional budgeting system to the Activity Based Budgeting system.

Part (a) on EVA calculation was poorly answered by most candidates. Common mistakes were as follows. Most candidates failed to arrive at the correct figure for the EVA. This was caused by failure to compute the correct figure for the Net Operating Profit after Tax (NOPAT).The inaccurate figure for NOPAT was derived from a wrong figure for adjusted capital employed.

Part (b) was similarly poorly answered by most candidates. Candidates failed to state that EVA is directly linked to shareholders wealth and therefore it is in line with the objective of the organization which is to increase the shareholders wealth, closer to cashflow and makes divisional managers aware of the cost of finance.

Part (c) was also poorly answered. Candidates gave definitions of the two budgeting methods instead of addressing the advantages and disadvantages of the two methods.

QUESTION THREE

The general performance on this question was fair. 5 of the 12 candidates that attempted the question managed to obtain at least 10 marks out of a total of 20 available marks. A pass rate of 41.7% was recorded. The highest score was 16 out of 20 marks while the lowest was 3.

This question invited candidates to explain the ethical issues faced by the company; discuss how managers' recommendations would improve company performance; and recommend non-qualitative performance indicators to monitor company performance.

Part (a) was well attempted.

The performance on parts (b) and (c) was not very good. In particular, candidates had challenges to recommend two non-qualitative performance indicators for monitoring and controlling performance.

QUESTION FOUR

The general performance on this question was very good. 3 of the 4 candidates that attempted the question managed to obtain at least 10 marks out of a total of 20 available marks. A pass rate of 75% was recorded. The highest score was 14 out of 20 marks while the lowest was 6.

Question Four examined candidates on the features of Materials Requirements Planning 1(MRP1) and justify why it would be or not be suitable for a hotel; identify vital determinants of MRP1; explain why the Executive Information System (EIS) is costly for the company; and the role of a change agent in the MRP1 implementation.

This question was the least popular question in Section B. Many candidates avoided it.

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

QUESTION FIVE

The general performance on this question was very poor. 2 of the 13 candidates that attempted the question managed to obtain at least 10 marks out of a total of 20 available marks. A pass rate of 15.4% was recorded. The highest score was 12 out of 20 marks while the lowest was 2.

Question Five requested candidates to: (a) Discuss the problems of controlling performance management. (b) Evaluate the use of non-financial performance measures in a company; and (c) Evaluate the scope of corporate ethics for a company.

This question was the most popular question in Section B with most of the candidates opting for it. But it was so poorly attempted.

The overall comment is that the performance was very poor.

Part (a) was poorly answered by most candidates. Candidates did not to mention the three key items and wrote about performance management in general. The key items were as follows: (i) *Unrealistic strategic goals and targets*. An organization can set unrealistic goals such as increasing market share from 20% to 50% in three years. Failure to achieve unrealistic goals leads to demotivation of managers and employees. (ii) *Risk of information overload*. Too much information in the organization can hinder effective decision making.

(iii)*Inadequate performance measurement*: the organization will have little idea as to which part of organization is performing well and which needs improvement.

Part (b) was equally poorly answered by most candidates.

Candidates gave examples of non-financial performance measures such as total quality management and process re-engineering. For example, candidates should have stated that non-financial performance indicators are easy to calculate and easier for non-financial managers to understand.

Part (c) was also poorly answered by most candidates. Candidates did not consider corporate ethics from three dimensions, namely how the organization interacts with the national and international society, the effects of the organization's routine operations and the behavior of individual members of staff.

Overall performance of candidates

Highest mark obtained in this paper: 58%
Lowest mark obtained in this paper: 8%
Overall pass rate in this paper: 33.3%

SUBJECT: CA3.6 - ADVANCED FINANCIAL MANAGEMENT

QUESTION ONE

The general performance on this question was good. 6 out of the 12 candidates that attempted the question achieved a pass (that is a score of at least 20 out of 40 marks), representing a pass rate on the question of 50%. The lowest score was 5, whilst the highest was 28 out of the available 40 marks.

This question was the usual compulsory investment appraisal and cost of capital question requiring candidates to compute the Net Present Value (NPV) and estimating the cost of equity as a discount rate.

Part (a) of the question required candidates to explain how the Capital Asset Pricing Model (CAPM) can be used to calculate a project specific cost of capital. This part of the question was poorly handled as most candidates wasted time in providing the explanations of type of risks that were mentioned in the question rather than describing the de-gearing and re-gearing.

Part (b) of the question required candidates to compute the NPV of the two projects using the dividend growth model and CAPM as a cost of capital. This part of the question was well answered. However, a significant minority candidates had challenges in calculating the dividend growth rate which impacted the cost of equity value. Furthermore, some erroneously picked the company beta rather than project specific betas for the calculation of the cost of equity.

Part (c) required candidates to use the values in (b) to determine the Key Performance Indicators (KPIs) and provide advice to management. This part was poorly answered with very few candidates being able to estimate the Return on Investment and Discounted Payback Period.

Part (d) required candidates to discuss the nature and causes of capital rationing including measures to overcome the problems. This part was generally well answered. However, a significant minority candidates struggled to respond to ways of addressing the capital rationing problems which required profitability index and optimal mix of investments opportunities.

QUESTION TWO

The general performance on this question was poor. 2 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 20% was recorded. The highest score was 13 out of 20 marks while the lowest was 4.

A good number of candidates do not know how to calculate the cost of equity using CAPM. Candidates seemed to mix up the formula. It may be that they do not know the formula. Furthermore, some candidates had challenges with calculating the geared beta. The calculation of the cost of bonds using the IRR posed challenges to most candidate. Surprisingly, candidates do not understand the interpolation formula when calculating IRR.

QUESTION THREE

The general performance on this question was poor. 4 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 36.4% was recorded. The highest score was 17 out of 20 marks while the lowest was 2.

Part (a) of this section of the question required the candidates to calculate the growth rate of HMK plc before and after the company was restructured which was worked out as 5.76% and 7.1% respectively. Some candidates used 15% as the percentage in the growth rate formula before the restructuring and the 12% after the restructuring. The swapping of the percentages resulted into incorrect growth rate percentages determined.

Part (b) of the question expected the candidates to clearly spell and itemize the problems that management buyouts are faced with. Some of the answers failed to identify, list and explain clearly these problems. Some candidates just listed less that 4 of the problems.

Part (c) of this question required candidates to provide in their responses how on a centralized treasury department was expected to increase the value for HML Ltd. Some of the answers failed to state these clearly and comprehensively.

QUESTION FOUR

The general performance on this question was good. 1 of the 2 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 13 out of 20 marks while the lowest was 7.

Candidates failed to illustrate how to set up an interest rate future by following a step by step approach. For instance, first calculate interest at current interest rate, Secondly, calculate futures price on 1 January and finally, the outcome.

The calculation of hedge efficiency was poorly done. This is because the candidates did not use the net cost in the answer earlier obtained for them to calculate the effective rate. You need to use the net cost when calculating effective interest rate.

QUESTION FIVE

The general performance on this question was very good. 11 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 100% was recorded. The highest score was 19 out of 20 marks while the lowest was 11.

Part (a) (i) required candidates to state the basic strategies that Zambezi Energies Limited would adopt in order to mitigate the impact of risks. Some responses did not correctly identify and state these strategies.

Part (a) (ii) required a response that clearly identifies and states the ways in which the company can hedge against foreign exchange risk, some candidates failed to state these ways.

Part (b) required identification and description of any (5) among several strategic decisions that influenced management of Zambezi Energies Limited to undertake the Foreign Direct Investment (FDI) were not stated clearly. Some candidates were unable to state any of these.

Part (c) (i) some candidates were unable to describe in simple terms as to the concept of Money Laundering. The response merely required the explaining the term money Laundering. Some definitions were inadequate and marks were forfeited as a consequence of the candidates' failure to define money Laundering.

Part (c) (ii) required candidates to explain the steps were to be implemented in a risk based approach in order to combat the risk of money Laundering which fairly attempted.

Overall performance of candidates

Highest mark obtained in this paper: 70%
Lowest mark obtained in this paper: 19%
Overall pass rate in this paper: 66.7%

SUBJECT: CA 3.7 - PUBLIC SECTOR AUDITS AND ASSURANCE

QUESTION ONE

The general performance on this question was very good. 57 out of the 87 candidates that attempted the question achieved a pass (that is a score of at least 20 out of 40 marks), representing a pass rate on the question of 65.5%. The lowest score was 4, whilst the highest was 32 out of the available 40 marks.

Part (a) of the question required candidates to explain the application of ethical values in the Office of the Auditor General (OAG) and suggest suitable responses. Candidates needed to clearly demonstrate their knowledge and application skills regarding ethical values.

The following observations were made:

(i) A majority of candidates simply explained the five (5) principles without applying the same to Office of the Auditor General.
(ii) Some candidates simply listed the ethical threats.
(iii) Weak candidates misunderstood the question and explained the principles of the LIMA Declaration.

Part (b) of the question required candidates to discuss five (5) ethical issues in the Office of the Auditor General (OAG) and suggest suitable safeguards. Candidates needed to clearly demonstrate their knowledge of the ethical issues and application and analytical skills regarding ethical issues in the public sector.

The following observations were made:

(i) A majority of candidates failed to interpret the verb "Discuss" used by the examiner. Candidates simply explained and offered no discussion.
(ii) Some candidates gave general answers by simply listing and/or explaining ethical principles and ethical threats.
(iii) Some candidates repeated the answer given in part (a).
(iv) Some candidates gave no safeguards.

Part (c) of the question required candidates to explain the concept of materiality and how it is determined in compliance auditing. Candidates needed to clearly demonstrate their knowledge of ISSAI 100 and ISSAI 400.

The following observations were made:

(i) A majority of candidates lacked knowledge on ISSAI 100 and ISSAI 400 and simply gave answers which were more suitable to financial statement audits.
(ii) Some candidates simply explained the concept of materiality and gave no answer on how it is determined.
(iii)Some candidates explained the use of materiality in the external audits. This earned no marks.

Part (d) of the question required candidates to describe the difference between direct reporting and attestation engagement in compliance auditing. Candidates needed to clearly demonstrate their understanding of direct reporting and attestation engagements.

The following observations were made:

(i) A majority of candidates' performance was above average.
(ii) Weak candidates, however, were lost and most of them simply explained the financial statement audit which was not responsive to the question requirement.

Part (e) (i) of the question required candidates to explain the meaning of performance audits and state the objective of the performance audit of the operations of the Zambia Correctional Services milling plant. Candidates needed to clearly demonstrate their knowledge and application skills regarding performance audit.

The following observations were made:

(i) A majority of candidates simply gave the meaning of performance audit and failed to state the objective. This only earned a few marks.
(ii) Some candidates wrote a lot for only 3 marks.

Part (e) (ii) of the question required candidates to describe the performance audit procedures that will be done on the production of the milling plant in line with the value for money principles. Candidates needed to clearly demonstrate their application skills on performance audit procedures as guided by ISSAI 300.

The following observations were made:

(i) A majority of candidates failed to answer this part of the question.
(ii) Some candidates wrongly gave audit procedures which were required for part f(ii).

Part (f) (i) of the question required candidates to explain the source of the criteria of the compliance audit and suggest four (4) matters that will form part of the criteria. Candidates needed to clearly demonstrate proper understanding of ISSAI 400 guidance.

The following observations were made:

(i) A majority of candidates were able to correctly answer the source of the criteria but failed to suggest matters that will form part of the criteria.
(ii) Weak candidates simply defined what is meant by compliance audit. This earned no marks.

Part (f) (ii) of the question required candidates to suggest six (6) audit procedures that should be performed in the compliance audit of the milling plant. Candidates needed to clearly demonstrate their knowledge of the guidance given in ISSAI 400 and apply the same to the scenario.

The following observations were made:

(i) A majority of candidates performed well.
(ii) Some candidates gave general audit procedures which had no relevance to the question asked.
(iii) Some candidates gave performance audit procedures instead of compliance audit procedures. This earned no marks.

QUESTION TWO

The general performance on this question was very poor. 5 of the 47 candidates that attempted the question managed to obtain at least 10 marks out of a total of 20 available marks. A pass rate of 10.6% was recorded. The highest score was 11 out of 20 marks while the lowest was 0.

Part (a) (i) of the question required candidates to discuss the importance of the assessment of going concern ability of Menda Ltd to the audit. Candidates needed to clearly demonstrate their knowledge of ISSAI 1570, which gives detailed guidance in this area.

The following observations were made:

(i) A majority of candidates wrote too much for only 2 marks.
(ii) Some candidates simply defined going concern. This earned no marks.

Part (a) (ii) of the question required candidates to evaluate and comment on management's assessment of the ability of Menda Ltd as going concern and explain your reaction as public sector auditors. Candidates needed to apply their analytical and evaluation skills in order to earn more marks.

The following observations were made:

(i) A majority of candidates failed to interpret the verb "Evaluate" used by the examiner. Candidates simply explained management responsibility regarding going concern assessment.
(ii) Some candidates gave general answers which had no relevance to Menda Ltd.
(iii)A majority of candidates made no reference to central government support which was crucial in correctly answering this question.
(iv)A majority of candidates did not answer all parts of the question.

Part (b) of the question required candidates to explain the impact of material uncertainty with regards to the ability of Menda Ltd as a going concern on the audit report. Candidates needed to clearly demonstrate their knowledge of the guidance given in ISSAI 1570, ISSAI 1700 and ISSAI 1705 regarding audit reports in the public sector.

The following observations were made:

(i) A majority of candidates lacked knowledge on ISSAI 1570, ISSAI 1700 and ISSAI 1705.
(ii) Some candidates wrongly gave reference to the emphasis of matter paragraph which is no longer relevant.

Part (c) (i) of the question required candidates to explain the possible use of the materiality figure computed at the planning stage of the audit of Menda Ltd. Candidates needed to clearly demonstrate their knowledge of ISSAI 1320, which gives detailed guidance in this area.

The following observations were made:

(i) A majority of candidates lacked the required knowledge in respect of ISSAI 1320, and tried in vain to give general answers about materiality with no reference to the planning stage.
(ii) Some candidates defined materiality but failed to give possible use as per question requirement.
(iii)Some candidates omitted this part of the question.

Part (c) (ii) of the question required candidates to explain materiality for financial statements as a whole and suggest a suitable performance materiality level for the audit of financial statements of Menda Ltd. Candidates needed to clearly demonstrate their knowledge of the difference between materiality for the financial statements as a whole and performance materiality.

The main observation was that a majority of candidates scored above average. Some strong candidates even earned all the 4 marks which were available.

Part (c) (iii) of the question required candidates to suggest appropriate materiality levels to be used in the audit of revenue in the audit of the financial statements of Menda Ltd. Candidates needed to demonstrate their application skills regarding performance materiality.

The following observations were made:

(i) A majority of candidates simply repeated the answer in part (c) (ii).
(ii) Weaker candidates completely failed to give any answer.

QUESTION THREE

The general performance on this question was very good. 66 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 81.5% was recorded. The highest score was 19 out of 20 marks while the lowest was 4.

Part (a) of the question required candidates to evaluate the operations of the Supreme Audit Institution (SAI) of the North African country against the provisions of the Lima Declaration. Candidates needed to clearly demonstrate their knowledge, application and evaluation skills of the Lima Declaration provisions.

The following observations were made:

(i) A majority of candidates were able to correctly evaluate the operations and earned all the 6 marks which were available.
(ii) Some candidates simply repeated what was in the scenario and offered no evaluation. This earned no marks.
(iii) Weak candidates had no idea of the Lima Declaration provisions and struggled to put up an answer using the fundamental ethical principles. Candidates must prepare adequately for these examinations and avoid taking chances.

Part (b) (i) of the question required candidates to discuss the need for public sector audits of all public expenditure regardless of the nature of the expenditure. Candidates needed to apply their knowledge of the SAI mandate according to recommended good practice.

The following observations were made:

(i) A majority of candidates gave correct answers and managed to score highly.
(ii) Weak candidates, however, lost these easy marks by wrongly focusing on ethical principles.

Part (b) (ii) of the question required candidates to discuss the question of Member of Parliament and the response regarding the audit of the defence and security operations by the Supreme Audit Institution (SAI). Candidates needed to demonstrate their knowledge and application skills regarding recommended good practice as guided by the LIMA Declaration.

The following observations were made:

(i) Strong candidates earned all the 6 marks which were available.
(ii) Weak candidates made no reference to any legal framework. Candidates ought to appreciate that public sector audits require a number of legal frameworks to operate effectively.

Part (b) (iii) of the question required candidates to explain how adherence to ethical values by the Office of the Office of the Auditor General (OAG) and its staff will reduce the fears by Leader of government business in the House regarding the audit of defense and security operations. Candidates needed to demonstrate their knowledge and application skills regarding ethical values as they specifically relate to sensitive institutions such as defense and security, as guided by ISSAI 30.

The following observations were made:

(i) A majority of candidates scored above average but were unable to get all the 4 marks available as they made no reference to ISSAI 30.
(ii) Weak candidates listed all the ethical principles and threats and gave no explanation. This earned no marks.

QUESTION FOUR

The general performance on this question was very good. 36 of the 54 candidates that attempted the question managed to obtain at least 10 marks out of a total of 20 available marks. A pass rate of 66.7% was recorded. The highest score was 17 out of 20 marks while the lowest was 3.

Part (a) (i) of the question required candidates to describe how audit team can use *test data* in the audit of the newly installed computer system. Candidates needed to clearly demonstrate their knowledge of test data, which is one of the main Computer Assisted Audit Techniques (CAATs).

The following observations were made:

(i) A majority of candidates lost marks by simply defining test data and not describing its use.

(ii) Weak candidates described audit software. This earned no marks.

Part (a) (ii) of the question required candidates to describe three (3) areas that the audit team may use audit software in the audit of Livingstone City Council. Candidates needed to demonstrate their knowledge and application skills regarding the use of audit software.

The following observations were made:

(i) A majority of candidates scored above average.
(ii) Weak candidates unnecessarily lost marks by not making any reference to Livingstone City Council.

Part (b) (i) of the question required candidates to identify and explain four (4) audit risks in the audit of financial statements of the Livingstone City Council. Candidates needed to demonstrate their knowledge and application skills regarding audit risks, as guided by ISSAI 1315.

The following observations were made:

(i) Some candidates defined audit risk and its components. This earned no marks.
(ii) A number of candidates correctly identified the audit risks but the explanations were poor.

Part (b) (ii) of the question required candidates to suggest suitable responses for the audit risks identified in part (b) (i) above. Candidates needed to demonstrate their knowledge and application skills regarding audit responses, as guided by ISSAI 1330.

The following observations were made:

(i) A majority of candidates gave management responses. This earned no marks.
(ii) Strong candidates scored highly by combining the answers for part (b) (i) and part (b) (ii) using a tabular format.

QUESTION FIVE

The general performance on this question was very good. 50 of the 76 candidates that attempted the question managed to obtain at least 10 marks out of a total of 20 available marks. A pass rate of 65.8% was recorded. The highest score was 19 out of 20 marks while the lowest was 3.

Part (i) of the question required candidates to explain why the Office of the Auditor General (OAG) can choose to conduct forensic audits and the objectives of such an audit.

Candidates needed to clearly demonstrate their knowledge and application skills regarding forensic audits.

The following observations were made:

(i) A majority of candidates lost marks by not answering both parts of the question.
(ii) Some candidates simply defined forensic audit. This earned no marks.

Part (ii) of the question required candidates to explain why forensic investigators require specialist skills and give two (2) examples of specialist skills needed of a forensic investigator. Candidates needed to clearly demonstrate their knowledge of the critical skills needed by a forensic investigator in order to be effective when performing his/her duties.

The following observations were made:

(i) A majority of candidates lost marks by not answering both parts of the question.
(ii) Weak candidates simply explained professional competence and due care in general terms. This earned no marks.

Part (iii) of the question required candidates to discuss the stages that should be followed in the intended forensic investigation in the case study and briefly explain the work to be done in each stage. Candidates needed to clearly demonstrate their knowledge and application skills regarding the recommended typical stages of a forensic audit.

The following observations were made:

(i) A majority of candidates lost marks by not answering both parts of the question. They were unable to explain the work to be done in each stage.
(ii) Some candidates wasted time by giving all the stages. Candidates must always check the marks shown against the requirement(s).
(iii) Weak candidates simply gave the stages of a normal audit engagement; that is, planning, testing and reporting. This earned very few marks.

Overall performance of candidates

Highest mark obtained in this paper: 73%
Lowest mark obtained in this paper: 23%
Overall pass rate in this paper: 65.5%

SUBJECT: CA3.8 - PUBLIC SECTOR FINANCIAL MANAGEMENT

QUESTION ONE

The general performance on this question was excellent. 5 out of the 5 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 22, whilst the highest was 28 out of the available 40 marks.

(a) The question required the candidates to identify and state the major differences between investment appraisal in the public sector and that of the private sector. Some answers of the candidates failed to state these differences. The responses were unsatisfactory for some of the candidate's responses, while some avoided to answer this section of the question altogether.

(b) Part (i) Some candidates failed to explain how the expanded scope of the external audit would be impacted in the public sector as per requirement of the question. Even the follow-up question under part (ii) was inadequately responded to by some candidates.

   (i) Some answers did not state clearly the budgeting cycle in Zambia as per requirement of the question. This suggests that the students did not study this aspect as part of their exam preparations. Some of the answers were inadequate and vague.

   (ii) This question required the candidates to explain the different reforms that PEPFA had undergone between 2005 and 2012.
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QUESTION TWO

The general performance on this question was very good. 3 of the 4 candidates that attempted the question managed to obtain at least 10 marks out of a total of 20 available marks. A pass rate of 75% was recorded. The highest score was 14 out of 20 marks while the lowest was 7.

Despite the good performance, candidates need to read more and understand on the functions responsible for PPP's at the ministry of Finance and should also read and understand the PPP Delivery Methods.

QUESTION THREE

The general performance on this question was excellent. 4 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 100% was recorded. The highest score was 18 out of 20 marks while the lowest was 12.

Despite the excellent performance, candidates should understand the Local Government Act 1991 S 138 which governs the investment of surplus funds in Zambia.

Candidates do not seem to have read enough on the various key issues that the Secretary to the Treasury or any of the authorised individual should consider in the investment of surplus funds.

QUESTION FOUR

The general performance on this question was very good. 3 of the 4 candidates that attempted the question managed to obtain at least 10 marks out of a total of 20 available marks. A pass rate of 75% was recorded. The highest score was 16 out of 20 marks while the lowest was 7.

This question was about 2017 Public Expenditure and Financial Accountability (PEFA) that was conducted by the Government of the Republic of Zambia. The question specially asked on the Performance Indicator 10 which is about fiscal risk reporting. The general performance on this question was good.

Part (a) required candidates to recommend measures that would generally be undertaken to improve the score on fiscal risks relating to assets and liabilities. This part was well done and very responsive to the specifics of the question requirement.

Part (b) required candidates to recommend measures to strengthen the subnational government monitoring. Candidates found this part slightly challenging perhaps because of lack of knowledge around local government systems.

Part (c) required candidates to explain the focus of PEFA assessments. This part was well answered as the three key aims stood out in the candidates' responses.

QUESTION FIVE

The general performance on this question was very poor. 3 of the 3 candidates that attempted the question none 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 5.

This question was a mix of state-owned enterprises (SOE) and privatization. The general performance on this question was very poor.

The requirement of this question was centered around the sentiments on not privatizing some of the SOEs, market failure, impact on government budget if SOEs were sold and effects of externalities. Candidates generally lacked knowledge on these areas as they are not frequently examined and this point to the cherry picking of the syllabus by the candidates. Incorrect responses were made on the meaning of externalities and market failures.

Overall performance of candidates

Highest mark obtained in this paper: 69%
Lowest mark obtained in this paper: 50%
Overall pass rate in this paper: 100%