



SEPTEMBER 2023 EXAMINATIONS

CHIEF EXAMINERS REPORTS

CA ZAMBIA

SUBJECT: CA 1.1 – FINANCIAL ACCOUNTING

QUESTION ONE

The general performance on this question was fair. This was a compulsory question with ten (10) parts. 52 out of the 101 candidates that attempted the question passed (got at least 10 out of the total 20 marks available). The pass rate recorded was 51.5%. The highest mark scored on this question was 18 out of 20 and the lowest was 2 out of 20.

QUESTION TWO

The general performance on this question was very good. 73 out of the 101 candidates that attempted the question passed (got at least 10 out of the total 20 marks available). The pass rate recorded was 72.3%. The highest mark scored on this question was 18.5 out of 20 and the lowest was 0 out of 20.

Part (a) required candidates to prepare a statement of Profit or Loss account. Candidates had challenges on establishing the sales and purchases figures. Candidates are encouraged to make use of control accounts. Many candidates failed to deduct the drawings in kind of K50,200 from the total Purchases.

Part (b) required candidates to prepare the statement of Financial Position. This part was well answered.

QUESTION THREE

The general performance on this question was poor. 10 out of the 60 candidates that attempted the question passed (got at least 10 out of the total 20 marks available). The pass rate recorded was 16.7%. The highest mark scored on this question was 13.5 out of 20 and the lowest was 0 out of 20.

Part (a) required candidates to prepare a statement of cash flows. Many candidates failed to show clearly the three sections of the cash flows i.e. cash flows from operating activities, cash flows from investing activities and cash flows from financing activities. Candidates failed to pick profit before tax figure as a starting point. Candidates are encouraged to make use of ledger accounts in order to calculate interest paid, tax paid and Payments to acquire NCA.

Part (b) (i) required candidates to make brief comment on net cash flow from operating activities. By having a negative cash flow, candidates are expected to mention the adverse effect on company operations.

Part (b) (ii) required candidates to make brief comment on Net cash flow from investing activities. The negative answer means a promising future income generation but candidates were regarding the answer to be adverse.

Part (b) (iii) required candidates to make brief comment on Net increase or decrease in cash and cash equivalent. Good comments were given to this part.

Part (c) required candidates to state any two benefits for preparing a statement of cash flows. Good answers were given.

QUESTION FOUR

The general performance on this question was poor. 8 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 14.3%. The highest mark scored on this question was 13 out of 20 and the lowest was 0 out of 20.

Part (a) (i) required candidates to explain relevance and faithful representation. Candidates explained the term relevance but failed to explain the term faithful representation.

Part (a) (ii) required candidates to explain the criteria for recognizing and de-recognizing assets and liabilities. Many candidates failed to state the criteria on asset recognition and de-recognition.

Part (a) (iii) required candidates to explain the term 'substance of a transaction over its legal form'. Candidates failed to explain and give an illustrative example. See the given solution.

Part (a) (iv) and (v) were well answered.

Part (b) (i) required candidates to outline the circumstances in which the net realizable value is likely to be less than the cost of inventory. Very few candidates were able to explain the circumstances. See the suggested solution.

Part (b) (ii) required candidates to calculate the total value of inventory to be reported in the statement of Financial Position in line with IAS 2. Many candidates failed to calculate the value yet this part was very easy.

QUESTION FIVE

The general performance on this question was poor. 19 out of the 72 candidates that attempted the question passed (got at least 10 out of the total 20 marks available). The pass rate recorded was 26.4%. 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 make necessary corrections to the payables control account and receivables control account. Candidates are encouraged to make use of Ledger control accounts so as to benefit from double entry concepts.

Part (b) required candidates to make necessary corrections to the payables' ledger balance and the receivables' Ledger balance. The presented answers were poor. Candidates are encouraged to use ledger accounts as memorandum accounts.

QUESTION SIX

The general performance on this question was poor. 12 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 12.6%. The highest mark scored on this question was 15 out of 20 and the lowest was 0 out of 20.

Part (a) required candidates to prepare journal entries necessary to correct the given errors. The answers given showed that the candidates do not understand the double entry system. Candidates are encouraged to study and understand how double entry works at this level of learning.

Part (b) required candidates to prepare a suspense account. Poor answers were given due to poor knowledge on double entry system. Candidates must try to understand this chapter.

Part (c) required candidates to discuss any four (4) features of bank reconciliation statements. The quality of answers was poor again. Candidates are encouraged to adequately prepare themselves by covering the syllabus before attempting the examination.

Part (d) required candidates to identify and explain two common reasons for the differences between the cash book balance and the bank statement balance. Good answers were given.

Part (e) required candidates to identify and explain four (4) errors which do not affect the suspense account. Those who attempted the question obtained full marks on this part.

Overall Performance of Candidates

Highest mark obtained in this paper: 61%
Lowest mark obtained in this paper: 12%
Overall pass rate in this paper: 29.7%

SUBJECT: CA 1.2 – BUSINESS STATISTICS

QUESTION ONE

The general performance on this question was very good. 36 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 70.6%. The highest mark scored on this question was 20 out of 20 and the lowest was 4 out of 20.

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

The multiple choice questions were short answer phrases and calculations on a wide range of topics from the syllabus. The topics covered included numerical data calculation such as the mean, calculation involving concept of 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 poor. 8 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 17%. The highest mark scored on this question was 16 out of 20 and the lowest was 0 out of 20.

The questions had two parts 'a' and 'b'. Both questions were assessing the candidate's ability to use probability rules such as conditional probability, additional probabilities, union and intersection of sets. The question had a table with values which candidates were required to use to solve the required probability questions. It was observed that candidates did not perform well on this question due to inability to correctly use the additional rule and the conditional probability rule. It therefore emphasized that the basic probability rule must be well studied by candidates as they form a critical component of this topic.

QUESTION THREE

The general performance on this question was very good. 29 out of the 42 candidates that attempted the question passed (got at least 10 out of the total 20 marks available). The pass rate recorded was 69%. The highest mark scored on this question was 20 out of 20 and the lowest was 1 out of 20.

The first part of the question required candidates to use the concept of grouped data to calculate the mean, standard deviation, mode and median. The general performance on this part was good. Candidates who failed were observed to have been choosing wrong class of data in calculation of mode and median. Others failed due to computation errors of required totals needed for mean and standard deviation.

The second part of the question required candidates to use the given table of numbers of students in various programs to calculate their proportions. It was observed that the candidates mis-understood the term for proportions to mean actual values, hence were calculating actual values rather than required proportions, resulting in loss of marks.

QUESTION FOUR

The general performance on this question was good. 17 out of the 28 candidates that attempted the question passed (got at least 10 out of the total 20 marks available). The pass rate recorded was 60.7%. The highest mark scored on this question was 20 out of 20 and the lowest was 0 out of 20.

The question had two parts, with part 'a' requiring candidates to calculate the coefficient of variation given the variance and mean. The question further required candidates to use the concept of normal distribution to find required probabilities. In the first part half of the candidates were able to correctly calculate the coefficient of variation. The candidates who failed were observed to either interchange the mean or standard deviation in the formula, or they did not square root the variance to obtain the standard deviation. This led to incorrect answers.

The second part of the question required candidates to find the 4 quarter moving average. Most candidates showed good knowledge of the topic but few lost marks due to computation errors.

QUESTION FIVE

The general performance on this question was very good. 33 out of the 42 candidates that attempted the question passed (got at least 10 out of the total 20 marks available). The pass rate recorded was 78.6%. The highest mark scored on this question was 20 out of 20 and the lowest was 2 out of 20.

The question was on the topic regression and correlation analysis. It was observed that candidates had a good understanding of the topic and were able to solve the question very well. Few mistakes that were observed from some candidates were mainly on using wrong total in the formula which resulted in incorrect results.

QUESTION SIX

The general performance on this question was very good. 31 out of the 42 candidates that attempted the question passed (got at least 10 out of the total 20 marks available). The pass rate recorded was 73.8%. The highest mark scored on this question was 18 out of 20 and the lowest was 2 out of 20.

The first and second part of the question required candidates to demonstrate their understanding of descriptive data analysis. They were required to list importance of descriptive data, also stating the methods of data collection. It was observed that only half of candidates were able to provide correct solutions or in some instances misunderstood the question and gave contrary solutions to the expected. It is therefore emphasized that candidates should understand the underlying concept involving data as this forms the important background of statistics.

The second part provided ungrouped data, and candidates were required to calculate the mean, range, standard deviation and interquartile range. Majority of candidates were able to answer the question correctly while some were making computation errors. Few demonstrated lack of understanding of solving the problem especially calculating the standard deviation and interquartile range.

Overall Performance of Candidates

Highest mark obtained in this paper: 84%
Lowest mark obtained in this paper: 17%
Overall pass rate in this paper: 70.6%

SUBJECT: CA 1.3 – BUSINESS ECONOMICS

QUESTION ONE

The general performance on this question was good. 34 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 63%. The highest mark scored on this question was 16 out of 20 and the lowest was 2 out of 20.

This was a compulsory multiple choice question made up of 10 questions.

QUESTION TWO

The general performance on this question was poor. 14 out of the 53 candidates that attempted the question passed (got at least 10 out of the total 20 marks available). The pass rate recorded was 26.4%. The highest mark scored on this question was 17 out of 20 and the lowest was 0 out of 20.

The question was on Market Structures, a very popular topic in this examination. It was divided into four (4) parts namely (a), (b), (c) and (d) as follows:

- (a) This was poorly done. The common mistakes candidates make were to present none economic answers like quality issues, etc. A monopolist maximizes profits by producing at selling at a point where $MR = MC$. Hence, this monopolist needed to REDUCE its output to achieve $MR = MC$ condition.
- (b) Majority of the candidates were able to get some marks on this part of the question.
- (c) This was poorly done by majority of the candidates. Candidates needed to understand the characteristics of monopoly. Being an individual seller of the unique good, the monopolist faces a market demand curve which is downward sloping. Graphically, Demand = Price = Average Revenue > Marginal revenue.
- (d) Again this part of the question was poorly answered. Candidates needed to state the conditions for profit maximization ($MR = MC$) and cost minimization ($MC = AC$) which normally occurs at different quantities. The two conditions could only be equal where $MR = MC = AC$

QUESTION THREE

The general performance on this question was poor. 15 out of the 38 candidates that attempted the question passed (got at least 10 out of the total 20 marks available). The pass rate recorded was 39.5%. The highest mark scored on this question was 18 out of 20 and the lowest was 0 out of 20.

The question was on National Income Accounting. It was divided into three (3) sections (a), (b) and (c) as follows:

- (a) Many candidates were explaining Value Added in general terms not as applied to National Income Accounting. Candidates must read and address the specific requirements of each question.
- (b) The performance on this part of the question was average. However, a good number of candidates failed to answer it correctly. Again, there were a lot of none economic answers. The question simply required the challenges or difficulties or limitations which are textbook answers.
- (c) This was divided into three (3) namely (i), (ii) and (iii). Candidates were required to use the given data to perform the calculations. Very few candidates were able to secure the full marks allocated. The common mistake was the interchanging of items.

QUESTION FOUR

The general performance on this question was very good. 10 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 32.3%. The highest mark scored on this question was 14 out of 20 and the lowest was 2 out of 20.

The question was divided into two (2) sections (a) and (b) as follows:

- (a) This had three parts (i) to (iii) on arguments for protectionism in International Trade. Many candidates failed to explain what is meant by National Interest. Many candidates explained it in terms encouraging Zambians to buy Zambian Products. However, this argument is used among others that a country must be self-sufficient and not depend on another country for things like military supplies.
- (b) The question five items to be calculated from the given data. The performance on this part of the question was average. However, a good number of candidates failed to answer it correctly. Many of those who failed interchanged or swapped the entries. The key was to understand the Balance of Payment concepts.

QUESTION FIVE

The general performance on this question was good. 24 out of the 40 candidates that attempted the question passed (got at least 10 out of the total 20 marks available). The pass rate recorded was 60%. The highest mark scored on this question was 18 out of 20 and the lowest was 4 out of 20.

The question was on Market Structures, a very popular topic in this examination. It was divided into four (4) parts namely (a), (b), (c) and (d) as follows:

- (a) This was well answered by the majority of candidates, though a few gave non-economic answers!
- (b) Performance was average. The common mistake observed was poor graphs or no graphs at all. The question required candidates to draw the graph and then explain it. Some candidates drew graphs but there was no accompanying explanation.

Some candidates wrongly named the axes instead of putting wages and number of workers on the X-axis and Y-axis respectively. Minimum wage set above equilibrium would lead to unemployment.

- (c) See (b) above. Minimum wage set below the equilibrium wage would lead to shortage of workers
- (d) This was well attempted by majority of candidates using common sense.

QUESTION SIX

The general performance on this question was poor. 6 out of the 48 candidates that attempted the question passed (got at least 10 out of the total 20 marks available). The pass rate recorded was 12.5%. The highest mark scored on this question was 18 out of 20 and the lowest was 0 out of 20.

The question was divided into four (4) parts namely (a), (b), (c) and (d) as follows:

- (a) This was done well. However, some candidates confused it with population hence the calculation was wrong.
- (b) Performance was average. The common mistake observed was failing to pick the right values to use. Others couldn't recall the formula to use.
- (c) This was well answered by majority of candidates. The common mistake was that many candidates had poor graph which differed with the explanations of the phases of a business cycle.
- (d) This was well attempted by majority except a few candidates.

Overall performance of candidates

Highest mark obtained in this paper: 76%
Lowest mark obtained in this paper: 8%
Overall pass rate in this paper: 33.3%

SUBJECT: CA 1.4 – COMMERCIAL AND CORPORATE LAW

QUESTION ONE

The general performance on this question was excellent. 88 out of the 106 candidates that attempted the question passed (got at least 10 out of the total 20 marks available). The pass rate recorded was 83%. The highest mark scored on this question was 18 out of 20 and the lowest was 6 out of 20.

This question was compulsory and multiple choice based. Future students are encouraged to use the elimination methods when dealing with such questions.

QUESTION TWO

The general performance on this question was good. 54 out of the 106 candidates that attempted the question passed (got at least 10 out of the total 20 marks available). The pass rate recorded was 50.9%. The highest mark scored on this question was 18 out of 20 and the lowest was 2 out of 20.

This was a three-part question and it was compulsory. Future students are urged to understand the difference between performance and specific performance. The second part required them to explain the difference between an implied warranty and an implied condition this was equally poorly done. The last part was a scenario question on vicarious liability. Future students should be helped how to answer scenario question using IRAC.

QUESTION THREE

The general performance on this question was very good. 59 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 64.1%. 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 scenario question. The first part required the students advise whether a claim in negligence could suffice. The explanation was very poor hence the need for future students to be taught how to handle scenario question using IRAC. The second one required them to identify the area of law the other party could sue, only two students got this right. Future students should be helped to understand the

two types of law embedded in the case of *Donoghue v Stevenson*. The third part required them to discuss the conditions under which the principle can ratify a contract.

QUESTION FOUR

The general performance on this question was fair. 38 out of the 86 candidates that attempted the question passed (got at least 10 out of the total 20 marks available). The pass rate recorded was 44.2%. The highest mark scored on this question was 15 out of 20 and the lowest was 1 out of 20.

This question had three parts as follows:

- (a) This question was clear and needed students to discuss the legislative process, in particular stages through which a bill passes to become law. 80 percent of the candidates who answered this question performed quite well with the others struggling with what the question required. However it was noted that most students listed the stages without offering an in-depth explanation.
- (b) The question required candidates to explain on agency by implication. Which many answered fairly well. However very few of them remembered to discuss agency by estoppel and none of the candidates who attempted this question discussed agency that arises out of cohabitation.
- (c) This question required candidates to list the contents of the directors reports, candidates performed very well.

QUESTION FIVE

The general performance on this question was very good. 64 out of the 84 candidates that attempted the question passed (got at least 10 out of the total 20 marks available). The pass rate recorded was 76.2%. The highest mark scored on this question was 20 out of 20 and the lowest was 0 out of 20.

The question was based on voluntary and compulsory winding up. It had two parts A and B respectively. The candidates had no difficulties with the question.

QUESTION SIX

The general performance on this question was good. 30 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 55.6%. The highest mark scored on this question was 18 out of 20 and the lowest was 0 out of 20.

This question was on expanding the business' capital base and pre-incorporation contracts. Candidates had no problem in part A. However the performance in part B on pre-incorporation contracts was very poor. Most candidates failed to appreciate the fact that promoters would be personally liable for pre-incorporation contracts unless there is a provision to the contrary. The question was within the syllabus.

Overall Performance of Candidates

Highest mark obtained in this paper: 73%

Lowest mark obtained in this paper: 14%

Overall pass rate in this paper: 76.4%

SUBJECT: CA 1.5 - MANAGEMENT THEORY AND PRACTICE

QUESTION ONE

The general performance on this question was excellent. 29 out of the 33 candidates that attempted the question passed (got at least 10 out of the total 20 marks available). The pass rate recorded was 87.9%. The highest mark scored on this question was 20 out of 20 and the lowest was 6 out of 20.

This was a multiple choice question, with a total of twenty (20) questions.

QUESTION TWO

The general performance on this question was good. 19 out of the 33 candidates that attempted the question passed (got at least 10 out of the total 20 marks available). The pass rate recorded was 57.6%. The highest mark scored on this question was 20 out of 20 and the lowest was 0 out of 20.

This was a scenario based compulsory question which was attempted by all the candidates and had three (3) parts: (a), (b) and (c). The scenario was basically an extract from the evolution of management thoughts, giving candidates a chance to recall the ideas about management.

Part (a) requested candidates to explain what is meant by the term Management Thought.

Most candidates got this part correctly and those who failed shared lack of reading the extract or scenario given in the question.

Part (b) requested the candidates to identify 5 managerial roles stated by Mintzberg. Majority of the candidates were able to identify the roles. However, some candidates were writing the functions of management. This shows lack of studying.

Part (c) Requested candidates to define the given terms used in management (Equity, Span of Control, Line of authority and Departmentalization).

Most of the candidates were able to answer correctly. But some expressed ignorance as seen from the way they were answering. Students are encouraged to understand those simple terms in management.

QUESTION THREE

The general performance on this question was very poor. None of the candidates that attempted the question passed (got at least 10 out of the total 20 marks available). The pass rate recorded was 0%. The highest mark scored on this question was 20 out of 7 and the lowest was 0 out of 20.

This was a scenario based question from Human Resource management topic. Every question in this section was fairly guided to assist candidates to answer with less pressure.

Part (a) required candidates to state 5 advantages of micro-designed jobs. Most candidates answered failed even just to understand Job design as a motivator. Students showed no knowledge of the concept.

Part (b) required candidates to list down any 4 ways a job may be enriched. The challenge was the same as expressed in part (a) of the question were almost all candidates failed to understand the concept.

Part (c) required candidates 3 ways in which a personal development plan may contribute to individual employee's motivation in a company. This concept looked strange to most of the candidates.

QUESTION FOUR

The general performance on this question was good. 14 out of the 23 candidates that attempted the question passed (got at least 10 out of the total 20 marks available). The pass rate recorded was 60.9%. The highest mark scored on this question was 18 out of 20 and the lowest was 2 out of 20.

This question had three parts: (a), (b) and (c). It has a scenario on corporate governance and management.

Part (a) required candidates to define the term corporate governance. Majority managed to give a correct definition of corporate governance.

Part (b) required candidates to list down 6 principles of good governance. Majority of the candidates managed give only 4 principles. This shows lack of preparedness on the candidates.

Part (c) required candidates to state 5 functions of management identified by Henry Fayol.

Most candidates were able to get full marks. Those who lost marks showed a lot of guess work in answering.

QUESTION FIVE

The general performance on this question was very good. 25 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 78%. The highest mark scored on this question was 20 out of 20 and the lowest was 0 out of 20.

This question was on partnerships and was aided with a scenario. The questions were sub-divided into three parts (a), (b) and (c).

Part (a) required candidates to give 6 reasons why people establish partnerships
Most candidates demonstrated good understanding of the question and gave good answers

Part (b) required candidates identify 6 issues (ROADBLOCKS) arising from partnership
Almost all the candidates who attempted this question were able to get good marks.

Part (c) required candidate's state the name of the document needed to operate a partnership and how useful it is to the business
Almost all the candidates were able to identify the document but gave no reason for its use in business operations.

QUESTION SIX

The general performance on this question was excellent. 27 out of the 30 candidates that attempted the question passed (got at least 10 out of the total 20 marks available). The pass rate recorded was 90%. The highest mark scored on this question was 20 out of 20 and the lowest was 5 out of 20.

The question was on Leadership and had two parts: (a) and (b).

Part (a) required candidates to explain 6 qualities of a Good Leader. Most candidates had no challenges to explain the qualities of a good leader.

Part (b) required candidates to compare and contrast leadership and management. Many candidates had a challenge to get full marks. Most of them had limited answers

despite knowing the two terms. It is recommended that students must study these two concepts and draw clear distinctions

Overall Performance of Candidates

Highest mark obtained in this paper: 81%

Lowest mark obtained in this paper: 19%

Overall pass rate in this paper: 78.8%

SUBJECT: CA1.6 - BUSINESS COMMUNICATION

QUESTION ONE

The general performance on this question was excellent. 44 out of the 55 candidates that attempted the question passed (got at least 10 out of the total 20 marks available). The pass rate recorded was 80%. The highest mark scored on this question was 18 out of 20 and the lowest was 4 out of 20.

Candidates were required to answer 10 multiple choice questions of which those that passed presented correct answers compared to those that failed. Some answers that were presented by failures on this question were far from best options.

QUESTION TWO

The general performance on this question was fair. 22 out of the 55 candidates that attempted the question passed (got at least 10 out of the total 20 marks available). The pass rate recorded was 40%. The highest mark scored on this question was 18 out of 20 and the lowest was 3 out of 20.

Candidates were required to write a short report highlighting the major findings of the investigations and recommendations from a scenario that was given in the question. Common mistakes that were observed were as follows:

- (i) Wrong layout/ format used. some candidates presented letters and minutes
- (ii) Inappropriate heading.
- (iii) In some cases, no procedures or conclusion were included in the report.
- (iv) (some parts of the report were not included).
- (v) Other findings which were not related to the scenario provided in the question were included which was not supposed to be the case.
- (vi) Inadequate content in the report.
- (vii) Procedures were not well presented in the report (information was missing as to how the data was collected in the field was not adequately presented.)
- (viii) Misplaced content under some sections of the report.
- (ix) Content of subheadings of the findings was different from what was presented under each subheading. i.e. lack of filing skills as a subheading was different from the content that was included for that particular subheading.
- (x) Very poor and incomplete reports were presented as answers.

(xi) Generally, very poor grammar.

QUESTION THREE

The general performance on this question was good. 12 out of the 22 candidates that attempted the question passed (got at least 10 out of the total 20 marks available). The pass rate recorded was 54.5%. The highest mark scored on this question was 18 out of 20 and the lowest was 4 out of 20.

Candidates were required to outline five (5) reasons a business organization would consider the need for segregation of duties in part (a) of the question. Part b (i) and (ii) required candidates to differentiate between left justification and right justification and explain four (4) main tab stops one would use to space the text across the page. Common mistakes that were observed on this question were:

(a) Some students did not answer this part well, there was duplication of points, i.e. fraud, corruption and bribe stated separately.

(b) (i)

1. Some students could not differentiate left justification and right justification correctly.
2. Some students left blank spaces or omitted this part of the question.

(ii)

1. Most student were only listing the main tab stops used to space the text across the page but could not explain them.

QUESTION FOUR

The general performance on this question was poor. 14 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 32.6%. The highest mark scored on this question was 16 out of 20 and the lowest was 3 out of 20.

The candidates were required to:

State the difference between hardware and software and outline the four (4) common types of monitors that can be used in a computer system. For part (a) and (b). Part (c) required them to state four (4) reasons AIS needs a database

Common mistakes were observed on this question were:

- (i) Was well answered so no common errors were observed.

- (ii) Was not well answered, students explained types of computers in terms of hardware or computer generation instead of the type of monitor that can be used in a computer system.
- (iii) Was not well answered, students were not relating reasons AIS needs of a database.
- (iv) Some students were just stating reasons of a database and NOT stating the reasons AIS would need a database to store their data for various reasons.

QUESTION FIVE

The general performance on this question was excellent. 43 out of the 49 candidates that attempted the question passed (got at least 10 out of the total 20 marks available). The pass rate recorded was 87.8%. The highest mark scored on this question was 18 out of 20 and the lowest was 4 out of 20.

This question required candidates to state any two (2) examples of formal meetings and outline any five (5) rules and regulations governing formal meetings in part (a) and (b) of the question.

Part (c) required them to state any four (4) reasons why holding meetings regularly may be good for an organisation.

Some common mistakes on this question were:

- (i) Examples of formal meeting were presented as meeting documents such as agenda and minutes.
- (ii) Other examples that were presented were too broad or generalized.
- (iii) Rules and regulations governing meetings were presents as duties of the chairperson and secretary of a meeting.
- (iv) Some candidates described the flow of meeting proceedings which was not supposed to be the case.
- (v) Repeated answers.
- (vi) Wrong content.
- (vii) Actual meeting documents such as notices and agenda for a meeting were presented.

QUESTION SIX

The general performance on this question was excellent. 49 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 96.1%. The highest mark scored on this question was 19 out of 20 and the lowest was 5 out of 20.

This question required candidates to give the meaning of two-way communication process and explain any six (6) major components of the communication cycle for parts (a) and (b), while part (c) required them to state any three (3) challenges a communicator would face when sending a message.

Common mistakes on this question were:

- (i) Wrong explanations were provided on what the phrase two-way process mean some candidates describe the communication process without paying attention to some major components of the process.
- (ii) Some main elements of the communication process were not presented
- (iii) Some candidates omitted this part of the question.
- (iv) Some candidates drew a diagram to illustrate the communication process which was not the case.
- (v) Inadequate content was provided.
- (vi) Wrong content was presented.
- (vii) Barriers to communication were present without clarity in the answers that were provide.

Overall Performance of Candidates

Highest mark obtained in this paper: 80%
Lowest mark obtained in this paper: 36%
Overall pass rate in this paper: 81.8%

SUBJECT: CA 2.1 – FINANCIAL REPORTING

QUESTION ONE

The general performance on this question was poor. 25 out of the 75 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 33.3%. The lowest score was 0, whilst the highest was 40 out of the available 40 marks.

Part a) of the question required candidates to prepare a Consolidated Statement of Financial Position for a group of companies including a parent company, a subsidiary, and an associate. Further, Part (b) of the question required candidates to explain why it is necessary to eliminate unrealized profit when preparing group financial statements. Part (c) of the question required candidates to explain why consolidated financial statements are more useful than financial statements for separate entities. Part d) of the question required candidates to explain the difference between the two alternative methods of accounting for non-controlling interests and the implication of each method of the impairment of goodwill.

The most common mistakes made by the candidates were as follows:

In part (a) Majority of candidates managed to do the basics of consolidation. Some candidates went further and handled the complexities of calculating goodwill, unrealized profits and intercompany transactions and scored above average marks. Common errors included incorrect discounting of the deferred purchases consideration, wrong accounting for the unwinding of interest, mishandling of the fair value adjustments and consequential wrong calculation of the carrying amount of non-controlling interest and investment in associate. Some candidates took the cost of acquisition (due diligence) to the calculation of goodwill instead of charging it as an expense against retained earnings. Few candidates, if any correctly calculated and accounted for the deferred tax on acquisition for the pre- and post-acquisition periods.

In part (b) and (c) of the question, candidates failed to provide the required explanations. In part (d) candidates merely explained the calculation of NCI for goodwill calculation, but did not specifically state the merits and demerits of each method in order to bring out the implication of the accounting treatments on goodwill and its impairment.

QUESTION TWO

The general performance on this question was very good. 45 of the 60 candidates that attempted the question managed to obtain at least 10 marks out of a total of 20 available marks. A pass rate of 75% was recorded. The highest score was 20 out of 20 marks while the lowest was 2.

The question had two (2) parts. Part (a) was on preparation of the statement of profit or loss and other comprehensive income and Part (b) required candidates to prepare

the statement of financial position. Generally, most candidates performed well in this question.

In part (a) it seemed most candidates ignored/did not read note 3 relating to where to take depreciation (plant and equipment – cost of sales and that of buildings-administrative costs).

Even though this is a predictable type of question for this examination, most of the candidates lost marks due to:

- (i) Failure to calculate depreciation charge correctly.
- (ii) Failure to identify that revaluation was at the beginning of the financial period, hence failed to calculate revaluation surplus correctly.
- (iii) Charged dividends paid in the statement of profit or loss as administrative expense. This was supposed to be deducted from retained earnings.
- (iv) Failure to calculate the remaining number of useful life (40 years) at the date of revaluation.
- (v) Other allocated revaluation to plant and equipment when it was property (Land and Building) that was revalued. Further some students reported the fair value gain on investment property in other comprehensive income instead of in statement of profit or loss as per IAS 40 Investment properties
- (vi) Picking of wrong figures from the trial balance onto some parts of the statement clearly showing lack of paying attention to details. For future examinations you are strongly advised to carry a rule in the examination rule in order to avoid such kind of mistakes.
- (vii) Not showing all necessary workings by simply dropping compound figures in the statement of profit or loss without showing how these were derived.
- (viii) Some candidates treated cash bank overdraft as a current asset as opposed to a current liability. Further most students wrongly charged interest paid to income statement. Students should take note that, the finance cost of a loan note should, always be based on the effective cost (rather than the "coupon" rate).

QUESTION THREE

The general performance on this question was poor. 24 of the 53 candidates that attempted the question managed to obtain at least 10 marks out of a total of 20 available marks. A pass rate of 45% was recorded. The highest score was 20 out of 20 marks while the lowest was 1.

The question required candidates to prepare a statement of cash flows. This question was well answered on the whole, with a pleasing level of knowledge being displayed regarding cash flow (IAS 7).

Candidates lost marks due to the following:

- (i) Not knowing the format for the statement of cash flow. Knowing the format helps in earning free marks related to treatment of depreciation charge for the year, working capital changes, profit or loss on disposal of property, plant and equipment, proceeds from issue of shares, cash paid to acquire property, plant and equipment and tax paid just to mention but a few.
- (ii) Ignoring deferred tax balances in calculating tax paid. Tax paid is computed by taking into account current and deferred tax balances, income tax expense in the profit or loss account.
- (iii) Not subtracting depreciation charge for the year and carrying value of plant disposed of in computing cash paid to acquire property, plant and equipment.
- (iv) Omitted interest paid.

QUESTION FOUR

The general performance on this question was poor. 6 of the 22 candidates that attempted the question managed to obtain at least 10 marks out of a total of 20 available marks. A pass rate of 27.3% was recorded. The highest score was 16 out of 20 marks while the lowest was 1.

The question required candidates to explain what temporary differences are according to IAS 12 in part (a) the distinction between temporary differences and deductible differences, giving an example in each case, in part (b) and in part (c) to explain and quantify the effect of changes in timing differences on the carrying amount of deferred tax, and state what amount would be reported in the statement of profit and loss as the income tax charge.

Question 4 was the least popular and attempted by the fewest number of candidates. Common errors made by those who attempted part a) of the question included describing capital allowances as taught in CA 2.3 Taxation, instead of espousing the provisions and content of IAS 12 Current Tax.

Solutions to part (b) of the question revealed vague understanding of issues. Some candidates swapped explanations for temporary timing differences with that for deductible timing differences, and included no examples without exception.

To the solution for part (c 1) of the question candidates correctly stated that the under provision should be added to the current year provision for current tax, but did not state that the total would be charged as an expense in the statement of profit or loss for the year. Further, some candidates stated wrongly and vaguely that the total would be reported as a liability 'in the financial statements'. They were to be specific that the current year income tax provision and the deferred tax carrying amounts would be reported as current and non-current liabilities respectively in the statement of financial position.

In the solutions to part (c 2) of the question most candidates calculated the timing differences and the associated deferred tax correctly. However, they did not describe the movement as a reduction in the provision for deferred tax. They did not speak in terms of the opening balance being reduced to the closing balance. Further, candidates did not state that the reduction in the deferred tax provision would reduce the charge to the statement of profit or loss for the income tax expense.

Some candidates stated that the amount of the timing difference is the amount to be reported as the non-current liabilities, when in fact it was the tax rate on the amount of the timing difference that would be reported as a non-current liability.

QUESTION FIVE

The general performance on this question was poor. 27 of the 70 candidates that attempted the question managed to obtain at least 10 marks out of a total of 20 available marks. A pass rate of 38.6% was recorded. The highest score was 17 out of 20 marks while the lowest was 3.

The question was on the IASB conceptual framework for financial reporting and the following were the areas/matters which were tested;

- (a) The main objective of general purpose financial reporting.
- (b) Definition of the five (5) elements of financial statements.
- (c) Explanations of the qualitative characteristics of financial information:
 - 1. Understandability
 - 2. Faithful representation
 - 3. Relevance
 - 4. Comparability

This was a familiar question and the performance was good.

In part (b) it seemed few candidates defined financial statements instead of the elements of financial statements, hence lost 10 marks which were available.

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

Overall Performance of Candidates

Highest mark obtained in this paper: 72%
Lowest mark obtained in this paper: 8%
Overall pass rate in this paper: 37.3%

SUBJECT: CA 2.2 - MANAGEMENT ACCOUNTING

QUESTION ONE

The general performance on this question was very poor. 3 out of the 60 candidates that attempted the question achieved a pass (that is a score of at least 20 out of 40 marks), representing a pass rate on the question of 5%. The lowest score was 2, whilst the highest was 37 out of the available 40 marks.

This question is a compulsory one and it examined: (a) the valuation of closing inventory; (b) the calculation of production cost; (c) the preparation of the cash budget; and (d) the preparation of the master budget. Parts (a), (b) and (d) were poorly answered except part (c).

Part (a): most candidates failed to calculate the correct closing inventory as they did not know how to subtract the production units from purchases and opening inventories.

Part (b): the major challenge here was the failure to calculate raw materials values for each month but other figures were well calculated.

Part (c) was well answered as many candidates were able to come up with the cash budget and did score good marks.

Part (d) was poorly answered and many candidates left this part blank. The budgeted income statement and budgeted statement of financial position was a challenge. These two statements were poorly presented by many candidates with wrong figures.

QUESTION TWO

The general performance on this question was poor. 15 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 31.9% was recorded. The highest score was 18 out of 20 marks while the lowest was 2.

This question examined inventory valuation using the FIFO method in part (a), the preparation of the profit statement in part (b) and the explanation of the impact on profit if the LIFO method was used instead in part (c).

This question was fairly answered.

Part (a) was very well answered but candidates had difficulties answering part (b). Raw material issues of K2, 660, 000 were supposed to be added to the other variable production costs. Deriving closing inventory values of finished goods was also a challenge, i.e. 1,500 units opening inventory+5,750 units production – 6,375units

sales = 875 units closing inventory. These were valued at (K2, 660, 000/5,750) +K200= K662.61.

In part (c), explanations of the impact on profit if the LIFO method was used instead were not very correct and no candidate attempted to quantify the impact.

QUESTION THREE

The general performance on this question was poor. 5 of the 28 candidates that attempted the question managed to obtain at least 10 marks out of a total of 20 available marks. A pass rate of 17.9% was recorded. The highest score was 20 out of 20 marks while the lowest was 0.

This question examined candidates on: (a) identifying limiting factors; (b) determining the optimal contribution; and (c) explaining two non-financial factors.

Parts (a) and (c) were relatively were attempted. But in part (b) a number of candidates had problems in sorting out the limiting factor which was ingredient tea. Other errors included not distinguishing between local and export markets for tea. Part (b) was very poorly attempted. Future candidates should consult the solution for guidance.

QUESTION FOUR

The general performance on this question was very poor. 1 of the 42 candidates that attempted the question managed to obtain at least 10 marks out of a total of 20 available marks. A pass rate of 2.4% was recorded. The highest score was 10 out of 20 marks while the lowest was 0.

This question examined candidates on Cost Volume Profit analysis and Value for Money.

Part (a) was poorly answered by most candidates. Candidates had difficulties determining the fixed cost, the variable cost of the ear and eye surgeries and income from respective patients. Although the question was not a complex one, the poor performance by candidates exhibited a lack of preparation on their part.

Part (b) was well answered by most candidates. Most candidates were able to state the 3Es: Economy, Efficiency and Effectiveness.

QUESTION FIVE

The general performance on this question was poor. 16 of the 56 candidates that attempted the question managed to obtain at least 10 marks out of a total of 20

available marks. A pass rate of 28.6% was recorded. The highest score was 16 out of 20 marks while the lowest was 1.

Question Five examined the calculation of fixed overhead absorption rate; explanation of three stages of absorption costing; advantages of marginal costing; calculation of basic variances; and possible causes of material usage variance.

Part (a) was well answered by most candidates. Almost all candidates got the correct variable cost by adding the individual variable costs.

Part (b): Stages of absorption costing were not well explained by most candidates. These are overhead allocation, overhead apportionment and overhead absorption or recovery.

Part (c): Arguments in favour of marginal costing. This part was poorly answered by most candidates as most stated that it was simple to use. Other arguments which were not stated by candidates included:

- (i) Profit is not artificially distorted by movement of inventory.
- (ii) There is no under or over absorption of overheads.
- (iii) It provides better information for decision making because it provided a clear distinction between fixed and variable costs.

Part (d): Apart from Sales volume profit variance, Material usage variance, Labour Efficiency variance and Variable production overhead efficiency variance, the rest of the variances were well answered by candidates. The problem with the exceptional variances stated above is that candidates calculated variances in hours, units and weight without multiplying with the monetary values to get the variances in monetary values.

Part (e) was poorly answered by most candidates. Candidates provided general answers to the question without referring to the answer in (d) (iv) above. The answer should have been any three of the following:

1. Defective material usage
2. Excessive waste during production
3. Theft of materials
4. Stricter quality control
5. Error in allocating material to jobs.

Overall performance of candidates

Highest mark obtained in this paper: 60%

Lowest mark obtained in this paper: 5%

Overall pass rate in this paper: 11.3%

SUBJECT: CA 2.3 – AUDITING PRINCIPLES AND PRACTICE

QUESTION ONE

The general performance on this question was poor. 36 out of the 110 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 32.7%. The lowest score was 3, whilst the highest was 34 out of the available 40 marks.

This part (a) of the question required candidates to explain the audit risk regarding obsolete inventory. Candidates should have referred to what could go wrong with regards the figure of inventory in the financial statements. The issue that should have been brought out is with regards valuation of inventory whose net realizable value is low due to obsolescence but that the inventory may instead be valued at cost which is higher.

A majority of the candidates ably answered this part and the following were observed with the minority that did not answer this part satisfactorily:

- (i) Weak candidates explained the requirement of IAS 2 *Inventory* without explain the audit risk.
- (ii) A number of weak candidates simply stated the three components of audit risk with no further explanations.

This part (b) was a knowledge based question that required candidates to suggest suitable inventory count instructions that should be used.

The following observations were made:

- (i) A few lost marks on account of suggesting less than the required six inventory count instructions.
- (ii) Some candidates discussed substantive audit procedures for inventory rather than discussing inventory count instructions.

Part (c, i) of the question required candidates to comment on the composition and effectiveness of the Board of Directors. A few candidates did not explain the fact that due to the current composition and the fact that the same person is both board chair and chief executive officer the board will be less effective than if the board was balanced and the positions of board chair and Chief Executive Officer were held by different people.

The following were observed:

- (i) Some candidates concentrated on explaining executive and non-executive directors without addressing the question requirements of the question.

- (ii) A few candidates did not explain the imbalance of the board and only explained the dual role of the board chair and CEO.

Part (c, ii) This was a multi requirement question requiring candidates to explain the importance of having non-executive board members and to state four roles of non-executive directors. A majority of the candidates scored more than half the available marks.

The following were observed on the few that scored poorly:

- (i) A few candidates stated less than four roles required and scored marks in proportion to the number stated.
- (ii) Some candidates wrongly mentioned that Non-Executive Directors perform management responsibilities such as preparation of financial statements.

Part (d) of the question required candidates to explain factors that will determine the form of modification of the audit opinion. Candidates should have considered the three possible forms of modifying the opinion and that in any audit only one form of modified opinion will be made. Candidates should have considered the situation where they were able to obtain sufficient appropriate audit evidence and where there could be a limitation of scope. In each of the cases materiality and pervasiveness should be considered when deciding on the form of modification that is appropriate.

The following observations were made:

- (i) Most candidates explained the three forms of modified opinion without explaining the factors that should be considered in deciding on the form of modified opinion which was the question requirement.
- (ii) A number of candidates discussed the issue of going concern without addressing the question requirement.

This part of the question required candidates to suggest a suitable opinion using the information in the scenario. There is issue of inventory valuation where there is a disagreement with management. This is a matter which could lead to a modification of the opinion depending on the materiality and pervasiveness of the matter. If candidates conclude that the matter is not material then an unmodified opinion will be appropriate. If on the other hand it is considered material, then pervasiveness should be considered and this will result in a qualified or adverse opinion. Simply stating and guessing the opinion without justification did not earn maximum marks.

The following observations were made:

1. A sizeable number of candidates simply stated any of the three forms of modification as the suggested opinion without justification. This shows that they did not understand the topic and no marks were awarded for doing so.

2. A number of candidates suggested audit opinions from a general point of view with no reference to the information in the scenario.

This part of the question aimed at examining candidates on their knowledge and use of the emphasis of matter paragraph. Previously, explanation on the material uncertainty was made in the emphasis of matter paragraph. With amendments to auditing standards this is no longer the case. Any explanations are made in a separate paragraph explaining material uncertainty regarding going concern. Most of the candidates seemed not to know the use of the emphasis of matter paragraph and so lost easy marks. Others simply agreed or disagreed with the suggestion with no explanation and no marks were awarded for doing so.

It was clear that most candidates do not understand the use of the emphasis of matter paragraph with a sizeable number agreeing with the suggestion by the Chief Financial Officer.

QUESTION TWO

The general performance on this question was very good. 74 of the 94 candidates that attempted the question managed to obtain at least 10 marks out of a total of 20 available marks. A pass rate of 78.7% was recorded. The highest score was 18 out of 20 marks while the lowest was 0.

This part (a) of the question was on the fundamental principle of confidentiality and required candidates to on action to be taken on being sited to appear before court. Candidates needed to bring to bear their understanding of the exception to the general rule on confidentiality.

The following observations were made:

- (i) A few candidates argued that the firm should not be sued as it gave tax advice without dealing with the issue of confidentiality.
- (ii) In relation to client 2 where money laundering is suspected, some candidates suggested that permission of management should be obtained in deciding on action to be taken. This is contrary to guidance when criminality is involved, the auditors do not require to seek management's permission to report to competent authorities.
- (iii) A few candidates could not suggest action to be taken but instead repeated what was in the question for which no marks were awarded.

Part (b)

- (i) This part of the question required candidates to evaluate and discuss the ethical issue in auditors completing tax returns on behalf the client and assisting in determining the tax due. Generally completing of tax returns does not give rise to ethical issues while assisting in determining the tax due included in the financial statements does unless appropriate safeguards are applied. The performance in this part was generally poor with the majority scoring less than half the available marks.

Some candidates did not deal with the matter of completing tax returns where generally no ethical threat arises.

- (ii) This part of the question required candidates to suggest 5 suitable internal control activities in the payroll systems of Tanganyika Ltd. The question did not specify whether the control activities should be for payroll of the permanent employees or hourly paid employees and so candidates should not have been concerned about the distinction.

A majority of the candidates scored maximum marks but weaker candidates scored much less and the following observations were made:

- (i) A sizeable number of candidates suggested audit procedures for payroll instead of suggesting internal control activities. No marks were awarded for doing so.
- (ii) Some candidates gave less than the required five internal control activities and lost easy marks.

QUESTION THREE

The general performance on this question was poor. 8 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 17% was recorded. The highest score was 15 out of 20 marks while the lowest was 0.

This was the least attempted optional question with the lowest average score at 5 of the available 20 marks.

Part (a) was a knowledge based question requiring candidates to 4 roles of the ZICA with regards accountants in Zambia. Majority of the candidates scored maximum marks but there were those that gave less than the required four roles of the ZICA.

Part (b) of the question had three parts that were all connected and related to the two events in the question. Presentation of the answer was important in ensuring that all the three aspects and addressed for each of the two events in the question.

- (i) This part of the question required candidates to explain whether the financial statements required to be amended on account of each of the two events.

A majority of the candidates simply stated for each of the events that accounts require or do not require to be amended without explaining why. This question is on subsequent events and candidates needed to show understanding of the accounting for subsequent events and support their answers with appropriate arguments.

- (ii) This part of the question required candidates to explain 3 audit procedures each that should be performed on trade receivables and inventory in the scenario.

A majority of the candidates gave general procedures on receivables and inventory instead of restricting themselves on the audit procedures for the two subsequent events and no marks were awarded.

- (iii) This part of the question required candidates to explain the impact of any amendment suggested to the audit opinion.

Candidates were expected to explain the impact on the opinion of each of the two events and for 6 marks they needed to support their answer by making appropriate comments on materiality and pervasiveness of the matter.

A majority of the candidates did not support their conclusion and simply concluded that there is or there is no impact. In terms of the inventory that was gutted by fire much as the event does not give evidence of conditions that existed at the year end, disclosure in the financial statements should have been discussed.

QUESTION FOUR

The general performance on this question was poor. 35 of the 92 candidates that attempted the question managed to obtain at least 10 marks out of a total of 20 available marks. A pass rate of 38% was recorded. The highest score was 15 out of 20 marks while the lowest was 1.

Part (a) was a question requiring candidates to describe audit procedures that should be performed on the following:

- (i) Accounts payables
- (ii) Purchases cut off

The performance in this question was generally poor. As previously observed in the past examinations, candidates seem to have challenges in designing audit procedures that should be performed. It was disappointing to see candidates suggesting tests of

controls suggesting lack of understanding of the difference between substantive procedures and tests of controls. Answers such as 'observation of payables' as an audit procedure shows lack of understanding of this important topic.

Many candidates could not suggest any audit procedures for purchases cut off implying lack of understanding of the financial statements assertions related to this.

Part (b) of the question required candidates to comment on the appropriateness of suggested opinions under the two situations in the scenario. Majority of candidates either said the suggested opinion is appropriate or not appropriate with no supporting arguments. Candidates should have considered the information in the scenario to support their argument.

Part (c) of the question required candidates to identify and explain 4 audit risks in the financial statements of Metro Ltd. The explanations in answering this part were generally poor with most candidates simply repeating the information in the scenario.

Part (d) required candidates to explain the ethical issue in the appointment of the Engagement Partner on the board of directors of a client company. Majority of the candidates scored maximum marks in this part of the question. Weak candidates focused on matters of governance instead of ethical matters arising from the appointment of the Engagement Partner on the board of directors.

QUESTION FIVE

The general performance on this question was very good. 63 of the 93 candidates that attempted the question managed to obtain at least 10 marks out of a total of 20 available marks. A pass rate of 67.7% was recorded. The highest score was 19 out of 20 marks while the lowest was 1.

93 candidates attempted this question the average score was 11 marks and 64 candidate scored half or more of the available marks. The highest score was 19 marks while the lowest score was out of a maximum of 20 marks.

Part (a) of the question required candidates to explain the meaning and use of the following elements of an audit report:

- (i) Key Audit Matters paragraph:
Most of the candidates simply stated that these are important matters by the auditor with no reference of how they are determined and no mention of the use of the KAM Paragraph as required by the question.
- (ii) Other matter paragraph:
It was clear from the answers that most candidates do not know the other matter paragraph and its use.
The following were observed:

- Some candidates suggested that the responsibilities of the auditors are included in this paragraph.
- Other candidates discussed KAM in this paragraph.

(iii) Basis of opinion paragraph:

A few candidates explained that this is the paragraph that contains the opinion a clear indication of lack of understanding of the basis for opinion paragraph.

Part (b)

(i) This part of the question required candidates to identify and explain 5 ethical matters in the information in the scenario.

A large majority of candidates scored half or more of the available marks in this question.

A minority scored less marks and the following observations were made:

1. Some candidates identified the ethical issues without clearly explaining why they are considered ethical issues.
2. Some candidates lost marks for explaining less than the 5 ethical matters required.
3. There were a few candidates who explained business risks in answering this question for which no marks were awarded.

(ii) This part of the question required candidates to describe 4 audit procedures that should be performed in the figure of computers in the financial statements of Phone World Ltd. Candidates should have not been intimidated by the use of the term computers and should have suggested procedures for any assertions on PPE.

A sizeable number of candidates suggested general audit procedures instead of procedures related to the asset in question.

Overall Performance of Candidates

Highest mark obtained in this paper: 73%

Lowest mark obtained in this paper: 13%

Overall pass rate in this paper: 45.9%

SUBJECT: CA 2.4 - TAXATION

QUESTION ONE

The general performance on this question was fair. 58 out of the 127 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 45.7%. The lowest score was 1, whilst the highest was 38 out of the available 40 marks.

Part (a) which required candidates to state the due date for the submission of the return of provisional income and the consequences of submitting this return late, was generally answered well. Only a few failed to state the correct due date and explain the consequences of submitting the return late.

In part (b) candidates were required to calculate the amount of provisional income tax paid during the year, stating the due dates for each instalment. The following are the challenges faced by the candidates:

- (i) Using the wrong rates to compute the provisional income tax. A number of candidates forgot to deduct the discount for listing shares on the LuSE to arrive at the correct company income tax rate.
- (ii) Taking the provisional income provided in the question to be the provisional income tax paid.
- (iii) Failure to state the correct due dates for the quarterly payments of provisional income tax.

In part (c) 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) Using the wrong rates to compute wear and tear allowances on the buildings, implements, plant and machinery.

In part (d) candidates were required to calculate the tax adjusted business profit for the company. The main weaknesses demonstrated by the candidates included:

- (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 free residential accommodation provided to the company's directors.
- (iii) Adding back the wrong amount of the personal to holder motor car benefit in respect of the motor cars provided to the directors on a personal to holder basis.
- (iv) Failure to make appropriate adjustments for the investment income received by the company.

In part (e) candidates were required to calculate the amount of income tax payable by the company. The most common mistakes made by candidates who did not perform well on this part of the question included:

- (i) Not grossing up investment income which suffers withholding tax which is not final when computing the taxable income for the company.
- (ii) Using the wrong rates to compute the company income tax payable. In addition to deducting the 2% discount for listing shares on the LUSE during some candidates made the mistake of also deducting the 5% discount which is given for issuing at least one third of shares to indigenous Zambia. The later discount was not available as the number of shares issued by the company to indigenous Zambians did not exceed the one third threshold.
- (iii) Failure to make appropriate adjustments for the provisional income tax already paid and the withholding tax paid on royalties and bank interest income.

QUESTION TWO

The general performance on this question was very good. 78 of the 121 candidates that attempted the question managed to obtain at least 10 marks out of a total of 20 available marks. A pass rate of 64.5% was recorded. The highest score was 19 out of 20 marks while the lowest was 0.

In part (a) (i) candidates were required to discuss the factors indicating that a taxpayer who set up his own business as an independent self-employed person after his fixed term contract of employment expired, was an employee in relation to the contract he subsequently entered into with his former employer, a month after the expiry of the contract. Most candidates did not read the questions carefully and focused their discussion on the period before the contract of employment expired, instead of focusing on the period after the expiry of the contract as required by the question.

Part (a) (ii) which required candidates were required to discuss the factors indicating that the taxpayer was self-employed and was generally answered well. Only a few candidates failed identify the relevant factors.

In part (b) candidates were required to calculate the final taxable business profit on the assumption that the tax payer was held to be self-employed. The most common mistakes made by candidates included omitting the amount invoiced to the client in the computation of the taxable income and using the wrong rates to compute the capital allowances claimable.

In part (c) candidates were required to calculate the total final amount of income tax payable by the taxpayer. A good number of candidates taxed the employment income generated in the first four months of the year before the expiry of the contract separately and the business profits generated in the last seven months as a self-employed person separately, instead of simply aggregating the income from the two sources and subjecting the total aggregated income to the income tax bands for individuals.

QUESTION THREE

The general performance on this question was poor. 9 of the 46 candidates that attempted the question managed to obtain at least 10 marks out of a total of 20 available marks. A pass rate of 19.6% was recorded. The highest score was 19 out of 20 marks while the lowest was 2.

Part (a) which required candidates to explain the qualities of a good tax system was fairly well answered. Only a few candidates failed to provide the required explanations.

In part (b) candidates were required to describe the operation of the self-assessment system and to describe the types of persons who are assessed under self-assessment. Candidates generally demonstrated a lack of knowledge of the operation of the self-assessment system and therefore failed to provide the appropriate responses.

In part (c) (i) candidates were required to explain the meaning of the current and preceding year bases of assessment, the commencement and cessation rules describing the circumstances in which each rule apply. Candidates generally demonstrated a lack of knowledge of this topic and therefore failed to provide the appropriate responses.

QUESTION FOUR

The general performance on this question was fair. 52 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 47.7% was recorded. The highest score was 18 out of 20 marks while the lowest was 0.

This question covered ethical issues in tax practice and Value Added Tax (VAT). Part (a) (i) which required candidates to explain how the provision of taxation services may create a self-review threat to compliance with fundamental principles of the code of ethics was generally answered well. Part (a) (ii) which required candidates to explain the difference between tax avoidance and tax evasion was equally answered well.

In part (b) candidates were required to calculate the amount of VAT payable by the company. The main challenges faced by the candidates were as follows:

- (i) Claiming input VAT on items on which VAT is irrecoverable which included the motor car, entertainment expenses, utility bills relating to the Finance Director's accommodation.
- (ii) Failure to compute the correct amount of the recoverable non-attributed input VAT on the overheads.
- (iii) Failure to calculate the correct amount of input VAT on items which were stated at their VAT inclusive values.

QUESTION FIVE

The general performance on this question was fair. 50 of the 102 candidates that attempted the question managed to obtain at least 10 marks out of a total of 20 available marks. A pass rate of 49% was recorded. The highest score was 20 out of 20 marks while the lowest was 2.

This question covered property transfer tax and customs and excise duty.

In part (b) candidates were required to calculate the value for duty purposes and import taxes arising on the importation of a station wagon. The most common weaknesses demonstrated by candidates were as follows:

- (i) Including costs incurred within Zambia in the computation of the VDP.
- (ii) Failure to identify the correct specific customs and excise duty arising.
- (iii) Not including the surtax charge given that the vehicle was aged above five years

In part (b) candidates were required to describe any four (4) methods that are used to determine the value for duty purposes (VDP) for goods manufactured in Zambia. A number of candidates demonstrated a lack of knowledge of the methods and therefore failed to provide the required explanations.

In part (c) candidates were required to explain the property transfer tax implications of each of the capital transactions entered into by an individual during the year. The following were the most common challenges faced by candidates:

- (i) Using the net proceeds instead of gross proceeds in computing PTT on the sale of the land and the low -cost house.
- (ii) Charging PTT on the purchase of shares when PTT is payable by the transferor.
- (iii) Failing to use the correct realized value to compute the PTT arising on the transfer of a residential house to biological son at a discounted price.
- (iv) Failure to determine the correct realized to compute the PTT arising on the transfer of land to the nephew. A nephew is not a member of the immediate family. Some candidates treated this transaction as transfer made to an immediate family member.

Overall Performance of Candidates

Highest mark obtained in this paper: 85%
Lowest mark obtained in this paper: 9%
Overall pass rate in this paper: 50.4%

SUBJECT: CA2.5 – FINANCIAL MANAGEMENT

QUESTION ONE

The general performance on this question was poor. 38 out of the 147 candidates that attempted the question achieved a pass (that is a score of at least 20 out of 40 marks), representing a pass rate on the question of 25.9%. The lowest score was 3, whilst the highest was 28 out of the available 40 marks.

This question was the usual compulsory investment appraisal question requiring candidates to compute the Net Present Value (NPV), Internal Rate of Return and Profitability Index.

Part (a) required candidates to calculate the Net Present Value of each of the three products A, B and C. The common observations include:

- (i) Candidates failed to recognize the irrelevant cash flows and treated the historical costs or sunk costs of research and development which were already incurred on the products as relevant costs, and they included them in the calculations which was fundamentally wrong and wasted their time. They also erroneously included the apportioned general administration costs and depreciation costs. All these costs were irrelevant cash flows which never needed to be included in the calculations.
- (ii) There was also lack of knowledge on the treatment of working capital. Some candidates failed to recognize the working capital as an inflow in the final year whereas some deducted the working capital on a yearly basis and yet the instructions were very clear. Worse still, some few candidates used the percentage of yearly contribution as working capital instead of the percentage of total yearly sales.
- (iii) A significant majority of candidates treated products as years rather than individual products requiring separate NPVs. Thus, candidates got tempted to find the consolidated NPV.
- (iv) Most of the candidates wasted time in using the present values rather than the annuities. It appears candidates have yet to master the use of annuities.
- (v) Most of the candidates struggled to calculate the correct initial investment which included the working capital investment.
- (vi) A good number of candidates deducted the 4% general administration costs from sales to arrive at the contribution which was incorrect.
- (vii) A significant majority of the candidates used year one annuity as a discount factor instead of year five annuity factor.
- (viii) What was hugely surprising was poor presentation of the NPV layout and a few candidates did not know where to put the initial layout.
- (ix) However, a significant majority of the candidates were able to calculate the yearly contribution.

Part (b) required candidates to calculate the Internal Rate of Return and provide advice on the acceptability of the product investments. This part was well answered. However, a significant number of candidates wrongly used internal rate of return formula.

Part (c) required candidates calculate the profitability index for each product with the assumption of divisible projects. This part was badly answered. It appears candidates were caught unaware about this part, and this could be attributed to unpreparedness. The common mistake was the profitability index ratio formula given by dividing the NPV by the initial investment instead of the sum of present value cash flows divided by the initial investment. Nearly no candidate was able to calculate the proportion of investment for each product was to be undertaken.

Part (d) required candidates to discuss the limitations of the profitability index as means of dealing with capital rationing. This part was equally poorly answered. Most of the candidates did not have demonstrate understanding of what was being required for. The difficult part was inability by the candidates even to explain the profitability index and capital rationing. It was common to get responses such as "it focuses on profit which can easily be manipulated", "it does not consider the time value of money". Such responses posed a serious challenge for the markers to award any credit.

Part (e) required candidates to discuss whether a change in dividend policy will affect the share price. This part was also poorly answered. Candidates lacked the knowledge on the dividend policies and how they relate to the share price mainly because of unpreparedness. The examiners could only remind them at this point that dividends act as signals to investors.

QUESTION TWO

The general performance on this question was very good. 88 of the 134 candidates that attempted the question managed to obtain at least 10 marks out of a total of 20 available marks. A pass rate of 65.7% was recorded. The highest score was 18 out of 20 marks while the lowest was 2.

Part (a) required candidates to identify the objectives of working capital management and discuss the conflict that may arise between them. Part (b) required candidates to calculate the current ordering policy and determine the saving that could be made by using the economic order quantity model. Part (c) required candidates to discuss ways in which Mwaiseni Ltd could improve the management of domestic receivable. Part (d) required candidates to discuss two (2) attractions of an operating lease as a source of finance.

QUESTION THREE

The general performance on this question was poor. 22 of the 91 candidates that attempted the question managed to obtain at least 10 marks out of a total of 20 available marks. A pass rate of 24.2% was recorded. The highest score was 15 out of 20 marks while the lowest was 3.

Part (a) required candidate to calculate the value of a company and part (b) to explain the purpose of undertaking business valuations. Part (c) required candidates to discuss the usefulness of asset based valuation methods. The calculations using Dividend Valuation Method was done wrongly by most candidates. The calculation of Cost of Equity was also a challenge to many candidates. Others had challenges with the Price Earnings Ratio methods. A few candidates could not get this right because they did not apply the simple formula of $P/E \text{ ratio} = \text{Share price}/\text{EPS}$.

QUESTION FOUR

The general performance on this question was fair. 35 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 41.2% was recorded. The highest score was 16 out of 20 marks while the lowest was 0.

(a)

- i. This part of the question required the candidates to explain the meaning of a financial market. The common mistake in responding to this question, some candidates instead described the commodity market. Some of the responses failed to clearly state that the financial assets traded included equities, bonds, currencies and derivatives. This implied inadequate preparation regarding this part of the syllabus by some candidates.
- ii.
 - (1) The candidates were required to clearly state the difference between Debt and Equity Markets. For those candidates that responded to this section of the question and did not clearly explain the two markets and what differentiates. These candidates failed to explain the difference between the two markets.
 - (2) Candidates were examined on the knowledge on what was the difference between Money Market and Capital Market. Some of the common mistakes such candidates made involved explaining the financial market instead of the money market as this question demanded. As for some, instead of describing the Capital Market as that market that trade in financial securities, they described that the capital market involved the buying and selling of physical fixed assets.

(3) This question required candidates to clearly differentiate between Forex Market and Interbank Market. The candidates needed to explain that the Forex Market is where currencies are traded and that the Interbank Market is the financial system and trading of currencies among banks and financial institutions. Some candidates failed to state this distinction clearly. Such candidates offered the same differences as per part (2) of the question.

(b)

- i. This question required the candidates to calculate the interest coverage ratio. They needed to first to compute the current interest by multiplying the overdraft limit which was at K4.5million with the 5% which was the current interest charged on overdraft. Most candidates who attempted this question were not able to utilize the information given in the question to calculate both the interest coverage and gearing.
- ii. Most Candidates who attempted this part of the question did not clearly state the alternative sources of funds that Growth Point Ltd who have had access to which included equity finance, sale and leaseback and convertible bonds. None of these alternatives were mentioned.

QUESTION FIVE

The general performance on this question was fair. 47 of the 115 candidates that attempted the question managed to obtain at least 10 marks out of a total of 20 available marks. A pass rate of 40.9% was recorded. The highest score was 17 out of 20 marks while the lowest was 2.

- a. Common mistakes for those candidates that responded to this part of the question involve the non-stating of the functions of financial intermediary as the question required them to do so.
- b. Some candidates failed to calculate the Earnings Per Share (EPS) for Markos Enterprises. These candidates did not first determine the Profits after tax by applying the rate of tax of 30% on the profits before taxes of Markos Enterprises Ltd. Further, mistake was the inability of deducting the preference dividend in order to arrive at the Earnings attributable to ordinary shareholders and subsequent number of the ordinary shares. The lack of this systematic calculation resulted into the wrong EPS due to the wrong number of shares.
- c. The Candidates failed to satisfactorily explain why the accounting profits are not the best measure of the company's financial achievements. Insufficient response was given by those who attempted this question.

Overall performance of candidates

Highest mark obtained in this paper: 64%

Lowest mark obtained in this paper: 7%

Overall pass rate in this paper: 28.1%

SUBJECT: CA 2.6 - STRATEGIC BUSINESS ANALYSIS

QUESTION ONE

The general performance on this question was good. 71 out of the 121 candidates that attempted the question achieved a pass (that is a score of at least 20 out of 40 marks), representing a pass rate on the question of 58.7%. The lowest score was 0, whilst the highest was 35 out of the available 40 marks.

This was a case study-based compulsory question to be attempted by all candidates. It had four (4) sub-questions with a total of 40 marks.

Part (a) required the candidates to explain what is meant by the terms 'value chain' and 'value chain analyses'.

The majority of the candidates were able to explain the term Value chain well. However most of them had a challenge to explain the Value Chain Analysis. Students showed no knowledge relating the two phrases.

Part (b) required the candidates to draw and give the brief explanation of each part of the Porter Value Chain diagram. This question needed students to understand how value chain activities are performed to determine costs and how they affects profits, so this tool can help one understand the sources of value for the organization.

Many of the candidates were able to draw the diagram but had difficulties to identify and briefly explain the Primary and Support activities. However, some candidates were drawing a Porters Five Forces model a demonstration of a lack of understanding the two models.

Part (c) required candidates to analyze the activities in the value chain to identify four (4) key problems in reference to the case study.

Those candidates who were able to understand the application of the Value Chain model were able to answer this part of the question correctly.

Part (d) required candidates to make recommendations that would support the business in a more efficient and effective way of operations in the given case study.

Candidates needed to understand the application of the model as in Part (c) had no challenges in making recommendations. It recommended that candidates must relate the topics and models in a more application way wen studying.

QUESTION TWO

The general performance on this question was very good. 67 of the 104 candidates that attempted the question managed to obtain at least 10 marks out of a total of 20

available marks. A pass rate of 64.4% was recorded. The highest score was 20 out of 20 marks while the lowest was 0.

This was a scenario-based question on drawing the candidate to the five competitive model postulated by Michael Porter. The question had three parts: (a), (b), (c).

Part (a) requested the candidates to demonstrate through the diagram the five (5) competitive forces model.

Most candidates gave a good demonstration. However, some candidates lost marks because they could not label the model properly which shows lack of understanding and preparation.

Part (b) required Candidates State and explain the three (3) generic strategies for competitive advantage.

Candidates at this level must be able understand how to identify and apply the generic strategies (Cost leadership, Differentiation and Focus). Most of those who attempted this part of the question were able to get full marks.

Part (c) required candidates to explain the ways in which marketing services can be made more effective by customer databases enabling market segmentation.

The majority of the candidates had a challenge to understand the concept of customer database. There is need for candidates to understand the concepts of marketing and use database for customer data.

QUESTION THREE

The general performance on this question was very good. 63 of the 80 candidates that attempted the question managed to obtain at least 10 marks out of a total of 20 available marks. A pass rate of 78.8% was recorded. The highest score was 20 out of 20 marks while the lowest was 2.

This scenario based question giving highlight ideas on corporate governance. The question had two sub-question parts (a) and (b).

Part (a) required candidates to discuss ways of resolving Agency problems what the concepts of skepticism and independence mean in corporate governance.

Most of the candidates had a challenge to discuss the Agency problems. Candidates needed to appreciate the agency problem in governance. However, some managed to explain the meaning of the concepts of skepticism and independence. Corporate Governance issues must be well understood by all candidates at this level.

Part (b) required candidates to explain the benefits of Enterprise Risk Management. Most candidates gave correct answers but could not get full marks because the answering were not elaborative. Candidates must avoid listing bullet points when required to explain.

QUESTION FOUR

The general performance on this question was fair. 32 of the 75 candidates that attempted the question managed to obtain at least 10 marks out of a total of 20 available marks. A pass rate of 42.7% was recorded. The highest score was 18 out of 20 marks while the lowest was 0.

This question was in two parts: (a) and (b). Part (a) required candidates to use the Strategic Clock diagram and apply it on a product or firm of any choice.

Most candidates lost marks because they were not giving full explanations. Some were able to give the correct diagram of the strategic clock but had challenges in the application to any product or firm as required by the examiner.

Part (b) required candidates to Discuss barriers to entry in a competitive industry of your choice.

Most of the candidates got average marks on this part of the question but it was observed that candidates could not give full explanations as required by the examiner.

QUESTION FIVE

The general performance on this question was very good. 92 of the 100 candidates that attempted the question managed to obtain at least 10 marks out of a total of 20 available marks. A pass rate of 80% was recorded. The highest score was 20 out of 20 marks while the lowest was 0.

This question was in two parts: (a) and (b). Part (a) required candidates to provide any five (5) comments on the definition of corporate governance.

This was an open question and the majority of the candidates were able to answer. However, due to poor explanations in the use of English, most candidates lost some marks. Candidates are encouraged to write clearly for examiner to understand the points.

Part (b). This part of the question required to describe any five (5) advantages of centralization.

Overall performance of candidates

Highest mark obtained in this paper: 88%

Lowest mark obtained in this paper: 22%

Overall pass rate in this paper: 80.2%

SUBJECT: CA 3.1 - ADVANCED FINANCIAL REPORTING

QUESTION ONE

The general performance on this question was very good. 93 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 69.4%. The lowest score was 2, whilst the highest was 40 out of the available 40 marks.

This was a 40-mark question and tested candidates on Consolidated Statement of Financial Position involving a sub-subsidiary. The question had two (2) parts. Part (a) required candidates to explain two (2) reasons why it might be difficult to identify the acquirer and part (b) required candidates to prepare a Consolidated Statement of Financial Position as at 31st July 2023.

This question was fairly moderate and almost all candidates attempted this question. It was generally well answered by candidates who had full grips of the principles of consolidation.

Surprisingly, almost all candidates failed to answer appropriately the first part of the question that related to business combinations. Candidates did not understand the concept of identifying an acquirer. They interpreted "identifying an acquirer" as looking for a buyer or investor.

Candidates generally had a satisfactory performance in answering the question, which tested the candidates' understanding on preparing consolidated statement of financial position for a group comprising of a direct subsidiary as well as an indirect subsidiary. 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.

Some candidates had difficulty in establishing the fact that Ndola plc (parent) had indirect control over Kawama plc (indirect subsidiary) because of its direct control over Lubuto plc (direct subsidiary). Few candidates determined whether Kawama should be consolidated or otherwise using the effective control of 48% instead of the principle of indirect control. Thus, some candidates were not consolidating Kawama plc's assets and liabilities, and resorted to presenting the assets and liabilities as a single line item (i.e. investment in associate).

Generally, candidates also had issues with incorporating the effect of additional information on the consolidated statement of financial position. Fair value adjustment (surplus) of K320 million occurred upon acquisition of Lubuto plc by Ndola plc. However, Ndola plc had a policy of using fair values for the property, plant and equipment including its subsidiaries. As a result, the subsidiary had incorporated the fair value adjustment already. However, it was observed that some candidates were adding the K320 million again to the assets on the consolidated statement of financial

position. Also, candidates failed to identify that the K320 million was included in the revaluation surplus of K960 million, and has to be excluded in computing the parent's share of the post-acquisition revaluation surplus. Alternatively, candidates could have presented the fair value adjustment of K320 million as a separate line item on the net assets movement of Lubuto plc only at the acquisition date, and nothing recorded at the reporting date.

Though fundamental to preparing consolidated financial statements, some candidates still lack understanding of the concept of equity as a residual interest in a company's assets after taking all liabilities and the fundamental principles of consolidation. Once assets and liabilities at the acquisition date have been recognised and pre-acquisition equity already subsumed in goodwill, preacquisition equity (stated capital and all pre-acquisition reserves) of the subsidiaries cannot be recognised again. Some candidates were still consolidating these pre-acquisition equity items.

The challenge for some candidates was the determination of the indirect holding adjustment.

- (i) The treatment of the contingent consideration arising upon the acquisition of the indirect subsidiary (Kawama plc), also presented a challenge to some candidates. The present value of the consideration at acquisition date was given and also at the reporting or consolidation date. Candidates struggled in identifying correctly which of the figures to use in the goodwill computation. Some candidates lacked the understanding that in goodwill computation, it is only the values of assets and liabilities as at the acquisition date that are used, and not the reporting date value.
- (ii) 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.
- (iii) 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.

QUESTION TWO

The general performance on this question was very poor. 6 of the 88 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 12 out of 20 marks while the lowest was 0.

The question required candidates to advise the directors of a reporting entity on the accounting treatment of a number of transactions comprising:

- (i) Sale through leasing of equipment that was trading inventory.

- (ii) Sale and lease back of a property where the sale did not have commercial substance
- (iii) Lease of part of a property that is used for owner occupation to a larger proportion.

The question required application of IFRS16, IFRS 15, IAS 40 and IAS 16 in recommending the required accounting treatment.

The following mistakes/shortfalls were observed and which lead to insufficient scores on the question:

- (i) It was evident that most candidates were ignorant of the basic lessor accounting requirements of IFRS 16.
- (ii) It was also evident that most candidates were ignorant of the sale and lease back accounting requirements of IFRS 16 where the sale has no commercial substance. A good proportion of the candidates that attempted to account for the sale and lease back did so wrongly by concluding that the sale had commercial substance and by recognizing a ROUA and a lease liability.
- (iii) A good proportion of those that attempted the question did not realise that a portion of the owner occupied property that was leased out should have been treated as an investment property and accounted for under IAS 40 instead of IAS 16. Only one candidate attempted the split.

QUESTION THREE

The general performance on this question was very good. 78 of the 128 candidates that attempted the question managed to obtain at least 10 marks out of a total of 20 available marks. A pass rate of 60.9% was recorded. The highest score was 20 out of 20 marks while the lowest was 1.

This question was on IAS 21: The Effects of Changes in Foreign Exchange Rates, IFRS 15: *Revenue from Contract with Customers* and ethics.

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

It was generally not well answered though the questions were straight forward. The question had three (3) parts.

Part (a) required the candidates explain to the directors of Tinashe Ltd, how the functional currency of Mwamba Ltd should be determined.

Part b) required the candidates to explain (with calculations and entries, where necessary) as to how the scenario would be treated by Zed during the year ended 31 March 2022.

Part (c) required candidates to assess the possible ethical breaches and recommend four (4) possible actions that should be taken in dealing with the ethical breaches.

As usual, the accounting standards part of the question was poorly answered by most candidates. Majority of candidates were familiar and were able to express themselves by answering the functional currency relating to IAS 21. They were able to talk about the determinants for the functional currency but only a few were able to state the functional currency of the Subsidiary. With regards to the IFRS 15, they were not able to state the entries appropriately. A greater percentage of the marks earned by candidates came from the ethics part of the questions. Candidates provided reasonable responses regarding the fundamental ethical principles that apply and the possible courses of action to be taken to deal with the ethical dilemma.

QUESTION FOUR

The general performance on this question was very poor. 1 of the 38 candidates that attempted the question managed to obtain at least 10 marks out of a total of 20 available marks. A pass rate of 2.6% was recorded. The highest score was 10 out of 20 marks while the lowest was 0.

Part (a) of the question required candidates to explain accounting for debt factoring transactions where one there is recourse debts risk and where there is no recourse according to IFRS9. Part (b) of the question required candidates to explain the significance of three factors mentioned in the mini scenario that trigger an impairment review according to IAS 36. Part (c) of the question required candidates to recommend the accounting treatment for curtailment of pension obligation when there is a restructuring of the company in line with provisions of IAS 19 and other international financial reporting standards.

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

In the solutions to part a) of the question, candidates explained what debt factoring with recourse and without recourse meant. They, however, did not use the figures to explain and demonstrate how the accounting would be done and state amounts would be reported specifically in the statement of profit or loss and what amounts would be reported in the statement of financial position.

In the solutions to part b) of the question candidates described impairment according to IAS36, instead of directly discussing the factors that trigger annual impairment reviews. Explanations were vague and unconcise as to how impairment arises.

In the solutions to part c) of the question candidates described the two types of pension schemes: contributory and benefit schemes. They failed to correctly account for the curtailments of the pension obligation, treating transactions like they were for a full question, instead of merely adjusting the given figures. Most students did not use the given figures, and those who used them did not correctly specify where in

financial statements amounts would reported (accounts to be debited and those to be credited).

Few candidates attempted this question and those who did not demonstrate genuine correct understanding.

QUESTION FIVE

The general performance on this question was poor. 26 of the 120 candidates that attempted the question managed to obtain at least 10 marks out of a total of 20 available marks. A pass rate of 21.7% was recorded. The highest score was 14 out of 20 marks while the lowest was 0.

The question required candidates to analyse financial performance and financial position of a company whose financial statements were given for two successive years. In their analysis they were to discuss the increase in investment in property, plant and equipment, increase in the share price and the impact of paying a dividend in the year.

Performance was below average because of the errors made in the analyses. Candidates calculated some basic ratios correctly but failed to calculate the operating profit margin because they did not reverse the finance costs as disguised by the question. Furthermore, some candidates calculated investment ratios even though they were outside the scope of the requirements.

Comments made by most candidates were mostly trend movements without reference to possible factors that would cause the increases or decreases. There were also candidates who made comments on the absolute changes of figures without calculating any ratios.

Overall performance of candidates

Highest mark obtained in this paper: 73%

Lowest mark obtained in this paper: 13%

Overall pass rate in this paper: 38.1%

SUBJECT: CA 3.2 - ADVANCED AUDIT AND ASSURANCE

QUESTION ONE

The general performance on this question was fair. 71 out of the 162 candidates that attempted the question achieved a pass (that is a score of at least 20 out of 40 marks), representing a pass rate on the question of 43.8%. The lowest score was 2, whilst the highest was 33 out of the available 40 marks.

Part (a) of the question required candidates to show an understanding on the topic of legal liability of the auditors and to advise three parties on their intended litigation against Moore Chartered Accountants:

- (i) Chanda:
- (ii) Mutti Plc:
- (iii) Bank of Credit:

A majority of the candidates lost marks largely on account of discussing the responsibilities of the auditor with regards fraud and argued that management is responsible. It was further argued that auditors will not be held liable as a result of not being responsible for detecting fraud.

Candidates should have brought to bear their knowledge of auditor liability to the company to whom they owe a duty of care, third parties and banks that rely on audited financial statements.

The following additional observations were made:

Many candidates made no reference to the Caparo V Dickman decision on third parties suing the auditors for professional negligence.

A sizeable number of candidates gave the same advice to all three parties signifying lack of understanding of auditor liability.

Several simply concluded that all three parties could not sue the auditors and yet action could be taken by anyone that feels injured and the courts determine the outcome of the case.

A few candidates explained in detail the provisions of ISA 240 which did not answer the question requirements.

Part (b) of the question required candidates to explain 4 steps that Moore Chartered Accountants could take in order to minimize the danger of being sued for professional negligence.

The following observations were made:

Many candidates gave less than the required number of steps and so losing easy marks.

Most candidates focused on fraud and how the auditors may protect themselves instead of considering professional liability.

A few discussed how auditors could limit auditor liability by for example taking necessary insurance. The question concerned itself on how auditors may minimize the risk of being sued for professional negligence.

Some candidates discussed the issue of the auditor owing due care a matter that should have been brought out in answering part (a) above.

Part (c)

1. This part of the question required candidates to explain the meaning of analytical procedures in auditing. A majority of the candidates adequately explained the meaning of analytical procedures and scored maximum marks. A few candidates gave examples of the application of analytical procedures without clearly explain the meaning.
2. This part of the question required candidates to describe the use of analytical procedures in the three stages of auditing namely planning, evidence gathering and concluding. Candidates should have observed that at the planning and review stages of the audit the auditing standards require than analytical procedures should be used while it is optional in obtaining evidence during the substantive audit stage.

A majority of the candidates seemed not to know the use of analytical procedures at the substantive audit stage. Some candidates explained methods of obtaining audit evidence such as inspection, observation and recalculation which were not addressing the question requirements.

Part (d) of the question required candidates to identify and explain 5 audit risks in the audit of Mutti Plc.

The following observations were made:

There were instances where candidates did not explain the assertions that could be impacted by the risk explained. In explaining audit risk, candidates are reminded to explain the financial statement assertion that will be affected in the event the risk crystalizes.

Some candidates explained audit procedures in the audit of the financial statements of Mutti Plc instead of audit risks.

There were a few candidates who gave less than the required number of audit risks.

Part (e) required candidates to describe the action that should be taken by the auditors in view of the change in expiry dates of drugs. The question bordered on reporting this to competent authorities and consideration of the ethical principle of confidentiality.

The performance in this part was poor and the following observations were made: Some candidates discussed procedures for auditing expired drugs and so not addressing the question requirements.

Some candidates simply stated that the matter should be discussed with management and those charged with governance. While this is correct, this is an illegal act and the auditors should consider reporting this illegality to responsible authorities.

Some candidates discussed the possibility of Mutti Plc being sued and ignored the action by the firm as required by the question.

QUESTION TWO

The general performance on this question was very poor. 7 of the 92 candidates that attempted the question managed to obtain at least 10 marks out of a total of 20 available marks. A pass rate of 7.6% was recorded. The highest score was 12 out of 20 marks while the lowest was 0.

Part (a) required candidates to explain the audit risk with regards subsequent events.

Candidates needed to bring to bear the requirements of IAS 10 in explaining what could go wrong in the financial statements. The audit risk is that management may not account for subsequent events in accordance with the provisions of IAS 10 which could result in a misstatement of the financial statements.

Some candidates explained in detail adjusting and non-adjusting events giving examples without explaining what the audit risk is. No marks were awarded for doing so. Candidates are reminded to ensure they understand the requirements of questions before beginning to answer the questions.

Many candidates clearly had no idea about the provisions of IAS 10 and its audit implications.

There were candidates who wrote too much for 2 marks thereby wasting valuable examination time.

This part of the question required candidates to describe the audit work regarding the subsequent events in the question. In this case candidates should have considered whether the events are adjusting or non-adjusting.

Many candidates simply did not attempt to answer this part of the question. A few simply repeated what was in the question without describing the audit work that should be performed in accordance with ISA 560.

Part (b) of the question required candidates to suggest a suitable audit opinion based on information in the scenario. Candidates were required to justify the suggested opinion in order to score maximum marks.

A number of candidates gave general answers without applying their knowledge to the information in the question as required. This did not attract maximum marks.

Part (c) required candidates to draft extracts of the audit report using elements given in the question requirement and other information in the scenario. The performance in this part was poor with a majority of the candidates scoring much less than half the available marks. Knowledge of the elements of the audit report should have assisted candidates to satisfactorily answer this question.

Many candidates focused on auditor and management responsibilities and the question specifically referred to use information in the scenario.

Weak candidates even addressed the audit report to management!

QUESTION THREE

The general performance on this question was poor. 28 of the 136 candidates that attempted the question managed to obtain at least 10 marks out of a total of 20 available marks. A pass rate of 20.6% was recorded. The highest score was 15 out of 20 marks while the lowest was 0.

Part (a) was on the topic of client acceptance and required candidates to discuss the matters that should have been considered in accepting appointment as auditor of Luwingu Ltd. Candidates were required to use the information in the scenario in answering this question and general answers not related to the information in the scenario did not earn maximum marks.

The auditors should have considered their competence in conducting audits in an industry that the firm has no skills. Further by refusing to grant permission to communicate with the outgoing auditors the integrity of management should have been considered. Some candidates explained the ethical matters but did not suggest ways in which the matters could be resolved.

Part (b)

1. This part of the question specifically required candidates to comment on the appointment as auditors considering refusal by the client to allow the incoming auditors to communicate with the outgoing auditors. Candidates should have concluded that appointment should have been declined and also consider resigning

because of the irregularity in getting appointment. Majority of the candidates scored maximum marks in this part of the question.

2. This part of the question required candidates to suggest suitable action that should have been taken by Sherry & Associates to validate their appointment as auditors.

The ethical matter that should have been discussed with regards appointment is the denial to communicate with the outgoing auditors. The firm should have declined appointment as auditors of Luwingu Ltd. Most candidates did not address this and therefore lost marks.

Part (c) of the question was on quality control and to answer the question satisfactorily, candidates needed to use the provisions of ISQC 1 and ISA 220 for quality control at the firm level and individual audit levels respectively.

Candidates should have observed that Sherry & Associates complies with the guidance in ISA 220 where the engagement partners of individual audits are responsible for quality control.

Most candidates focused on discussing the elements of quality control without explaining the responsibilities for quality control at the firm level and the individual audit levels per relevant auditing standards. Explaining quality control in general without focusing on the responsibility did not earn maximum marks.

Part (d) required candidates to show understanding of the fact that audit firms should evaluate whether to continue audit relationships with existing clients and the fact that ISQC 1 gives guidance on matters that should be considered in this review and also when accepting clients. Candidates who did not know the provisions of the standard scored low marks in this question. Majority of the candidates showed lack of knowledge of the provisions of the standard on acceptance and continuance of audit engagements.

QUESTION FOUR

The general performance on this question was poor. 33 of the 108 candidates that attempted the question managed to obtain at least 10 marks out of a total of 20 available marks. A pass rate of 30.6% was recorded. The highest score was 19 out of 20 marks while the lowest was 0.

Part (a)

- (i) This part of the question required candidates to explain why a review of financial statements may cost less than for an audit of the financial statements. Several candidates defined and explained reviews without addressing the

question requirement as to why reviews of financial statements are generally cheaper than audits of financial statements.

- (ii) This part of the question required candidates to describe the main features that distinguish a review of financial statements from an audit of the financial statements. Many candidates failed to distinguish a review from an audit. The amount of work done and the methods of obtaining evidence as well as the level of assurance should have been explained.

Part (b)

- (i) This part of the question required candidates to describe sampling and non-sampling risks in the audit of financial statements. Most candidates did not know the two types of risks and some said non-sampling risk does not involve sampling which is clearly wrong.
- (ii) This part of the question required candidates to describe the implications of the use of big data and data analytics to audits of financial statements. Most of the candidates simply explained big data and data analytics with no reference to the impact of these to the audit as per question requirement.
- (iii) This part of the question required candidates to explain how CAATs can reduce sampling risk and to give three ways in which CAATs can be used in the audit of the financial statements of Limpopo Plc. A majority of the candidates focused on explaining audit software and test data without explaining how CAATs can reduce sampling risk. Many candidates could not give three examples of the use of CAATs in an audit and so lost easy marks.

QUESTION FIVE

The general performance on this question was poor. 19 of the 137 candidates that attempted the question managed to obtain at least 10 marks out of a total of 20 available marks. A pass rate of 13.9% was recorded. The highest score was 18 out of 20 marks while the lowest was 1.

Part (a)

- (i) This part of the financial statements required candidates to discuss the audit risks with regards tangible non-current assets measured at fair value. To answer this question satisfactorily, candidates needed to know the accounting for assets held at fair value and the risk of accounting estimates arising from determining fair values. Some candidates discussed audit risk in general for

tangible non-current assets without specifically risk on assets held at fair value. There were also candidates who explained the elements of audit risk which did not address the question requirement.

- (ii) This part of the question was on audit evidence and required candidates to describe 4 audit procedures that should be performed in the audit of non-current assets held at fair value. A number of candidates gave less than the 4 audit procedures requested. Further, most of the suggested audit procedures related to general non-current assets and not those held at fair value. Some candidates also explained assertions for account balances which did not address the question requirements.

Part (b)

This was a multi topic question on related parties and other information in documents containing financial statements.

- (i) This section required candidates to describe the action the auditors should take on account of non-disclosure of related party and related party transactions in the financial statements of Cliff Plc. Non-disclosure has an impact on the audit opinion and the action to be taken will be on these lines. Some candidates described audit procedures for related party transactions which were not required.
- (ii) This section of the question required candidates to explain 4 reasons auditors cannot detect all related party transactions in a client company. Most of the candidates gave satisfactory answers. A few gave less than the required number of reasons and lost easy marks.
- (iii) This section of the question required candidates to explain the information that should be included in the audit report regarding other information contained in documents containing financial statements. Candidates needed to know the provisions of ISA 720 in answering this part of the question.

Most candidates discussed the audit report and the related elements instead of discussing the requirements of what should be included in the other information paragraph.

Overall performance of candidates

Highest mark obtained in this paper:	68%
Lowest mark obtained in this paper:	13%
Overall pass rate in this paper:	24.7%

SUBJECT: CA 3.4 - ADVANCED TAX

QUESTION ONE

The general performance on this question was poor. 7 out of the 65 candidates that attempted the question achieved a pass (that is a score of at least 20 out of 40 marks), representing a pass rate on the question of 10.8%. The lowest score was 1, whilst the highest was 30 out of the available 40 marks.

This question covered incorporation of a business under tax planning and taxation of rental income and trusts under the framework for Taxation.

In part (a) (i) candidates were required to explain the basis of assessment for profits made by the sole proprietorship business in the year of incorporation into a company and to compute final taxable business profits before incorporation.

Candidates demonstrated a general lack of knowledge of the tax implications arising on the incorporation of a sole proprietorship and specifically faced the following challenges:

- (i) Failure to apply the cessation rules to determine the basis of assessment for sole proprietorship in the year of incorporation.
- (ii) Failure to compute the correct amounts of capital allowances available when computing the final taxable profits for the sole proprietorship. Most candidates charged the normal wear and tear allowances on assets held by business as opposed to computing the balancing charges and allowances arising, as all assets held by the sole proprietorship qualifying for capital allowances are deemed to be disposed of at their market values to the newly formed company on incorporation.
- (iii) Time apportioning the employee's (Namasiku's) salary and motoring allowance in computing the final taxable profits when these should have been deducted in full.
- (iv) Using the basic salary to compute the employer's NAPSA contributions to be deducted when computing the final taxable profit instead of using the gross earnings of the employee comprising the basing salary and the motoring allowance.

In part (a) (ii) candidates were required to explain the basis of assessment for profits made by the business after incorporation into company and to compute of final company income tax arising. The following are challenges faced by the candidates:

- (i) Failure to explain and apply the commencement rules to determine the basis of assessment for the company for the first accounting period after incorporation.
- (ii) Using the original costs and some case the income tax values of the assets taken over by the company to compute the capital allowances available after incorporation instead of using the market values of the assets on the date of

incorporation given that the assets are deemed to have been acquired by the company at their market values.

- (iii) Forgetting to time apportion the director's emoluments and employer's NAPSA contributions to the six months the business was ran as a company when computing the final taxable profits for the company.
- (iv) Using the personal income tax bands for individuals to compute the final income tax payable by the company instead of using the company income tax rate of 30%.

Part (c) candidates required candidates to compute the amount of income tax payable by each individual. Most candidates forgot to aggregate the income generated by each individual in the first part of the year, when the business was run as a sole proprietorship with the income generated by each individual in the second part of the year when the business was run as accompany to compute the final amount of tax payable by each individual.

In part (b) candidates were required to provide advice on both the property transfer tax (PTT) and income tax implications of transferring property by an individual into a trust as well as compute any tax arising. Candidates demonstrated a general lack of knowledge of the relevant PTT implications and the income tax treatment of letting out of property on commercial basis by a trust. They therefore failed to provide the relevant tax advice and computations.

Similarly, in part (c) candidates failed provide advice on the income tax implications if the individual were to manage the property himself as opposed to transferring it into the trust. Candidates demonstrated a general lack of knowledge of the taxation of rental income tax and therefore failed to use the rental income tax bands to determine the amount of rental income tax that will arise on the gross rentals, but in most case applied the normal income tax bands for individuals to compute the tax arising on net rental income after deducting the expenses relating to letting from the gross rentals.

Consequently, in part (d) candidates failed to provide reasonable tax advice on whether it was going to be beneficial from a taxation point of view, for the individual to transfer the property into a trust or whether he should manage the property himself.

QUESTION TWO

The general performance on this question was fair. 22 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 46.8% was recorded. The highest score was 17 out of 20 marks while the lowest was 2.

This question examined taxation of financial institutions. In part (a) candidates were required to calculate the amount of income tax payable by the bank for the year. The following are the challenges faced by the candidates who performed poorly on this part of the question:

- (i) Failure to identify the relevant disallowable expenses to add back when computing taxable profits.
- (ii) Failure to calculate the correct amount of the disallowable accommodation benefit arising from provision of free residential accommodation to the directors.
- (iii) Failure to disallow the correct amount of the personal-to-holder car benefit arising from provision of a personal-to-holder car to the director.
- (iv) Using the wrong rates to compute amount of capital allowances claimable by the bank.
- (v) Failure to make the correct adjustments for investment income comprising dividends and royalties when computing the taxable income.
- (vi) Using the wrong tax rates to compute the amount of income tax arising.

In part (b) candidates were required to advise the directors of the income tax implications for them individually and for the company, arising from the intended change in the accommodation policy, including a computation of additional income tax and NAPSA contributions if any.

The following are the challenges faced by the candidates:

- (i) Failure to explain the income tax implications of the housing allowances payable to the directors both for the individual directors and for the company. Most candidates demonstrated lack of knowledge on the income tax treatment of housing allowances.
- (ii) Failure to explain the NAPSA implications, both for the individual directors and for the company, arising from the housing allowance to paid to each of the directors.
- (iii) Failure to calculate the additional income tax payable by the directors arising from the housing allowances.
- (iv) Failure to calculate the income tax savings for the company arising from the change in accommodation policy for the company.
- (v) Failure to explain the income tax implications, for the company, arising from letting out of the houses which the directors are currently occupying.
- (vi) Failure to calculate the correct amount of rental income tax payable by the company if the accommodation policy was changed.

QUESTION THREE

The general performance on this question was poor. 17 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 36.2% was recorded. The highest score was 19 out of 20 marks while the lowest was 1.

This question examined international aspects of taxation. Part (a) which required candidates to explain the meaning of a double taxation convention and the alternatives to double taxation convention was reasonably well answered. However, a few candidates demonstrated a lack of knowledge of the topic and failed to provide the required explanations.

In part (b) candidates were required to calculate the amount of income tax payable by a Zambian resident company receiving income from foreign sources. The following were the main challenges faced who performed poorly on this part of the question:

- (i) Forgetting to gross up the income from foreign sources before including the amounts in the company income tax computation.
- (ii) Using the personal income tax bands for individuals to compute the income tax arising instead of using the company income tax rate of 30%.
- (iii) Failure to calculate the correct amount of double taxation relief on foreign income, when computing the final income tax payable by the company.

In part (c) candidates were required to calculate the amount of income tax payable by a Zambian resident individual receiving from both Zambian and foreign sources. The following are the challenges faced by the candidates:

- (i) Including dividend and Treasury bill discount income from Zambian sources in the personal income tax computation.
- (ii) Using the wrong tax rates to compute the amount of the income tax liability.
- (iii) Not grossing up the dividend and interest income from foreign sources before including it in the income tax computation of the individual.
- (iv) Failure to calculate the correct amount of double taxation relief on both the foreign dividend income and foreign interest.

QUESTION FOUR

The general performance on this question was very good. 38 of the 55 candidates that attempted the question managed to obtain at least 10 marks out of a total of 20 available marks. A pass rate of 69.1% was recorded. The highest score was 19 out of 20 marks while the lowest was 2.

This question which covered taxation of mining operations.

In part (a) candidates were required to calculate the amount of mineral royalty tax (MRT) paid during the year. The following are the challenges faced by the candidates:

- (i) Failure to apply the incremental norm price ranges for copper correctly when computing the MRT arising on copper.
- (ii) Using the wrong rates to calculate the MRT on the other minerals which included Gold, Nickel, and Vanadium.

In part (b) candidates were required to compute the final adjusted mining profit. The most common challenges faced by candidates who performed poorly on this part of the question included:

- (i) Failure to identify the relevant disallowable expenses to add back when computing taxable profits.
- (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) Failure to calculate the correct amount of the disallowed interest in excess of 30% of the company's tax EBITDA.

Part (c) required candidates to calculate the amount of income tax payable by the company for the year was generally well answered, with the exception of a few candidates who included dividend income when computing the final taxable income for the company.

QUESTION FIVE

The general performance on this question was poor. 11 of the 39 candidates that attempted the question managed to obtain at least 10 marks out of a total of 20 available marks. A pass rate of 28.2% was recorded. The highest score was 15 out of 20 marks while the lowest was 2.

This question examined professional ethics and aspects of the interaction of taxes. In part (a) candidates were required to evaluate the ethical threats to compliance with the fundamental ethical principles and to recommend appropriate safeguards to manage the threats to acceptable levels. This part of the question was generally well answered except for a few candidates who failed to identify and explain the relevant threats.

Part (b) which required candidates to discuss the ethical implications arising from the Finance Director's proposal not to disclose the errors and omissions was poorly answered as candidates failed to provide a reasonable discussion of how the matter should be handled.

In part (c) candidates were required to advise the directors of the correct tax treatment of the transactions omitted from the income tax return for the previous

tax year, including a computation of the amount of any additional income tax payable or saving arising from each transaction.

The most common challenges faced by the candidates included:

- (i) Failure to explain the income tax implications of the expenditure incurred on extending the factory and calculate the correct amount of capital allowances claimable including the amount of additional income tax arising.
- (ii) Failure to explain the income tax implications arising from advancing an interest free loan to the Managing Director who was an effective shareholder of the company and to compute the amount of tax arising on the loan.
- (iii) Failure to explain the income tax implications arising on the withdrawal of goods from the company by the Finance Director who was an effective shareholder of the company and to calculate the additional income tax arising on goods drawn.

Overall performance of candidates

Highest mark obtained in this paper: 73%

Lowest mark obtained in this paper: 3%

Overall pass rate in this paper: 27.7%

SUBJECT: CA3.5 - MANAGEMENT ACCOUNTING

QUESTION ONE

The general performance on this question was poor. 2 out of the 8 candidates that attempted the question achieved a pass (that is a score of at least 20 out of 40 marks), representing a pass rate on the question of 25%. The lowest score was 2, whilst the highest was 32 out of the available 40 marks.

This question is a compulsory one and it examined the following:

- (a)(i) Expected performance evaluation of two divisions using ROI, RI & NPV methods;
- (a)(ii) Actual performance evaluation and interpretation of the outcomes of the two divisions.
- (a)(iii) Advantages & disadvantages of NPV;
- (b) Transfer pricing: calculating the impact on profits of the selling division, buying division and the group if the receiving division buys from an external supplier.
- (c) Transfer pricing (TP): discussing the behavioural aspects of TP if marginal cost and full cost plus 25% were used as TP's.

Part (a): Candidates had problems calculating ROI, NPV, RI and very few were able to state clearly the assumption they made. Candidates could not evaluate the actual performance of the two divisions. Some candidates went on to make comments on the performance without the supporting figures. Where there are calculations, it is important for candidates to make calculations required so that their comments are supported by their calculated figures.

Part (b): nearly all the candidates failed to demonstrate the impact on profits if the receiving division bought the intermediate product on the external market. Explanations were made without performing calculations; it was not possible to assess the impact without calculations. The requirement was very clear: '*calculate* the impact...' Future candidates should pay particular attention to examining verbs. There were various ways of doing this part but the incremental approach was the shortest, i.e. incremental revenues vs incremental costs.

Part (c) was not well attempted as many candidates failed understand the question. Most candidates discussed marginal costing and full costing methods as per the text book instead of commenting in line with transfer pricing and the behavioural aspects of the managers of the two divisions if those two transfer pricing policies were used.

QUESTION TWO

The general performance on this question was good. 4 of the 7 candidates that attempted the question managed to obtain at least 10 marks out of a total of 20 available marks. A pass rate of 57.1% was recorded. The highest score was 16 out of 20 marks while the lowest was 6.

Question Two required candidates to: (a) discuss how the company was poorly managing the projects; (b) explain the role of the project manager in resolving project issues; and (c) explain the aim of post project completion audit.

The question was well answered by candidates. However, in part (c) candidates failed to explain the aim of post project completion audit. Some of the aims include learning from mistake made so that they can be avoided in future; assess whether the objective of the project is being met; consider abandonment or continuation.

QUESTION THREE

The general performance on this question was excellent. 6 of the 7 candidates that attempted the question managed to obtain at least 10 marks out of a total of 20 available marks. A pass rate of 85.7% was recorded. The highest score was 14 out of 20 marks while the lowest was 9.

This question invited candidates to: (a) evaluate the suitability of the existing performance measures; (b) explain the balanced scorecard and recommend suitable KPI's; and (c) explain benchmarking.

Every candidate attempted this question and 86% of them scored 50% or more on it.

However, weaker candidates made the following mistakes:

- (i) Some candidates were addressing the report to the Board of Directors instead of the Chief Executive Officer. At this level candidates are expected to pay attention to the detail.
- (ii) Candidates did not write much on the evaluation of the suitability of the existing performance measures. Candidates need to learn an art of answering essay type questions by first preparing summarized notes with all points included as a basis for answering an essay question.
- (iii) The question on Balanced score card was well answered by most candidates as they were able to write about the four perspectives of the balanced scorecard, namely the financial perspective, the customer perspective, the internal business perspective and the innovation and learning perspective.
- (iv) Some candidates did not distinguish between intra-group and inter- industry benchmarking, but wrote a lot about intra-group benchmarking. Candidates

should prepare summarized notes which should be used when writing reports so that all the points are stated in the report or essay.

QUESTION FOUR

The general performance on this question was poor. 2 of the 6 candidates that attempted the question managed to obtain at least 10 marks out of a total of 20 available marks. A pass rate of 33.3% was recorded. The highest score was 16 out of 20 marks while the lowest was 5.

Question Four examined candidates on:

(a) Mission statements; (b) incorporating social responsibilities in strategic objectives; (c) conflict resolution; (d) ethical dimensions; and (e) stakeholder mapping

Most candidates could not answer this question well. Ethical dilemmas could not be extracted from the scenario and a good number of candidates failed to think of procedures whereby wider social responsibilities can be incorporated in strategic objectives. Candidates needed to plan how to answer the questions required by first preparing a summary of points to use in answering questions. Without a plan candidates attempted to write everything they think they knew about a subject leading to sub-standard answers.

QUESTION FIVE

The general performance on this question was very good. The only candidate that attempted the question managed to obtain above 10 marks out of a total of 20 available marks. A pass rate of 100% was recorded. The highest score was 14 out of 20 marks.

Question Five requested candidates to: (a) Explain four types of information systems available to the company; (b) Recommend with reasons the information system appropriate to the company; and (c) Evaluate the relevance of the current management accounting system of the company and how it could be improved.

Part (a) was well answered by the candidate who mentioned three types. The fourth type is Strategic Enterprise Management (SEMS) systems.

Part (b) was equally well answered. The recommended information systems were EIS and SEMS.

The candidate mentioned MRPII and ERP as well. But these systems are already in use.

Part (c) was poorly answered. The candidate did not appreciate the question and may explain why the rest of the candidates did not attempt Question Five. The current budgeting and standard costing systems encouraged cost control via variance analysis, inflexibility, slack budgeting, short-termism, time consuming, etc. These systems could be improved by introducing Activity Based Costing, Activity Based Budgeting, Zero-Based Budgeting and Beyond Budgeting.

Overall performance of candidates

Highest mark obtained in this paper: 60%

Lowest mark obtained in this paper: 30%

Overall pass rate in this paper: 57.1%

SUBJECT: CA3.6 - ADVANCED FINANCIAL MANAGEMENT

QUESTION ONE

The general performance on this question was poor. 2 out of the 7 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 28.6%. The lowest score was 7, whilst the highest was 23 out of the available 40 marks.

This question was the usual compulsory investment appraisal and cost of capital question requiring candidates to evaluate the proposed investment using free cash flow to equity and estimating the cost of equity as a discount rate. The general performance on this question was very poor. Only 2 out of all the 7 candidates who sat for this examination and attempted the question achieved a pass (that is a score of at least 20 out of 40 marks), representing a pass rate on the question of 29%. The average score was 15 with the lowest score of 7, whilst the highest was 23 out of the available 40 marks.

Part (a) (i) of the question required candidates to evaluate the proposed investment using the free cash flow to equity. Generally, this part should have been the easiest as it tested the basic principles of treating the given transaction items. A significant majority of the candidates were unable to calculate the correct free cash flow to equity. This was attributed to inability to identify which items were supposed to be added or subtracted to the profit from operations. Few candidates did not know where to start from. It was also observed that tax was computed based on the net operating profits. Some weaker students could add capital expenditure and working capital increase to profit from operations while others deducted dividends and interest paid without netting off tax. It is difficult to explain the rationale behind such kind of responses, however, it can easily be concluded that candidates were doing a trial and error for sitting for this paper.

Part (a) (ii) of the question required candidates to compute the dividend cover using profit after tax and free cash flow to equity. The common mistake on this part was dividend cover formula. A good number of candidates used profit after tax divided by number of shares. Candidates failed to calculate the dividend for the year and yet the instructions were very clear in the scenario which was seven (7) ngwee per share. Instead of multiplying the number of shares which most of the candidates managed to calculate by seven, candidates casually divided the profit after tax by the number of shares which was totally wrong. This wrong approach where the denominator was taken to be the number of shares was also observed with free cash flow to equity method.

Part (a) (iii) required candidates to explain whether free cash flow to equity a better measure of dividend cover is than the profit after tax. Candidates lacked the knowledge on this part. A few candidates managed to use some commonsense responses by explaining the weaknesses of profits such as susceptibility of potentially being manipulated.

Part (b) required candidates to explain the types of currency risk exposure. This part was well responded to. However, we still had few candidates who struggled to provide a better response to this part.

Part (c) required candidates to show the outcome of using the currency futures contracts to hedge the currency risk exposure. All the candidates lacked the necessary knowledge to answer this part of the question.

QUESTION TWO

The general performance on this question was very poor. Out of three candidates that attempted the question none obtained 10 marks out of a total of 20 available marks. A pass rate of 80% was recorded. The highest score was 5 out of 20 marks while the lowest was 1.

The was noted as causes for the performance:

- (i) Some candidates failed to calculate the credit score due to a failure to determine the Size, Profitability, Debt, Leverage, Interest and the Coefficient of Variation. These were to be used in the equation to determine the y i.e. Credit Score.
- (ii) Most Candidates failed to provide any response to part (b) and (c) of this question. For some of those that did, they were unable to determine the value of the default probability using the Black-Scholes option pricing model. This could largely be due to not preparing well and understanding this pricing model.
- (iii) For this section of the question, some candidates instead of using the 60% recovery rate, a different rate was used and this resulted into an incorrect estimate of the expected loss of Blue Scale Ltd.

QUESTION THREE

The general performance on this question was very good. 5 of the 7 candidates that attempted the question managed to obtain at least 10 marks out of a total of 20 available marks. A pass rate of 71.4% was recorded. The highest score was 17 out of 20 marks while the lowest was 6.

The following were the mistakes noted:

- (i) Some candidates were not able to explain clearly the three (3) types of foreign rate systems and how these systems affect the ability of Finance Managers to forecast exchange rates.

- (ii) The incorrect responses were due to the fact that some candidates failed to identify and explain that using the Interest Rate Parity Theorem (IRPT) is not always accurate.
- (iii) Most candidates did not respond to this question, perhaps, they did not understand what was required of the question.

QUESTION FOUR

The general performance on this question was poor. Only 1 of the 4 candidates that attempted the question managed to obtain at least 10 marks out of a total of 20 available marks. A pass rate of 25% was recorded. The highest score was 14 out of 20 marks while the lowest was 2.

Part (a) required candidates to estimate the current cost of capital for Goodman Ltd. Part (b) (i) required candidates to formulate the NPV linear programme, and part (b) (ii) to explain the implication of the linear objective function.

Candidates had challenges calculating the cost of capital. The NPV for projects A to F were not correctly calculated because of the incorrect discount rate that candidates used. The objective function represents the maximum NPV. This was not well stated by many candidates in their solutions.

QUESTION FIVE

The general performance on this question was excellent. All the seven 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 16 out of 20 marks while the lowest was 13.

Some candidates did not seem to read adequately or their background of basic economics is poor. In this question most of the answers did not cover part (c) of the question. Part (c) talks about the effect on multinationals and the answers were not well explained.

Overall performance of candidates

Highest mark obtained in this paper: 64%
Lowest mark obtained in this paper: 31%
Overall pass rate in this paper: 42.9%

SUBJECT: CA3.7 - PUBLIC SECTOR AUDITS AND ASSURANCE

QUESTION ONE

The general performance on this question was very good. 71 out of the 98 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 72.4%. The lowest score was 0, whilst the highest was 33 out of the available 40 marks.

Part (a)

- (i) This part of the question required candidates to discuss the need for the OAG to carry out financial audits of project funds.

Most of the candidates scored well in this part of the question. A few discussed weaknesses in the information in the scenario while others discussed the process of conducting financial audits. There were candidates who gave general answers with no reference to the information in the scenario.

- (ii) This part of the question required candidates to identify and explain 4 fraud risk factors in the operations of the project under the School of Animal Husbandry. General answers without reference to the information in the scenario did not earn maximum marks.

A majority of the candidates scored maximum marks. Some candidates discussed audit procedures for addressing weaknesses discussed.

Part (b)

- (i) This part of the question required candidates to discuss the objectives of the performance audit of the project under the School of Animal Husbandry. Candidates were expected to discuss the objectives in the context of value for money and the three 'e's of economy, efficiency and effectiveness.

The following observations were made:

1. Some candidates discussed general objectives of audits and not performance audits as required.
 2. Most candidates wrote too little for the available marks. Candidates should be guided by the marks on offer in deciding the number of points expected.
- (ii) This part of the question required candidates to explain 4 matters that should be considered in the compliance audit of the operations of the project funds and also to suggest a suitable criterion.

The following observations were made:

1. Some candidates discussed fraud risk factors in answering this part of the question for which no marks were awarded.
2. Some candidates discussed the matters without making reference to the criteria against which actual performance would be measured.

Part (c)

This part of the question required candidates to evaluate the advice of the Permanent Secretary and discuss the action that should be taken by the auditors.

A majority of the candidates scored more than half the available marks. A few candidates did not give any action and simply repeated what was in the scenario for which no marks were awarded.

Part (d)

This part of the question required candidates to explain how the advice of the Permanent Secretary was contrary to the provisions of ISSAI 12: *Value and benefits of SAIs*.

Candidates that did not know the provisions of ISSAI 12 lost easy marks as they could not relate the advice of the Permanent Secretary to the auditing standard.

The following were observed:

1. A sizeable number of candidates could not relate the advice of the Permanent Secretary to the provisions of ISSAI 12.
2. It was clear that many candidates did not know the provisions of ISSAI 12

QUESTION TWO

The general performance on this question was poor. 8 of the 39 candidates that attempted the question managed to obtain at least 10 marks out of a total of 20 available marks. A pass rate of 20.5% was recorded. The highest score was 16 out of 20 marks while the lowest was 0.

Part (a) of the question required candidates to explain the objectives of the auditors conducting audits of financial statements. The performance was generally good although weak candidates simply mentioned giving an opinion as the objective with no further explanation.

Part (b) required candidates to explain the difference between overall materiality and performance materiality. The performance in this part was poor with many candidates failing to explain overall materiality. A few candidates tried to explain performance

materiality. There were a few who suggested that performance audit related to performance auditing!

Part (c) of the question required candidates to formulate and describe appropriate analytical procedures to meet objectives 1 and 2 in the scenario. A majority of the candidates avoided attempting this part of the question altogether. The performance was generally poor with a majority that attempted it scoring less than half the available marks.

Part (d) required candidates to describe the circumstances auditors are required to modify the opinion in the audit report. The performance in this knowledge based question was satisfactory. Weak candidates repeated what was contained in the question for which no marks were awarded.

QUESTION THREE

The general performance on this question was good. 52 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 57.8% was recorded. The highest score was 19 out of 20 marks while the lowest was 0.

Part (a) of the question required candidates to suggest suitable response in view of the audit risk being assessed as high. Candidates should have noted that the response in the case of public sector auditing is different from the response if it was a private sector situation.

Many candidates concentrated on discussing ethical matters in the scenario instead of dealing with the audit team action in view of the risk being assessed as high. Unlike in the audit of private sector, the public sector auditors cannot decline or discontinue an audit on account of the fact that risk is considered high.

Part (b) required a discussion of transparency and accountability in the use of public funds using the information in the scenario. Candidates should have observed that this question was not concerning transparency and accountability in the SAI according to ISSAI 20. Further, candidates were expected to use the information in the scenario in answering this part and refer to the Ministry of Finance and other information given in the scenario.

Part (c) of the question required an identification and explanation of ethical matters in the given scenario. Most candidates scored more than half the available marks.

The following observations were made:

- (i) Some candidates gave less than the 5 ethical matters required.
- (ii) Some candidates explained ethical matters but did not suggest suitable safeguards as required.

- (iii) Some candidates discussed ethical matters without making reference to the information in the scenario.

QUESTION FOUR

The general performance on this question was poor. 33 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 38.8% was recorded. The highest score was 16 out of 20 marks while the lowest was 0.

Part (a) of the question required candidates to describe the objectives of a compliance audit. Most candidates wrote too little for a maximum of 5 marks. Candidates should have discussed briefly the criteria against which actual performance is measured.

Part (b) required candidates to explain the three party relationship in compliance auditing in public sector auditing. This part of the question was satisfactorily answered with a majority of the candidates scoring maximum marks.

Part (c) of the question required candidates to describe the audit evidence expected after the compliance audit of Puma Punku Mines considering the matters described in the scenario. Many candidates gave suggested audit procedures instead of describing the audit evidence expected in a review of audit working papers.

Part (d) required candidates to discuss matters relating to confidentiality where suspected unlawful acts were not reported by the mine to the Mining Safety Department. Majority of the candidates dealt in detail with compliance with laws and regulations and explained little about the impact this may have on the audit and whether or not the matter should be reported to the regulators.

QUESTION FIVE

The general performance on this question was very good. 48 of the 77 candidates that attempted the question managed to obtain at least 10 marks out of a total of 20 available marks. A pass rate of 62.3% 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 how performance and compliance audits could help deal with the concern over the procurement of essential drugs. Some candidates did not explain fully how value for money could address the concerns over the procurement of essential drugs. Others discussed the procurement procedure of the acquisition of drugs.

Part (b) of the question required candidates to explain the objectives of the intended forensic investigation in the procurement of essential drugs. Some candidates discussed the steps in a forensic investigation instead of explaining the objectives of a forensic investigation.

Part (c) required candidates to identify and explain 4 fraud risk factors in the government procurement systems. Many candidates were only able to give less than the required 4 fraud risk factors.

There were candidates who gave general fraud risk factors not related to the scenario.

Part (d) of the question required candidates to explain any 2 types of corruption fraud in the public sector. A majority of the candidates only explained one type of fraud. There were candidates who discussed types of fraud such as financial reporting fraud and misappropriation of assets which were not relevant in answering this question.

Overall performance of candidates

Highest mark obtained in this paper: 72%

Lowest mark obtained in this paper: 16%

Overall pass rate in this paper: 68%

SUBJECT: CA3.8 – PUBLIC SECTOR FINANCIAL MANAGEMENT

QUESTION ONE

The general performance on this question was excellent. 6 out of the 78 candidates that attempted the question achieved a pass (that is a score of at least 20 out of 40 marks), representing a pass rate on the question of 85.7%. The lowest score was 14, whilst the highest was 33 out of the available 40 marks.

- (a) The Candidates were required to identify the key components of the five step business model in the development of a new project. Most of the candidates that did not answer this question correctly failed to list these components and explain them clearly. Some listed only two out of the five and some candidates did not list and explain any of them in scenario 1. Under this Scenario, the candidates also were required to explain how the Public Expenditure Tracking Survey (PETS) was to be used to provide a comprehensive assessment of the Public Financial Management (PFM). Some common mistakes included the non-identification and explaining the usefulness of PETS.
- (b) Scenario B solution was not comprehensively responded to by some candidates. They failed to clearly explain the difference between Private and Public Sector Financial Risk Management and also for some of them who did, the explanations were not clear.
- (c) This part of the Question requested that the candidates explain four (4) ways in which risks were to be treated by Tenedia Ltd. Some responses failed to identify and state these risks.

QUESTION TWO

The general performance on this question was excellent. All the 6 candidates that attempted the question obtained at least 10 marks out of a total of 20 available marks. A pass rate of 100% was recorded. The highest score was 16 out of 20 marks while the lowest was 12.

The question tested candidates on Medium Term Budget Plan (MTBP). However, some candidates could not define medium term budgetary frameworks properly. Equally Medium Term Financial Planning was not well explained. Candidates are advised strongly to read and not to use guess work to answer such a question. Some answers that were displayed were shallow. They did not have enough depth. They lacked detailed explanations. A theory question does not warrant a candidate to fill pages with unsubstantiated arguments.

QUESTION THREE

The general performance on this question was excellent. All the 5 candidates that attempted the question obtained at least 10 marks out of a total of 20 available marks. A pass rate of 100% was recorded. The highest score was 16 out of 20 marks while the lowest was 10.

The question tested candidates on charging for public services. However, the arguments for and against charging for public services were not adequately explained. They were not convincing. Most candidates did not talk about subsidies in their answers. They should have talked about users and non- users with regard to subsidy. Candidates should have mentioned whether any charge has an effect on the behaviour of individuals

Some candidates displayed insufficient knowledge on the five different charging methods that were required in part b of the question. There is a clear distinction between the five methods given in the question.

QUESTION FOUR

The general performance on this question was excellent. 6 of the 7 candidates that attempted the question managed to obtain at least 10 marks out of a total of 20 available marks. A pass rate of 85.7% was recorded. The highest score was 19 out of 20 marks while the lowest was 9.

This was a 20-mark optional question based on the Ministry of Finance and National Planning and the statutory bodies as well as grant aided institution under its control. The general performance on this question was excellent.

Part (a) required candidates write a report on the functions of the Ministry of Finance and National Planning in the Zambian Economy and its associated responsibilities. This part was well attempted, and candidates were able to explain the functions in a more candid and structured way. A few candidates exhibited limited knowledge.

Part (b) required candidates to explain any four (4) roles of statutory bodies and grant aided institutions under the control of the Ministry of Finance and National Planning. This part was also well answered as candidates were able to identify and explain the key roles of the identified institutions. However, a few candidates had problems of identifying the institutions.

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 excellent. All the 3 candidates that attempted the question obtained at least 10 marks out of a total of 20 available marks. A pass rate of 100% was recorded. The highest score was 13 out of 20 marks while the lowest was 10.

This was a 20-mark optional question based on the 2016 Public Expenditure and Financial Accountability (PEFA) that was conducted by the Government of the Republic of Zambia. The general performance on this question was excellent.

Part (a) required candidates to calculate the score of the three indicators of pillar PI-7. The performance on this part was mixed. Most candidates swapped the score for A to represent 1 instead of 4. It was also common for candidates to apply average method to all the three indicators and yet it was supposed to be applied to the first indicator only whereas the other indicators needed to use the weakest link.

Part (b) required candidates to suggest ways in which government could improve indicator 2 – in-year budget. This had an average performance and common mistakes were generic responses.

Part (c) required candidates to differentiate between weakest link method and average method of scoring the performance indicators. This part was well attempted.

Part (d) required the candidates to explain how the IFMIS has supported the PFM function in the areas of cash management, financial reporting, budget and budget execution and procurement process. Candidates responded exceedingly well on the three areas except for procurement process where they struggled to attribute the effect of IFMIS.

Overall performance of candidates

Highest mark obtained in this paper: 72

Lowest mark obtained in this paper: 50

Overall pass rate in this paper: 100%