



DECEMBER 2023 EXAMINATIONS

CHIEF EXAMINERS REPORTS

CA ZAMBIA

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

### **QUESTION ONE**

The general performance on this question was very good. 155 out of the 194 candidates that attempted the question passed (got at least 10 out of the total 20 marks available). The pass rate recorded was 79.9%. The highest mark scored on this question was 20 out of 20 and the lowest was 4 out of 20.

This was a compulsory question with ten (10) parts.

### **QUESTION TWO**

The general performance on this question was very good. 143 out of the 188 candidates that attempted the question passed (got at least 10 out of the total 20 marks available). The pass rate recorded was 76.1%. The highest mark scored on this question was 20 out of 20 and the lowest was 0 out of 20.

### **QUESTION THREE**

The general performance on this question was poor. Only 7 out of the 147 candidates that attempted the question passed (got at least 10 out of the total 20 marks available). The pass rate recorded was 4.8%. The highest mark scored on this question was 14.5 out of 20 and the lowest was 0 out of 20.

Part (a) required candidates to make adjustments to the given trading profit from the given three items which needed to be included in the profit or loss account. The candidates failed to make the correct adjustment on furniture disposal (Note 2) and error of overcast on purchases (Note 3).

Part (b) required candidates to prepare the Partnership Appropriation account. The main challenge was failure by candidates to apportion the adjusted profits between the two periods i.e. January to March  $\frac{3}{12} \times 20,920 = 5,230$  which should have been shared equally by two partners, and April to December  $\frac{9}{12} \times 20,920 = 15,690$  where Interest on Drawings, Partnership salary, Interest on capital and share of residual profit under new terms of Partnership agreement applied. Candidates are encouraged to understand the implication of changes to partnership agreement during the financial year.

Part (c) required candidates to prepare Partnership current accounts. This was reasonably answered as candidates benefited from the follow through principle.

### **QUESTION FOUR**

The general performance on this question was poor. Only 8 out of the 73 candidates that attempted the question passed (got at least 10 out of the total 20 marks available). The pass rate recorded was 11%. The highest mark scored on this question was 16.5 out of 20 and the lowest was 0 out of 20.

Part (a) required candidates to calculate the profit before tax which was not given in the question. Many candidates left this part unanswered.

Part (b) required candidates to prepare the statement of cash flows. The candidates who attempted the question failed to clearly show the three parts of a cash flow statement which should not be the case. Candidates are encouraged to learn the key components of the statement of cash flows in future.

### **QUESTION FIVE**

The general performance on this question was very good. 130 out of the 184 candidates that attempted the question passed (got at least 10 out of the total 20 marks available). The pass rate recorded was 70.7%. The highest mark scored on this question was 20 out of 20 and the lowest was 0 out of 20.

Part (a) required candidates to prepare Journal entries to correct the given errors. Very poor answers were presented due to lacking knowledge on double entry system. Candidates are encouraged to fully understand double entry system of Accounting as it is core of this subject at this level.

Part (b) required candidates to prepare a trial balance from the given list of balances after making correction from part "a". This was reasonably answered.

Part (c) required candidates to explain four (4) types of errors which would not affect the balancing of a trial balance. This was well answered.

### **QUESTION SIX**

The general performance on this question was poor. Only 7 out of the 123 candidates that attempted the question passed (got at least 10 out of the total 20 marks available). The pass rate recorded was 5.7%. The highest mark scored on this question was 16 out of 20 and the lowest was 0 out of 20.

Part (a) required candidates to prepare the motor vehicle account at cost. This was reasonably answered.

Part (b) required candidates to prepare the allowance for depreciation on motor vehicles account. Candidates failed to calculate figures for Depreciation charge for the year, and accumulated Depreciation on vehicles disposed of during the year.

Candidates are encouraged to learn the requirement of IAS 16 which deals with non-current assets.

Part (c) required candidates to prepare the disposal of motor vehicles account. From the answers given, candidates seem not to know which items are to be debited and credited to this account.

**Overall performance of candidates**

Highest mark obtained in this paper 77%

Lowest mark obtained in this paper 8%

Overall pass rate in this paper 34%

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

### **QUESTION ONE**

The general performance on this question was very good. 96 out of the 122 candidates that attempted the question passed (got at least 10 out of the total 20 marks available). The pass rate recorded was 78.7%. The highest mark scored on this question was 20 out of 20 and the lowest was 2 out of 20.

This was a multiple-choice compulsory question. The question covered the entire syllabus hence students had a wide range of topics on which to answer questions. In most cases, candidates lost marks for using wrong formulae when computing the required tasks and others didn't just know what to do.

### **QUESTION TWO**

The general performance on this question was fair. 71 out of the 122 candidates that attempted the question passed (got at least 10 out of the total 20 marks available). The pass rate recorded was 58.2%. The highest mark scored on this question was 20 out of 20 and the lowest was 0 out of 20.

Part (a) required candidates to build a frequency distribution table and then find the mean, mode and the median of the data. Most candidates managed to solve the question correctly but the ones who failed made errors in the building of the frequency distribution table hence could not get correct totals (summations) and eventually correct solutions.

Part (b) of the question was on random numbers and their probability distribution. Candidates were required to use the given information to find the probability of the number of orders per day that exceeds two and calculate the mean and standard deviation of the data. The performance on this question was fairly good. Candidates who lost marks were using wrong formulae for the calculations. It was observed that most of the candidates struggled with the part of finding the correct variance and eventually the correct standard deviation. Perhaps some emphasis is needed on how to compute the variance when given a Discrete Probability Distributions.

### **QUESTION THREE**

The general performance on this question was very good. 65 out of the 87 candidates that attempted the question passed (got at least 10 out of the total 20 marks available). The pass rate recorded was 74.7%. The highest mark scored on this question was 20 out of 20 and the lowest was 0 out of 20.

Part (a) required candidates to state the four components of time series. Most candidates could only state three components correctly. Very few candidates stated all the four components correctly on this part.

Part (b): The question required candidates to obtain the average seasonal variations assuming a multiplicative model. Most of the candidates were able to compute the trend and the seasonal movements except a few who didn't know what to do.

Part (c) of the question required candidates to use probability rules such as complement, multiplication and additional rule to solve the given problem. The general performance was not good. Most of the candidates lost marks because they lacked the basic knowledge on the topic of study.

### **QUESTION FOUR**

The general performance on this question was poor. Only 42 out of the 117 candidates that attempted the question passed (got at least 10 out of the total 20 marks available). The pass rate recorded was 35.9%. The highest mark scored on this question was 18 out of 20 and the lowest was 0 out of 20.

Part (a) of the question required candidates to find statistical measures such as the mean, median and standard deviation from ungrouped data. The general performance in both parts was very good hence no serious challenges were identified from solutions, except on calculation of standard deviation, where candidates were observed to make computation errors hence getting mostly wrong values.

Part (c) required candidates to use the binomial distribution to calculate the probabilities and it was observed that most candidates were not able to use the binomial probability distribution concept correctly. It was observed that candidates had serious challenges on this part of the question. The performance on this part of

the question was poor. Perhaps some emphasis on probability terms such as “at most” and “at least” should be done when teaching candidates.

### **QUESTION FIVE**

The general performance on this question was fair. 26 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 46.4%. The highest mark scored on this question was 17 out of 20 and the lowest was 0 out of 20.

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

Part (b) of the question required the candidate to state whether the given variables to be classified as either qualitative or quantitative data. Most candidates got this part of the question correctly. The performance on this part of the question was fairly good. Some candidates swapped qualitative data for quantitative data, and vice versa, hence losing marks. Others showed serious lack of knowledge on what qualitative and quantitative data is.

### **QUESTION SIX**

The general performance on this question was good. 69 out of the 103 candidates that attempted the question passed (got at least 10 out of the total 20 marks available). The pass rate recorded was 67%. The highest mark scored on this question was 20 out of 20 and the lowest was 0 out of 20.

Part (a); candidates were required to use the given data to find the regression line and then estimate the value of  $y$  when  $x = 115$ . It was observed that the performance in this question was good, candidates had less challenges in solving the given questions. Those that lost marks on this part of the question made computational errors especially when computing the total summations.

Part (b) required candidates to use the given ungrouped data to find the median, quartile deviation and to identify outliers in the data set. Most candidates had

challenges on identifying outliers, others lost marks due to errors in their computations and others used wrong formulae.

**Overall performance of candidates**

Highest mark obtained in this paper	88%
Lowest mark obtained in this paper	13%
Overall pass rate in this paper	61.5%



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

### **QUESTION ONE**

The general performance on this question was very good. 83 out of the 112 candidates that attempted the question passed (got at least 10 out of the total 20 marks available). The pass rate recorded was 74.1%. The highest mark scored on this question was 18 out of 20 and the lowest was 4 out of 20.

This was a compulsory multiple choice question made up of 10 sub-questions each worth 2 marks. There was no specific question that was problematic as performance was normally distributed.

### **QUESTION TWO**

The general performance on this question was poor. Only 10 out of the 112 candidates that attempted the question passed (got at least 10 out of the total 20 marks available). The pass rate recorded was 8.9%. The highest mark scored on this question was 17 out of 20 and the lowest was 0 out of 20.

The question was divided into three sections namely (a), (b) and (c) as follows:

- (a) Candidates were asked to outline the difference between substitution effect and income effect. Very few candidates were able to get the full allocated marks. The common mistake was that many candidates merely defined substitution and income as they affect demand in general. However, what was required was that substitution effect is brought about the price change of the product while income effect is brought about by a change in consumer's income while prices of the good remain constant.
- (b) Candidates were required to explain Judy's price elasticity of demand and her income elasticity of demand for matches. Performance was very poor. Some candidates tried to calculate elasticity values or present the formula which was not required. All that was required was to understand the elasticity interpretations. Specifically, this was divided into (i) and (ii) as follows:
  - (i) Since total spending remains constant, elasticity is -1 (Unit elastic)
  - (ii) Since she does not plan to increase her purchase, income elasticity is 0
- (c) Total Revenue = Price x Quantity sold. Depending on the type of demand, a price reduction may either lead to percentage change in quantity > percentage change in price or percentage change in price > percentage change in quantity or percentage change in price = percentage change in quantity. Required candidates to explain what would happen to Total Revenue when the selling price is reduced and demand is:
  - (i) Elastic:  $\% \nabla Q > \% \nabla P$ , TR increases
  - (ii) Unitary:  $\% \nabla Q = \% \nabla P$ , TR remains constant
  - (iii) Inelastic:  $\% \nabla Q < \% \nabla P$ , TR decreases

### **QUESTION THREE**

The general performance on this question was fair. 33 out of the 67 candidates that attempted the question passed (got at least 10 out of the total 20 marks available). The pass rate recorded was 49.3%. The highest mark scored on this question was 19 out of 20 and the lowest was 0 out of 20.

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

- (a) Candidates were required to define the output, income and expenditure methods of measuring national income. The performance on this part of the question was good though some candidates failed on what constitutes the expenditure method. Others interchanged output with income methods!
- (b) Candidates were asked to explain the treatment of indirect taxes and subsidies when calculating GDP at factory cost. This was poorly done. Indirect taxes are part of production cost hence are deducted from expenditure while subsidies are added.
- (c) Many candidates failed to explain how net property income is accounted for when calculating GNP from GDP. Some candidates subtracted receipts by domestic citizens instead of adding them and vice versa
- (d) Majority of candidates failed to explain the difference between real and nominal measures of national income. Some solutions given were totally out of the topic. The basic difference relates to whether national income is measured using current market prices or constant prices (base year prices) to as to reflect the actual change in quantity produced.

### **QUESTION FOUR**

The general performance on this question was good. 70 out of the 112 candidates that attempted the question passed (got at least 10 out of the total 20 marks available). The pass rate recorded was 62.5%. The highest mark scored on this question was 20 out of 20 and the lowest was 0 out of 20.

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

- (a) Overall performance was poor. Many candidates failed to state the characteristics of the two economic systems. The common mistake was to confuse free market economy with perfect competition!
- (b) This was fairly done. Many candidates were able to get the full credit for explaining (i) scarcity and (ii) opportunity cost. However, some candidates explained these basic economic concepts in non-economic terms!
- (c) This was poorly done. Majority of candidates seemed not to know what market failure is all about. Again, the explanations were non-economic.

## **QUESTION FIVE**

The general performance on this question was good. 56 out of the 110 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 20 out of 20 and the lowest was 0 out of 20.

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

- (a) Overall performance was good. Many candidates were able to explain why the Bank of Zambia controls inflation
- (b) This was fairly done. Many candidates were able to get the full marks allocated. However, some candidates seemed to confuse demand pull with cost push.
- (c) This was poorly done. Majority of candidates described open market operations in terms of the conventional market as opposed to being a tool used by the Bank of Zambia to alter money supply. Further, other understood the concept but failed to relate it to contractionary measure, i.e. actions aimed at reducing money supply.
- (d) This was well answered. Almost all students were able to outline the functions of the Bank of Zambia.

## **QUESTION SIX**

The general performance on this question was poor. Only 8 out of the 44 candidates that attempted the question passed (got at least 10 out of the total 20 marks available). The pass rate recorded was 18.2%. The highest mark scored on this question was 13 out of 20 and the lowest was 0 out of 20.

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

- (a) Overall performance was poor. Many candidates failed to explain the sources of foreign exchange in Zambia. The question was what brings in the foreign currencies. Some candidates included imports! Other stated foreign exchange market players like banks!
- (b) This was poorly done. Many candidates were not able to draw the graph let alone explaining it. The drawn graphs were very poor; lacked required labeling or had wrong labels on the axes. Further, some candidates just drew single curves, that is, either a demand curve or a supply curve. Other indicated a shift in either the demand or supply curve which was wrong because of the fixed exchange rate regime. In a fixed exchange rate regime, the exchange rate remains fixed at the rate decided by the government.
- (c) This was poorly done too. Majority of candidates were partially above to explain (i) smuggling of exports, though in general terms, but failed to explain (ii) under-invoicing of exports. Further, many candidates failed to explain the above concepts' act as parallel sources of foreign exchange.

## **Overall performance of candidates**

Highest mark obtained in this paper	89%
Lowest mark obtained in this paper	14%
Overall pass rate in this paper	44.6%

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

### **QUESTION ONE**

The general performance on this question was excellent. 223 out of the 234 candidates that attempted the question passed (got at least 10 out of the total 20 marks available). The pass rate recorded was 95.3%. The highest mark scored on this question was 20 out of 20 and the lowest was 6 out of 20.

This question was composed of 10 multiple choice questions drawn from the entire syllabus.

The most common mistake made by some candidates was failure to adequately cover the syllabus in their preparation. In future, candidates must prepare adequately and cover the whole syllabus.

### **QUESTION TWO**

The general performance on this question was excellent. 215 out of the 235 candidates that attempted the question passed (got at least 10 out of the total 20 marks available). The pass rate recorded was 91.5%. The highest mark scored on this question was 20 out of 20 and the lowest was 0 out of 20.

This question was compulsory. It covered the sources of law and implied terms in a contract. There were no major challenges apart from candidates indicating 'civil law' and 'common law' as sources of law. Some candidates could not explain the ways by which a contract can be implied by custom, statute and by courts. In future candidates must prepare adequately. The general performance on this question was ok.

### **QUESTION THREE**

The general performance on this question was good. 25 out of the 37 candidates that attempted the question passed (got at least 10 out of the total 20 marks available). The pass rate recorded was 67.6%. The highest mark scored on this question was 15 out of 20 and the lowest was 2 out of 20.

The question was the least selected by the candidates in this paper. The question had pre-incorporation contracts and ways of expanding the company's capital. Candidates avoided it because most of them did not appreciate the fact that the question was looking at ways of increasing the company's capital and the issues surrounding the liability of the promoters on pre-incorporation contracts. In future, candidates must prepare adequately.

### **QUESTION FOUR**

The general performance on this question was very good. 157 out of the 202 candidates that attempted the question passed (got at least 10 out of the total 20 marks available). The pass rate recorded was 77.7%. The highest mark scored on this question was 20 out of 20 and the lowest was 0 out of 20.

The candidates were able to give the requisite advice on the issue of a warrant and the fact that the complainant was entitled to have his car repaired other than a full refund. Candidates were also able to explain the issue of duty of care without any difficulties. The question also required candidates to define a Tort and explain the elements of negligence.

No major challenges were observed here, only that candidates must appreciate the fact Negligence arises where there is a duty of care. In future, candidates must prepare adequately as a few of them were totally blank on the elements of negligence.

### **QUESTION FIVE**

The general performance on this question was very good. 172 out of the 226 candidates that attempted the question passed (got at least 10 out of the total 20 marks available). The pass rate recorded was 76.1%. The highest mark scored on this question was 20 out of 20 and the lowest was 0 out of 20.

The only mistake which candidates made was to explain the elements of a contract when the first part only required them to State. In future, candidates must read and understand the question, then respond accordingly.

### **QUESTION SIX**

The general performance on this question was excellent. 212 out of the 232 candidates that attempted the question passed (got at least 10 out of the total 20 marks available). The pass rate recorded was 91.4%. The highest mark scored on this question was 4 out of 20 and the lowest was 0 out of 20.

The question covered Employment Law, how a contractor can be distinguished from an employee and finally the question had Agency and its termination. Candidates understood the question and responded accordingly without any challenges.

### **Overall performance of candidates**

Highest mark obtained in this paper	100%
Lowest mark obtained in this paper	11%
Overall pass rate in this paper	92.8%

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

### **QUESTION ONE**

The general performance on this question was good. 54 out of the 85 candidates that attempted the question passed (got at least 10 out of the total 20 marks available). The pass rate recorded was 63.5%. The highest mark scored on this question was 18 out of 20 and the lowest was 2 out of 20.

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

### **QUESTION TWO**

The general performance on this question was good. 54 out of the 85 candidates that attempted the question passed (got at least 10 out of the total 20 marks available). The pass rate recorded was 63.5%. The highest mark scored on this question was 20 out of 20 and the lowest was 0 out of 20.

Like question one above, this was also a compulsory question and attempted by all candidates. The question was requesting candidates to understand the work and functions of the World Bank and International Fund with the Zambian government.

- (a) On the areas in which the IMF involvement in international economies, majority of the candidates answered it very well.
- (b) This part was not answered very well as most candidates were putting the United Nations as a body making up the World Bank. Some remembered the International Finance Corporation (IFC) yet others included the World Health Organisation (WHO) and Food and Agricultural Organisation (FAO).
- (c) This sub-question was well answered by a large number of candidates on six elements of the social and culture environment that affect the business environment.

### **QUESTION THREE**

The general performance on this question was excellent. 73 out of the 83 candidates that attempted the question passed (got at least 10 out of the total 20 marks available). The pass rate recorded was 88%. The highest mark scored on this question was 20 out of 20 and the lowest was 1 out of 20.

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

- (a) This part required that the candidates discuss the features of cooperatives. The part was well answered with all candidates scoring above 90% of marks.

(b) This part asked candidates were expected to state the five disadvantages of sole tradership. This aspect of the question had been requested in the past examinations and therefore many of them scored highly in marks.

#### **QUESTION FOUR**

The general performance on this question was good. 59 out of the 80 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 20 out of 20 and the lowest was 2 out of 20.

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

Part (a) Most candidates used the PESTEL framework to describe the factors to consider in venturing into the international market. Very few candidates answered according to the suggested solution in the question.

Part (b) had two sections.

Section (i) was well answered by many candidates as they were merely highlighting the PESTEL factors.

Section (ii) of this part had no problems as most candidates got it right. Candidates gave out well laid out solutions.

#### **QUESTION FIVE**

The general performance on this question was good. 38 out of the 52 candidates that attempted the question passed (got at least 10 out of the total 20 marks available). The pass rate recorded was 73.1%. The highest mark scored on this question was 20 out of 20 and the lowest was 0 out of 20.

This question was in two parts (a) and (b).

(a) Part (a) required candidates to explain the five Cs of moral duties of directors according to the Kings report of 1994. Most candidates had no challenge on this part of the question.

(b) This second of the question required the candidates to list down five ethical principles in management. This is the part were most candidates lost marks because they failed to list them down but instead they listed the 14 administrative principles of Advanced by Henri Fayol.



## **QUESTION SIX**

The general performance on this question was good. 24 out of the 36 candidates that attempted the question passed (got at least 10 out of the total 20 marks available). The pass rate recorded was 66.7%. The highest mark scored on this question was 20 out of 20 and the lowest was 0 out of 20.

This question had two parts (a), (b) and (c). Each part was examining a different aspect of management and had the lowest number of candidates attempting it.

Part (a) was requiring explanation on methods a manager can use to reduce a perceive inequity. This was a challenging request faced by candidates and most of them performed poorly.

Part (b) was requesting listing of four reasons for poor selection in recruitment and many candidates scored full marks.

Part (c) required explanation on any four principles of a visionary leader. This part was equally well done by many candidates.

### **Overall performance of candidates**

Highest mark obtained in this paper	86%
Lowest mark obtained in this paper	22%
Overall pass rate in this paper	84.7%

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

### **QUESTION ONE**

The general performance on this question was excellent. 114 out of the 117 candidates that attempted the question passed (got at least 10 out of the total 20 marks available). The pass rate recorded was 97.4%. The highest mark scored on this question was 20 out of 20 and the lowest was 6 out of 20.

This question required candidates to select the best answer from options that were provided in the question. Those who performed well were able to provide best answers, However, some candidates were completely off the best options while others were very close to the correct answer, for this reason, their grades were affected.

### **QUESTION TWO**

The general performance on this question was poor. Only 8 out of the 117 candidates that attempted the question passed (got at least 10 out of the total 20 marks available). The pass rate recorded was 6.8%. The highest mark scored on this question was 12 out of 20 and the lowest was 0 out of 20.

This question required candidates to state five (5) goals of the information framework that can be used in a business organization in part (a) and part (b) required them to explain the meaning of some symbols when searching for data.

Part (c) required candidates to explain any four (4) analytical approaches that are applied in data mining related software.

The common mistakes observed included the following:

(a) Most students did not understand the question and what was expected of them to state about the goals of the information framework that can be used in a business organisation.

Some students presented the qualities of information or information cycle in a business organisation.

(b) Most students were guessing on explaining the meaning of the symbols used when searching for data, some were explaining the symbols used in programming languages.

(c) Some students did not explain the analytical approaches that are applied in data mining related software, but instead explained the internet facilities and uses.

### **QUESTION THREE**

The general performance on this question was good. 50 out of the 96 candidates that attempted the question passed (got at least 10 out of the total 20 marks available).

The pass rate recorded was 52.1%. The highest mark scored on this question was 17 out of 20 and the lowest was 1 out of 20.

This question required candidates to:

- (a) Describe three (3) types of information systems that can be used in any of the organization's functional area stating the level of the organization it is used and its purpose.
- (b) State at least two (2) examples of different types of devices such as input, Output and network used in organizations. Part (c) required candidates to state what each of the following tools are used for; Format painter, equation, start mail merge, navigation pane and increase indent.

The common errors observed on this question were:

- (a) Most students misunderstood the question that asked for any of the types of Information systems used at the functional area, some were explaining types used at the strategic level.
- (b) Some students could not state the types of devices used for network and examples of them.
- (c) Most students had trouble explaining the use of tools used to create different types of business documents.

#### **QUESTION FOUR**

The general performance on this question was poor. Only 6 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 18.8%. The highest mark scored on this question was 15 out of 20 and the lowest was 1 out of 20.

Candidates were required to: (i) Mention any four (4) types of data processing that is used in database technologies. in 4(ii) candidates were asked to explain what a data warehouse is and what it may be used for in an organization. They were also required to outline the relationship that exists between transactional databases and data warehouses as well as the one that exists between a data warehouse and a data mart in part 4(iii).

Part 4(b) required candidates to state one (1) preventative measure that can be put in place to ensure that your password is secure, while part (c) required them to

mention types of application controls that can be implemented, giving an example of an actual control that falls in each type.

The common mistakes observed were:

(a) Most students could not explain a data warehouse correctly and what's used for in an organization.

Some students could not outline the relationship that exists between transactional databases and data warehouses and data warehouse with data mart.

(b) Most students could not identify with examples of the types of application controls that can be implemented in a computerized system.

### **QUESTION FIVE**

The general performance on this question was excellent. 103 out of the 113 candidates that attempted the question passed (got at least 10 out of the total 20 marks available). The pass rate recorded was 91.2%. The highest mark scored on this question was 19 out of 20 and the lowest was 5 out of 20.

Part (a) of this question requested candidates to write a letter of recommendations to another organization about a former staff from a given scenario, Part (b) required them to state three documents that may accompany an application letter, while part (c) required them to explain the Mnemonic KISS used when writing an application letter.

The common mistakes that were observed on this question were:

(a) Poor opening statements

(i) Wrong formats/ layout used by most candidates, some candidates presented letters in report or memo layout which is not supposed to be the case,

(ii) Poor subject lines were presented

(iii) In most cases the salutation did not match with the complimentary close

(iv) Failure to match the answer the letter with the scenario provided in a question

(v) Poor grammar in most cases,

(b) Wrong answers such as birth and death certificates were presented.

(i) Incomplete answers, i.e. some candidates could only produce one or two answers instead of three points,

(c) Some candidates simply gave wrong examinations on how KISS would be used when writing an application letter.

### **QUESTION SIX**

The general performance on this question was good. 65 out of the 108 candidates that attempted the question passed (got at least 10 out of the total 20 marks available). The pass rate recorded was 60.2%. The highest mark scored on this question was 19 out of 20 and the lowest was 1.5 out of 20.

This question required candidates to:

Write a memo to subordinates informing them about any five factors that affect the choice of medium from a given scenario in part (a) and part (b) required them to explain components of an email which were (i) Cc, (ii) Bcc and (iii) Attachment

The common errors observed on this question were:

- (a) Wrong format/ layout used, some candidates presented letters or report instead of a memo which was requested in the question.
  - (i) Inappropriate subject line.
  - (ii) Failure to include factors that affect the choice of medium in a memo
  - (iii) Inadequate factors affecting medium in the memo presented
  - (iv) Wrong content such as 7C's of communication were presented which is not supposed to be the case.
  - (v) Candidates outlined factors that affect the medium of communication on their own without producing the actual memo which could have included those factors.
  - (vi) Failure to link the answers to the scenario that was provided in the question.
- (b) Failure to provide correct definition of elements of an email
  - (i) In some cases, the elements were mixed up.
  - (ii) Some candidates omitted this part of the question

### **Overall performance of candidates**

Highest mark obtained in this paper	70%
Lowest mark obtained in this paper	17%
Overall pass rate in this paper	63.2%

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

### **QUESTION ONE**

The general performance on this question was poor. Only 43 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 32.1%. The lowest score was 0, whilst the highest was 31.5 out of the available 40 marks.

Part (a) of this question required candidates to compute goodwill on acquisition of a subsidiary 3 months into the accounting period.

Part (b) of the question required candidates to prepare a consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2023 for the given parent company, Munyuzu.

The most common mistakes made by the candidates included the following:

- (i) Failure to calculate 3-months profit of the current year for addition to opening retained earnings in the calculation of goodwill.
- (ii) A number of candidates did not pro-rate the current year incomes and expenses of the subsidiary before adding them to the parent's figures when preparing the consolidated statement of profit or loss.
- (iii) Few candidates could share the group profit between NCI and the parent (group share).

Several year-end adjustments were incorrectly handled. These included loss on contingency legal compensation, reversing dividend received when preparing the CSPL, calculating and accounting for unrealized profits on inventory still in stock, and handling inventory in transit and the associated provision for unrealized profits.

### **QUESTION TWO**

The general performance on this question was fair. 65 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 56.5% was recorded. The highest score was 20 out of 20 marks while the lowest was 0.

This was a typical published financial statements question requiring candidates to prepare a SPLOCI, SOCIE and SFP from a given trial balance and additional transactions/issues that required adjustments.

The most common mistakes made by the candidates on each part of the question:  
Part (a); Preparation of Statement of profit or loss and other comprehensive income:

The approach to the preparation of Statement was satisfactory and most candidates did well with some candidates getting full marks. However, most candidates failed to adjust revenue for a deferred amount and to correctly calculate the income tax expense.

Part (b); Preparation of Statement of changes in equity:

Most candidates could not work backwards to compute the opening share capital and share premium balances given the closing balances and share issue transactions which had already being accounted for.

Part (c); Preparation of statement of financial position:

Most candidates had a challenge in computing amounts in respect of deferred revenue and correctly presenting these under current and non-current.

### **QUESTION THREE**

The general performance on this question was good. 78 of the 113 candidates that attempted the question managed to obtain at least 10 marks out of a total of 20 available marks. A pass rate of 69% was recorded. The highest score was 20 out of 20 marks while the lowest was 1.

The question was in two parts:

Part (a) required candidates to compute a given set of financial ratios for an entity equivalent to those already compute for the industry.

Part (b) required candidates to analyse the financial performance and position of the entity for the period.

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

The question was picked by most students.

In Part (a), very few candidates were able to get the correct figure for Gearing ratio and ROCE.

In part (b), most candidates were not able to include the conclusion part of the report hence losing marks.

### **QUESTION FOUR**

The general performance on this question was poor. Only 10 of the 52 candidates that attempted the question managed to obtain at least 10 marks out of a total of 20 available marks. A pass rate of 19.2% was recorded. The highest score was 17 out of 20 marks while the lowest was 0.

The question had three (3) parts and candidates were tested on two standards, IFRS 15 *Revenue from contract with customers* and IAS 20 *Accounting for government Grant and Disclosure of Government Assistance*.

The most common mistakes made by the candidates:

The question was either poorly answered or not attempted at all. It appeared that many candidates had little or no knowledge of IFRS 15 and IAS 20. Most candidates had a challenges with theory parts. Candidates are strongly advised to balance between theory and computations.

The most common mistakes included the following:

- (a) Failed to compute percentage of completion based on input method. The formula for input method is:  $(\text{costs incurred to date} / \text{total estimated cost}) \times 100\%$ .
- (b) Failure to determine that contract 2 and 3, were loss making contracts. Candidates are reminded that loss making contracts, the total estimated loss should be recognized immediately and only revenue must be recognized based on % of completion, while cost of sales must be the balancing figures (difference between revenue and overall estimated losses).
- (c) Candidates confused contract assets and receivables. For future examinations, candidates are reminded that receivable, is computed as the difference between progress billing to date and cash received to date.
- (d) Most candidate wrongly netted the government grant (K5 million) from the cost of the machinery (K12.5 million), despite the question clearly stated that the company uses deferred income method, to account for capital grants.

Candidates are, once again, reminded of the importance of reviewing past papers to identify the skills required in applying their knowledge in the examination. Covering the entire syllabus is a must as the exam is not going to discriminate syllabus areas. Future candidates are advised to study all areas of the syllabus as the exam is not going to discriminate syllabus areas. Candidates are advised to have an understanding of each area of the syllabus to increase their chances of passing.

## **QUESTION FIVE**

The general performance on this question was poor. 11 of the 82 candidates that attempted the question managed to obtain at least 10 marks out of a total of 20 available marks. A pass rate of 13.4% was recorded. The highest score was 17 out of 20 marks while the lowest was 0.

The question had a number of components including the conceptual framework, IAS 20, IFRS 15 and IAS 37.

The most common mistakes made by the candidates on each part of the question: Most candidates were able to discuss and explain why financial statements prepared on accrual basis provide more useful information than those prepared on cash basis. Most candidates displayed ignorance of IAS 20 hence they failed to mention the two types of Grant (Revenue and Capital) instead they gave examples of government grants as types of grant. They also did not understand the accounting treatment of the two types of grant.



Candidates failed to apply IAS 37 in according correct accounting treatment of transactions in the scenario.

Most candidates were unable to correctly allocate the total revenue to the two performance obligations, delivery of equipment and servicing as required by IFRS 15.

### **Overall performance of candidates**

Highest mark obtained in this paper	66%
Lowest mark obtained in this paper	15%
Overall pass rate in this paper	29.9%

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

### **QUESTION ONE**

The general performance on this question was poor. Only 26 out of the 104 candidates that attempted the question achieved a pass (that is a score of at least 20 out of 40 marks), representing a pass rate on the question of 25%. The lowest score was 0, whilst the highest was 37 out of the available 40 marks.

This question is a compulsory one and it examined multiple Cost Volume Profit (CVP) analysis in parts (a), (b), (c) and relevant costs in part (d).

Overall parts (a), (b) and (c) were poorly attempted. Generally, a mistake in part (a) rendered calculations in the subsequent parts (b) and (c) wrong.

Candidates should have first calculated the contribution per unit for each product and then convert these contributions into the *contribution per mix* by multiplying them by the sales ratio of 3:4:2. Next, a Break Even Point (BEP) in terms of number mixes was required, thus, Fixed Costs ÷ contribution per mix. And finally a BEP in terms of units (i) and revenue (ii) was to be calculated by multiplying the BEP mix by the sales ratios, i.e. BEP mix by 3, by 4, by 2. For sales revenue, multiply the result in (i) by product selling prices. A similar approach was required for the revised mix of 2:2:4.

In part (b) candidates could not advise the preferable mix because of challenges in dealing with part (a). The preferred sales product mix was the one that had the highest average contribution per unit sold.

In part (c), the formula to use was (Fixed Costs + Target Profit) ÷ C/S mix. Most candidates got the numerator correctly but got the denominator wrong.

Part (d) was very well attempted most of the pass marks on this question came from this part.

Common Errors in parts (a), (b) and (c):

- (i) Dividing Fixed Costs (FC) by the contribution per unit for of the three products instead of the contribution per mix.
- (ii) Failing to compute the contribution per unit: the third product had a negative contribution!
- (iii) Ending at the BEP mix without computing the individual sales units and individual sales revenues as per the question requirements.
- (iv) Failing to advise the company, i.e. leaving part (b) blank.
- (v) In part (d), not presenting the answer in the form of a report thereby losing marks for the prescribed format.

### **QUESTION TWO**

The general performance on this question was poor. Only 10 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 13.3% was recorded. The highest score was 17 out of 20 marks while the lowest was 1.

This question examined the calculation of the product cost per unit using absorption costing (in part a), preparation of an income statement using absorption costing (AC) in (part b); reconciling the MC profit with the AC profit (in part c) and reasons for using AC rather than MC.

In part (a), most of the candidates could not calculate variable product cost of K28 (K44, 800/1,600) and fixed production overhead of K8.50 (K1, 836, 000 p.a. /216,000 annual normal level of activity). These two figures were supposed to be added together to arrive at the product cost of K 36.00 per unit.

The common mistakes in part (b) included the following:

- (i) Failing to derive closing inventory units and production units. Formula to use: opening inventory (1,600 given) + production units (K672, 000/K28) – sales units (K1, 062, 500) = 600 closing units.
- (ii) Taking values of production, opening and closing inventories as they were in the MC statement and using them in the AC statement.
- (iii) Failing to compute the under/over absorption or omitting it completely

Part (c) was equally not well answered and the majority of the candidates left it blank. The required *adjusting figure* to the MC profit of K159, 500 was the change in inventory (1,600 - 600) x fixed cost per unit (K8.5 = AC profit).

Part (d). This part was well answered.

### **QUESTION THREE**

The general performance on this question was fair. 32 of the 61 candidates that attempted the question managed to obtain at least 10 marks out of a total of 20 available marks. A pass rate of 52.5% was recorded. The highest score was 18 out of 20 marks while the lowest was 0.

Part (a) (i): candidates were required to calculate separately the net earnings of each operative for the third week of April 2022.

The question was not popular because it seemingly looked difficult at first glance. However, for candidates who attempted the question they scored good marks. The challenge was how to account for the penalty in the solution. Many candidates who attempted the question scored full marks.

Part (a) (ii) Candidates were required to explain two (2) disadvantages of a high day rate.

Performance was relatively good. Many candidates achieved full marks.

Part (b) (i) Candidates were requested to explain two (2) problems associated with Just-In-Time inventory system.

For candidates who just read the question once they missed explaining the problems associated with JIT but instead explained the concept of JIT. Consequently, they failed to achieve the desired score.

Generally full marks were achieved for well-prepared candidates.  
Common error: giving disadvantages of JIT instead of problems of JIT.

Part (b) (ii) required the explanation of the two principles of the Economic Order Quantity (EOQ) inventory control system.

This was well answered in most cases but some candidates could just state the formula.

#### **QUESTION FOUR**

The general performance on this question was poor. Only 31 out 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 36.5% was recorded. The highest score was 15.5 out of 20 marks while the lowest was 0.

Part (a) required candidates to prepare a budgetary control statement for the month of October 2022. The question was generally well answered by most candidates. Common errors were noticed in the preparation of the flexed budget. Errors were in the calculation of sales for the flexed budget where 33,600 units were used instead of 42,000 actual sales. The same mistake was repeated in the calculation of direct material cost, direct labour cost and variable production overhead..

In part (b), candidates were required to describe four types of responsibility centre. This part of the question was well answered by candidates.

#### **QUESTION FIVE**

The general performance on this question was fair. 37 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 46.3% was recorded. The highest score was 19 out of 20 marks while the lowest was 0.

Part (a) Candidates were required to calculate the overhead cost of each department. This part was well answered by most candidates with some getting full marks.

Common errors from poorer candidates:

- (i) Using wrong bases of allocation;
- (ii) Calculation mistakes;
- (iii) Not attempting the question in full.

Part (b)) required candidates to calculate the total cost of re-apportioning service costs using the reciprocal method. This part of the question was skipped by many candidates

and for those that attempted it, did a bad job of it. Re- apportionment of service costs proved to be a challenge to most candidates.

Part (c). Candidates were required to explain five examples of cost classification by function.

This subsection of the question was well answered by most candidates. A few candidates however classified costs as direct costs, indirect cost, variable costs and fixed costs. In short they classified costs by behaviour or by element instead of by function.

### **Overall performance of candidates**

Highest mark obtained in this paper	67%
Lowest mark obtained in this paper	4%
Overall pass rate in this paper	26.9%

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

### **QUESTION ONE**

The general performance on this question was poor. Only 36 out of the 187 candidates that attempted the question achieved a pass (that is a score of at least 20 out of 40 marks), representing a pass rate on the question of 19.3%. The lowest score was 0, whilst the highest was 31 out of the available 40 marks.

Part (a) of the question required candidates to identify and explain from the given scenario six audit risks at the planning stage of the audit of the financial statements of Quality Blocks Ltd. A majority of the candidates scored high marks and were able to identify risks. The following were observed from among those that scored less than half the available marks:

- (i) Most explanations were poor with many candidates repeating what is in the scenario without explaining the audit risks.
- (ii) Some candidates explained less than the required six risks and scored marks in proportion to the correct risks identified.
- (iii) A sizeable number of candidates did not explain why the identified risks are audit risks. In explaining audit risks candidates are required to explain the financial statements assertion that will be impacted by the risk. A majority simply stated that the financial statements will be misstated, there is need to specify the assertions that will be misstated in answering this type of question/
- (iv) There were candidates who explained business risks which were not required and no marks were awarded for doing so. That showed that the candidates did not know the difference between audit and business risks.
- (v) Some candidates explained ethical matters in this part for which no marks were awarded.
- (vi) A sizeable number of candidates either did not answer part (b) and where they did they explained the substantive procedures that should be undertaken notwithstanding that risk assessment is done at the planning stage of the audit.
- (vii) Several candidates discussed audit responses from the point of view of management which is incorrect. Audit risk and risk responses are from the point of view of the auditors.

Part (b) required candidates to suggest suitable responses to the identified risks in (a) and the two parts could have been answered in columnar form side by side and this saves a lot of valuable examination time.

In the event that this part is answered separately the order of the response is required to be the same as the order of the risks explained in (a). A majority of the candidates were able to explain the audit responses required.

The following were observed from among candidates that scored less marks:

- (i) A number of those who answered these two parts separately did not mind the order of the audit responses to the risks earlier explained. Although no marks may have been lost for doing so, candidates are reminded to either use columnar form or follow the same order as in the risks in (a). In future candidates may lose marks for not matching the responses correctly to the explained risks.
- (ii) Some audit responses were wrong and were more of substantive audit procedures that should be undertaken. Candidates are reminded that risk assessment is conducted at the planning stage of the audit and the responses should explain in general terms what the auditors will do in view of the identified risks. For example if there is a risk that management will use creative accounting in order to meet targets required for it to receive a bonus, the response expected is that the auditors will be skeptical and closely examine any accounting estimates requiring judgment of management. In doing so during the substantive stage of the audit, the auditors will perform audit procedures to address this.
- (iii) Surprisingly there were a few candidates that explain ethical issues in answering this part of the question.
- (iv) Weak candidates gave management response to the risks identified instead of audit responses. Candidates are reminded that risk assessment and responses is from the point of view of the auditors.

Part (c) of the question required candidates to discuss the ethical issues that must be considered in the audit of the financial statements of Quality Blocks Ltd and to suggest suitable safeguards that must be applied.

A majority of the candidates were able to do this and scored high marks. The following were observed from among candidates that scored poorly in this part:

- (i) Candidates explaining less than the required number of ethical issues in the scenario.
- (ii) There were candidates who wasted time in explaining the general ethical threats of self-review, familiarity, intimidation, advocacy or self-interest. Candidates need

to deal with the ethical issue in the scenario and may go on to state the threat that they bring from among the five.

- (iii) There were candidates who could not explain suitable safeguards and opted to state that the firm should either decline appointment or resign. This should be an option of last resort if all other possible safeguards fail.
- (iv) Some candidates discussed audit risks in answering this part of the question showing that they did not understand the question requirement.
- (v) Some candidates were able to identify the ethical issues but could not give satisfactory explanations.

Part (d) of the question required candidates to state five areas where the audit team could use professional judgment in the audit of the financial statements of Quality Blocks Ltd. General answers not referring to areas in the scenario did not attract any marks. Candidates should have related their answers to the audit in question during any of the three main areas of an audit.

The following were observed:

- (i) A sizeable number gave less than the required five areas when professional judgment should be used.
- (ii) There were candidates who gave general answers without reference to the scenario for which no marks were awarded.

Part (e) This part of the question required candidates to explain the response of the audit team in relation to quality control in accepting and continuing with audit clients. Candidates should have noted that there are two aspects here firstly when accepting a new client and secondly when considering continuing with existing clients. Answers should have dealt with these two aspects separately. To stress this, in the question the two aspects are in italics in an effort to draw attention of the candidates to this fact. Further, candidates should have considered the available marks of six in deciding how much to write.

The following were observed:

- (i) Some answers fell much short of the expected to deal with acceptance and continuance issues to do with quality control.
- (ii) A majority of candidates simply did not attempt to answer this part and left it unanswered which is a poor examination technique.
- (iii) (This part of the question required candidates to explain the relationship between audit risk and materiality set at the planning stage of the audit.

Candidates were expected to note and explain that audit risks impacts on the materiality level set by the auditors. When audit risk is considered high then the materiality level will be set at a lower level. When audit risk is low the materiality level will be set at a higher level. The performance in this part of the question was very poor with a majority of the candidates scoring well below half the available marks.



The following were observed:

- (1) Candidates explained the meaning of audit risk and the materiality level without explaining how they are linked and how one impacts on the other.
- (2) Many candidates simply did not attempt to answer this part of the question.

## **QUESTION TWO**

The general performance on this question was poor. Only 32 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 27.8% was recorded. The highest score was 17 out of 20 marks while the lowest was 0.

Part (a)

This part of the question required candidates to identify and explain four areas where the audit team will require to use professional skepticism in the audit of the financial statements of Kalomo Transport Ltd. Candidates that did not know the meaning and use of professional skepticism did not satisfactorily answer this question. General answers without relating to the information in the scenario did not attract maximum marks.

The following observations were made:

- (i) A majority of the candidates defined skepticism without making reference to the information in the scenario and explain the areas where this should be used.
- (ii) Many candidates explained less than the four areas required by the question and score marks in proportion to the correct areas explained.

Part (b)

This was a knowledge based question requiring candidates to explain four ways in which the ZICA regulates auditors in Zambia.

Most of the candidates scored maximum marks in this part of the question. Weak candidates struggled and explained all functions of ZICA without focusing on the regulation of auditors.

Part (c)

- (i) This part of the question required candidates to explain how internal controls will impact the work of the auditors. Candidates should have discussed tests of controls and how the results of the tests of controls will impact the work of the auditors. If the tests of controls are found to be operating effectively, this

will result in the auditors placing reliance on the effectiveness of the control and may reduce the extent of further substantive procedures to be performed. The auditors will use a combined approach to the audit. If on the other hand the results show that the controls are not operating as expected the auditors will follow a substantive approach and place no reliance on the controls. The auditors will do more work when performing substantive procedures.

A majority of the candidates performed well in answering this part of the question.

- (ii) This part of the question required candidates to explain why auditors perform substantive audit procedures despite them placing reliance on the internal controls. Candidates needed to bring to bear their knowledge of the objectives of both tests of controls and substantive procedures. Tests of controls are not designed to test for material misstatements of the figures in the financial statements which is the main objective of the substantive audit procedures.

The following were observed:

Part (d)

- (i) This part of the question required candidates to explain the objectives of ICQs and ICEQs in recording control systems. This part of the question was poorly done with most candidates getting no marks.

The following observations were made:

- (1) A number of candidates did not attempt to answer this part of the question.
- (2) Many candidates showed lack of understanding of the use of ICQs and ICEQs which are used to record a system.

- (ii) This part of the question required candidates to draft one question each of ICQs and ICEQs related to goods received:

The following observations were made:

- (1) Many candidates failed to design suitable questions and this arose from their not understanding the objectives of the ICQs and ICEQs.

### **QUESTION THREE**

The general performance on this question was very good. 135 of the 180 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 19.5 out of 20 marks while the lowest was 2.

Part (a)

- (i) This part of the question required candidates to explain the importance of professional skepticism.

Most of the candidates explained well the importance of professional skepticism while a minority explained the meaning which was not specifically asked for. A few candidates simply gave wrong answers such as that it enables auditors to assess the level of tolerance/materiality which is clearly incorrect.

- (ii) This part of the question required candidates to explain the difference between reasonable assurance and limited assurance. Three valid points on each of these earned candidates maximum marks.

Some candidates swapped the meaning of these two levels of assurance indicating lack of knowledge.

Others did not simply know the two levels for example stating that reasonable assurance is done/conducted in companies with good corporate governance while limited assurance in companies without good governance.

#### Part (b)

- (i) This part of the question required candidates to evaluate the internal control system in the scenario and to identify and explain five (5) deficiencies and recommend improvements where necessary.

A majority of the candidates ably identified internal control weaknesses and suggested suitable improvements.

The following were observed from those that scored less marks:

- (1) A sizeable number of candidates explained less than the required number of weaknesses and scored marks in proportion to the correct number of weaknesses explained.
- (2) A number of candidates explained deficiencies in internal controls but failed to make recommendations to remedy the weaknesses as per question requirement.
- (3) A few candidates explained audit procedures for identifying internal control weaknesses which did not address the question requirement.

- (ii) This was a very simple knowledge based question which required candidates to state five elements of assurance engagements. Candidates did not need to explain as they were only required to state.

A majority of the candidates scored maximum marks while others lost easy marks and the following were observed:

- (1) Many candidates gave four or less elements of the five and so lost easy marks
- (2) There were candidates who did not know the elements of assurance engagements and gave answers such as engagement letters.

- (3) There were candidates who wasted time explaining the elements of an assurance engagement and yet the question requirement was simply to state. This was a waste of valuable examination time.

#### **QUESTION FOUR**

The general performance on this question was poor. Only 8 of the 149 candidates that attempted the question managed to obtain at least 10 marks out of a total of 20 available marks. A pass rate of 5.4% was recorded. The highest score was 12.5 out of 20 marks while the lowest was 0.

##### Part (a)

This question was on audit appointments and board committees and candidates needed to know the professional guidance regarding auditor appointment. A majority of the candidates scored maximum marks and gave satisfactory answers.

- (i) This part required candidates to explain using their understanding of the professional matters on auditor appointment why the appointment in the question was not valid.

Most candidates scored maximum marks but some wrote far too much for 2 marks available.

- (ii) This part of the question required candidates to suggest how the appointment of ZET Chartered Accountants could be regularized.

A majority of the candidates could not give satisfactory explanations as to how the appointment could be regularized.

- (iii) This part of the question required candidates to explain the functions of the following board committees:

- (1) Nomination committee
- (2) Risk committee
- (3) Audit committee
- (4) Remuneration committee

A majority of the candidates were able to explain the functions of the above board committees. A few lost marks as they did not know the function one or more of the committees especially the nomination committee.

##### Part (b)

This part of the question required candidates to explain five ways in which the audit team may respond to assessed risks at the planning stage of the audit in accordance with the provisions of ISA 330 The auditor's responses to assessed risks. Candidates who did not know the provisions of this standard could not give the correct answers. The standard specifically gives the overall responses to audit risks at the planning stage.

A majority of the candidates simply exhibited lack of knowledge of the general responses to assessed risk in accordance with ISA 330 and so lost most of the marks.

### Part (c)

This part of the question required candidates to state and explain two audit procedures that should be conducted to test given assertions.

The performance in this question was poor with many candidates failing to suggest suitable audit procedures. Candidates are reminded that audit procedure is a key syllabus area and these are likely to be examined at every examination sitting.

The following observations were made:

- (1) A majority of the candidates simply explained the three assertions without suggesting any audit procedures.
- (2) Many candidates gave wrong audit procedures for the assertions given.
- (3) There were candidates who simply stated methods of obtaining audit evidence such as inquiry without explaining how this could be used to obtain evidence for the given assertions.

### **QUESTION FIVE**

The general performance on this question was poor. Only 22 of the 101 candidates that attempted the question managed to obtain at least 10 marks out of a total of 20 available marks. A pass rate of 21.8% was recorded. The highest score was 17 out of 20 marks while the lowest was 0.

### Part (a)

- (i) This part of the question required candidates to explain the meaning and purpose of a letter of engagement. A majority of the candidates answered this question well and scored maximum marks.

The following observations were made:

- (1) Some weak candidates explained contents of the letter of engagement which was not addressing the question requirements.
  - (2) A few candidates only addressed one aspect of this multi requirement question resulting in them earning one mark.
  - (3) There were a few candidates who did not seem to know the meaning and purpose of the engagement letter and stated things such as that the engagement letter is a letter addressed to external auditors from management.
- (ii) This part required candidates to evaluate and explain four matters that may necessitate the revision of the letter of engagement. General answers did not earn maximum marks candidates were required to pick items in the scenario that may necessitate a revision of the letter of engagement.

The following observations were made:

- (1) There were specific matters in the scenario that candidates should have referred to in justifying the need to revise the terms of the engagement letter which most candidates ignored.

#### Part (b)

This part of the question required candidates to suggest five audit procedures on the disposal of motor vehicles stating the financial statement assertion being tested. The performance in this part was poor with many candidates scoring less than half the available marks.

The following observations were made:

- (i) Some candidates gave less than the required number of audit procedures.
- (ii) Some candidates explained methods of obtaining evidence such as recalculate without explaining how this is applied in obtaining evidence.
- (iii) A good number of candidates suggested audit procedures without stating the financial statement's assertion being tested as per question requirement.
- (iv) A majority of candidates gave audit procedures for the audit of motor vehicles and not those required for the audit of disposals of motor vehicles.
- (v) Other candidates simply explained financial statements assertions without giving the audit procedures to test those assertions.
- (vi) A few candidates gave procedures that were inappropriate for vehicles that had been disposed of such as inspecting the vehicles when they will not be available for inspection on account of having been disposed of.

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

Highest mark obtained in this paper	77%
Lowest mark obtained in this paper	6%
Overall pass rate in this paper	26.7%

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

### **QUESTION ONE**

The general performance on this question was fair. 143 out of the 244 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 58.6%. The lowest score was 1.5, whilst the highest was 36 out of the available 40 marks.

The question covered taxation of partnerships. Part (a) required candidates to calculate the amount of capital allowances claimable by the partnership and was fairly well answered. Only a few candidates failed to use the correct rates to compute the correct amount of capital allowances available.

Part (b) required candidates to calculate the partnership's tax adjusted business profit for the year. The most common weakness demonstrated by candidates who performed poorly on this part of the question was failure to identify the relevant disallowable items to added back in computing tax the adjusted partnership profit.

Candidates specifically failed to make the appropriate adjustments relating to partner's salaries, entertainment expenses, donations made to political parties, staff refreshments non-trade debts written off subsequently recovered.

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

- (i) Not apportioning the year into the correct number of months before and after the changes to the terms of the partnership agreement. This also resulted in such candidates calculating the wrong amounts of salaries to be allocated to each partner.
- (ii) Using the wrong rates to compute the capital allowances available on the personal motor cars of the partners.
- (iii) Failure to make the appropriate adjustments for the motor car expenses paid by the partners on their privately owned motor vehicles.

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

- (i) Using the wrong tax rates to compute the income tax liability for each partner.
- (ii) Forgetting to deduct the provisional income tax paid by each partner during the from each individual's income tax liability to arrive at the final income tax payable.

### **QUESTION TWO**

The general performance on this question was poor. Only 59 of the 182 candidates that attempted the question managed to obtain at least 10 marks out of a total of 20 available marks. A pass rate of 32.4% was recorded. The highest score was 18.5 out of 20 marks while the lowest was 0.

The question examined basis periods and taxation of employment income.

Part (a) asked candidates to explain how the basis periods for the first two periods of trading were to be determined. Candidates demonstrated a general lack of knowledge of the commencement rules used to determine the basis of assessment for the year in which a trade commences and therefore failed to provide the appropriate responses.

In part (b) candidates were required to calculate the income tax payable by an individual who received investment income and generated employment income in addition to business profit during the year. The following were the most common mistakes made by the candidates:

- (i) Treating exempt benefits as taxable emoluments
- (ii) Failure to calculate the correct amount of taxable emoluments to be included in the computation for the one month the individual was in employment in the charge year.
- (iii) Forgetting to deduct the business proportion of capital allowances and motor running expenses on the personal motor car partly used for employment purposes when computing the taxable employment income.
- (iv) Including the investment income on which withholding tax is final which comprised dividends and GRZ bond interest in the personal income tax computation.
- (v) Forgetting to gross up the royalties before including the income in the income tax computation.
- (vi) Using the wrong rates to compute the amount of income tax payable. Some candidates were using the company income tax rate of 30%.

### **QUESTION THREE**

The general performance on this question was poor. Only 78 of the 216 candidates that attempted the question managed to obtain at least 10 marks out of a total of 20 available marks. A pass rate of 36.1% was recorded. The highest score was 19.5 out of 20 marks while the lowest was 0.5.

The question examined taxation of company generating both farming and non-farming income.

Part (a) required candidates to explain the tax treatment of the tax adjusted farming loss brought forward from the previous year and was generally answered well. Only a



few candidates demonstrated a lack of knowledge of the tax treatment of farming losses and therefore failed to provide the required explanations.

In part (b) candidates were required to calculate the amount of capital allowances claimable by the company. The following were the main weaknesses demonstrated by candidates:

- (i) Failure to calculate the correct amount of the balancing charge arising on the disposal of the Mitsubishi van and Tractors.
- (ii) Using the wrong rates to compute capital allowances on the Ford Ranger double cab van, irrigation equipment, dwelling houses and tea plantation.

Part (c), required candidates to compute the final taxable farming profits after capital allowances for the company. The most common mistakes made by candidates on this part of the question included the following:

- (i) Forgetting to relieve the farming loss brought forward from the previous year against the tax adjusted farming income generated during the year to determine the final amount of any assessable farming income.
- (ii) Not grossing up the GRZ bond interest income when computing the total taxable income
- (iii) Using the wrong rates to compute the company income tax arising. Some candidates forgot to adjust the company income tax rate for the discount of 2% and 5% for listing of shares on the Lusaka Securities Exchange and issuing more than one-third (1/3) of its shares to indigenous Zambians respectively.
- (iv) Failure to adjust for provisional income tax paid and the withholding tax paid on interest on GRZ bonds when computing the final amount of company income tax payable.

#### **QUESTION FOUR**

The general performance on this question was poor. Only 26 of the 165 candidates that attempted the question managed to obtain at least 10 marks out of a total of 20 available marks. A pass rate of 15.8% was recorded. The highest score was 15 out of 20 marks while the lowest was 0.

The question covered the framework of Taxation in Zambia and Value Added Tax (VAT).

In part (a) required candidates were required to state four organisations that are represented on the ZRA governing board and to state any three (3) powers of the Commissioner General of the Zambia Revenue Authority (ZRA). This part of the questions was poorly answered as most candidates failed to provide the required responses.

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

- (i) Claiming input VAT on items on which VAT is irrecoverable such as telephone bills and entertainment expenses.
- (ii) Failure to calculate the correct amount of output VAT on the disposal of Mitsubishi delivery van.
- (iii) Failure to compute recoverable non-attributed input VAT on the overheads.
- (iv) Failure to calculate correct amount of input VAT on items which were stated at their VAT inclusive values.

Part (c) required candidates to calculate the amounts of penalties and interest chargeable for the late payment of VAT and on the late submission of the VAT return.

Candidates demonstrated a lack of knowledge of the penalties which are imposed for the late payment of VAT and on the late submission of the VAT returns and therefore failed to compute the amount of the penalties chargeable and also failed to compute the amount of interest that would arise on the late payment of the VAT.

## **QUESTION FIVE**

The general performance on this question was poor. Of the 140 candidates that attempted the question, only 46 managed to obtain at least 10 marks out of a total of 20 available marks. A pass rate of 32.9% was recorded. The highest score was 19 out of 20 marks while the lowest was 0.

The question examined international aspects of taxation, rental income tax, customs and excise duty.

In part (a) candidates were required to explain the meaning of double taxation relief and the three methods used to give double taxation relief. Candidates generally demonstrated a lack of knowledge of double taxation relief and therefore failed to provide the required explanations.

Part (b) required candidates to explain how an individual running a property letting was to be assessed to tax and to calculate the amount of tax payable. Most candidates made the mistake of computing the tax adjusted profit of the business after deducting the expenses incurred wholly and exclusively for letting purposes and computing normal income tax either using the graduated tax bands for individuals or applying the company income tax rate of 30%, instead of simply taxing the gross rentals using the graduated rental income tax bands.

Part (c) required candidates to calculate the total amount of import taxes payable on the importation of a second-hand motor car.

In part (b) candidates were required to calculate the value for duty purposes on and import taxes arising on the importation of a second-hand motor vehicle.

The most common challenges were:

- (i) Including costs incurred within Zambia in the computation of VDP for customs purposes.
- (ii) Using the wrong exchange rate to translate the VDP in Zambian Kwacha terms.
- (iii) Failure to identify the correct specific customs and excise duty arising using the taxation table.

### **Overall performance of candidates**

Highest mark obtained in this paper	84%
Lowest mark obtained in this paper	4%
Overall pass rate in this paper	43.6%

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

### **QUESTION ONE**

The general performance on this question was good. 110 out of the 210 candidates that attempted the question achieved a pass (that is a score of at least 20 out of 40 marks), representing a pass rate on the question of 52.4%. The lowest score was 0, whilst the highest was 38 out of the available 40 marks.

This question was a Section A usual compulsory investment appraisal question for D-JIL Plc requiring candidates to compute the Net Present Value (NPV) and provide reasons for its preference. The question further required candidates to comment on the decision criteria for other investment techniques such as internal rate of return, accounting rate of return and payback period based on the benchmarks provided.

Part (a) required candidates to calculate the current cost of capital. This was particularly the most challenging part of question one. The common observations include:

Candidates failed to calculate the total dividends given the dividend cover ratio and the total profit after tax. The dividend was supposed to be used to compute the cost of equity. Even in cases where they were able to calculate the total dividends, they could still not be able to recognize the market capitalization as the market value of shares. It appears candidates are used to the per unit values of dividend and share price. However, this could not be used as an excuse for not getting the calculations correctly if the principles are correctly understood and applied.

The cost of loan capital proved to be the most difficult part of this part of the question. Candidates were unsure of which method to use to calculate the cost of debt. Further, candidates completely ignored the semi-annual interest payment. The after tax cost of debt was also not computed by a number of students, in arriving at their WACC.

Furthermore, candidates had a challenge with the WACC calculation because of wrong market values. The capital structure was already provided to them with the debt-to-equity ratio of 30%.

Part (b) required candidates to evaluate the financial viability of the proposed investment in the new equipment using the NPV method. This part was well answered, however, there were few common mistakes noted. For instance, some candidates were getting the annual inflated selling price and variable unit cost price wrongly because of starting from year two. There were no instructions that required candidates to start inflating prices in year two. Similarly, candidates for some reasons decided to inflate the unit prices only in the first year and applied the same inflated prices in the first year across the other two years. In a number of instances, the production figures of 100,000 units and/or contribution were inflated at year zero, instead of year One in a few cases.

Others had problems with correct treatment of working capital in the NPV computation. They applied the annual calculated amounts rather than the increase. This lack of knowledge on the treatment of working capital has been repeated in the previous examination diets and the uptake is still limited. Some candidates failed to recognize the working capital as an inflow in the final year.

Majority of candidates struggled to get the correct capital allowance in the final year. It is not clear why this was the case. Candidates also wrongly placed taxable amount and tax reliefs even though the instructions were clear about the one year in arrears. Also, for some reasons candidates used 30% tax rate instead the given 25%. Usage of the cost of equity to discount, instead of WACC was also a common error. Presentation is still a huge challenge with many of the candidates and this is not clear why this is the case. A significant number of candidates do not seem to know which cash flows comes after which ones and when to apply the discount factors.

Part (c) required candidates to comment on each of the investment appraisal techniques provided with their benchmarks and advise whether the Company could undertake the investment or not. The performance for this part was average due to the following observations. Significant number of candidates wasted their time in defining and making calculations when the requirements were about commenting based on the benchmarks and provide justification as to whether the investment was viable or not. Discussion of the three required techniques of IRR, ARR and payback was not exhaustive enough to earn full marks in a number of cases.

Part (d) required candidates to discuss the reasons why NPV is preferred to other investment appraisal methods such as internal rate of return, payback period and accounting rate of return. This part was well answered, however, the following were observed. Significant number of candidates provided definitions, advantages, and disadvantages of each investment appraisal methods in isolation rather than in comparison with the NPV. This did not address the question requirement in itself as there was need to align it to the NPV superiority.

## **QUESTION TWO**

The general performance on this question was poor. Only 28 of the 166 candidates that attempted the question managed to obtain at least 10 marks out of a total of 20 available marks. A pass rate of 16.9% was recorded. The highest score was 14 out of 20 marks while the lowest was 0.

This question was a Section B optional question requiring candidates to prepare the forecast income statement, estimating the market value of Kaka Plc and included some discussions around the significance of trade payables in working capital cycle.

Part (a) required candidates to prepare the forecast income statement of Kaka Plc for the following year. The performance on this part was mixed. The common observations include:

Majority of candidates were unable to calculate the sales growth and yet the series of years were provided that could have enabled them to compute the growth. What candidates instead did was to casually use 45% which was related to gross profit margin which was fundamentally wrong.

The statement was also not correctly presented as a significant number of candidates omitted the cost of sales component and went straight away to operating expenses after sales. They also inflated the operating expenses direct with the reduced rate by 10.71% instead of 89.29%.

Part (b) required candidates to estimate the market value of Kaka Plc using the earnings yield valuation method. This part was largely not responded to and even those that attempted to answer were not adequately prepared. It appears that the candidates lacked the knowledge of how to calculate the EPS and earnings yield formulae.

Part (c) required candidates to discuss the significance of trade payables in working capital cycle and the dangers of over-reliance on it as a source of finance for working capital. Admittedly, most candidates that attempted to answer this question were lured by this part, however, the answer responses were rather disappointing. It was quite strange that candidates provided everything that they knew about working capital rather than answering the question requirement. This approach was not only time wasting but it did not meet the question requirement thereby reducing the chances of scoring higher marks on this part. Candidates could not provide any link between the working capital and liquidity by means of the cash conversion cycle.

### **QUESTION THREE**

The general performance on this question was very good. 90 of the 122 candidates that attempted the question managed to obtain at least 10 marks out of a total of 20 available marks. A pass rate of 73.8% was recorded. The highest score was 20 out of 20 marks while the lowest was 0.

This question was a Section B optional question requiring candidates to explain the characteristics of debt finance (bond and debentures) and attractiveness. It also asked candidates to calculate theoretical ex-rights price convertibility option. Some candidates showed poor knowledge of the required computations in the question that included TERP and the convertible value of the bond. The theory parts were answered well.

### **QUESTION FOUR**

The general performance on this question was poor. Only 55 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 41% was recorded. The highest score was 16 out of 20 marks while the lowest was 0.

Part (a) of this question requested the candidates to explain the circumstances that Upscale Ventures was to consider in determining the optimum level of cash to be held for operations. The answer required the candidate to identify and explain those circumstances clearly in order to convince the examiner that the candidate has clearly identified these. These factors are need for cash in order to meet transactions, precautionary need, speculative and also to ensure that cash is always available in the event that overdraft facility has become difficult to access.

The common mistakes by some candidates in responding to this question is the inadequate identifying, listing and clearly explaining these factors. Some of the candidates merely identified only one and some none at all.

Part (b) of this question required the candidates to first calculate the amount of cash required in order to cover the funds for research and development of K3.2 million plus the Stock issue costs of K100, 000. Once the cash requirements were determined, the candidate was then expected to calculate total number of shares that were to be insured and this worked out to be 1,320,000 since each share was priced mat K2.50 per share. The common Mistakes for those candidates that attempted this part of the question was the inability to determine the number of shares issues.

It was further noted that some candidates failed to determine both the revised and current earnings per share on the basis of which eventually a comment would be made on whether the decision was acceptable or not on the issuance of shares or bond issue.

Part(c) of this part of the question required the candidate to clearly demonstrate knowledge by discussing the factors to be considered in the selection between traded bonds, issuance of equity via a placing or venture capital as a source of required finance. Some candidates failed to explain how bonds, as debt instruments operate and also state how both debt and equity can be part of venture capital financing.

## **QUESTION FIVE**

The general performance on this question was fairr. 84 of the 191 candidates that attempted the question managed to obtain at least 10 marks out of a total of 20 available marks. A pass rate of 44% was recorded. The highest score was 18 out of 20 marks while the lowest was 0.

Part (a) of this question required the candidates to clearly state and explain specific role that the finance manager plays in a business. This required stating these roles as raising and allocation of institutional funds, profit planning, understanding the way capital markets operate, working capital management and risk management.

Some candidates' responses failed to identify these roles, instead some of these explained the roles that the managing director performs in an organisation and some explained the roles of a personnel manager instead.

Part (b) of this question required the candidates to work out the cost of equity of TEL Ltd using the Dividend Growth Model. Most candidates did not correctly calculate the

Geometric average dividend growth rate or using the dividend growth model, whose resultant percentage was the same at 3%.

Part (c) (i) of this question required candidates to calculate the weighted average cost of capital of TEL Ltd before the new issue of bonds. The common mistakes for the candidates that attempted this section of the question was their inability to compute the market values of both equity and debt.

The shares that the company had a total of 100 million shares in issue with the ex div ordinary share price of K2.50 per share. The Market Value of Equity ( $V_e$ ) was therefore K250 million (100 million Shares x K2.50).

Further, the incorrect computation of the Market Value of Bonds ( $V_d$ ) and the Market Value of Equity ( $V_e$ ) resulted into these candidates not correctly calculating the Total Market Value of TEL Ltd. Therefore, the Weighted Value of TEL Ltd before the issue of bonds was not correct as was required in this Section of the Question.

Part (c) (ii) of this question required the candidates to calculate the Weighted Average Cost of Capital (WACC) after the issue of bonds. Some candidates avoided to answer this section of the question all together. For those that attempted, the common mistake was the failure to use the correct percentages of 9.01%, 7% and 6% respectively in the formula.

### **Overall performance of candidates**

Highest mark obtained in this paper	75%
Lowest mark obtained in this paper	4%
Overall pass rate in this paper	41%



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

### **QUESTION ONE**

The general performance on this question was poor. Only 42 out of the 208 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 20.2%. The lowest score was 0, whilst the highest was 30 out of the available 40 marks.

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

- (a) This part was requesting for the explanation of why synergy is important to the corporation. It was well answered by many candidates who gave a good explanation of the concept of synergy.
- (b) The candidates were expected to discuss any five frequent areas and sources of company potential synergies. On this part, many candidates had difficulties in understanding the request. Instead of discussing areas and sources, they discussed reasons for synergy. Other candidates discussed the benefits of synergy.
- (c) The part requested them to state the current value of stock in one sub part and in this case it proved difficulty to many candidates as they failed to even use the correct formula in calculating the value of shares. The second part of the sub request was on the stock worthiness in five years. Like the first, performance was also very poor. It is suggested that where a computation request is given in the examination, a formula provision should be provided to candidates.
- (d) The last request of this compulsory question, was an explanation on the problems associated with mergers and acquisitions. In this case, it was poorly done as many candidates were giving an explanation of problems associated with partnership type of business (of disadvantages) and not problems associated with mergers and acquisitions.

### **QUESTION TWO**

The general performance on this question was very good. 154 of the 207 candidates that attempted the question managed to obtain at least 10 marks out of a total of 20 available marks. A pass rate of 74.4% was recorded. The highest score was 20 out of 20 marks while the lowest was 0.

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

- (a) This part looked at barriers to entry into the industry faced by Mr. Kangwa. A few candidates were able to give the correct answers (5) while the majority failed as they mistook the request for Porter's five forces.

- (b) The second part requested for the lowering of the barriers. The lowering of the entry barriers was understood by a few candidates and a small number of them guessed but the majority of them failed completed completely.
- (c) The last part of the request looked at Joint venture. The concept of a joint venture was understood by the majority of the candidates. However, a number of the candidates failed to articulate the advantages of a joint venture, except that they dealt on the costs and risks only. Advantages of the joint ventures were not clearly and very much understood by candidates who sat for this paper.

### **QUESTION THREE**

The general performance on this question was very good. 119 of the 162 candidates that attempted the question managed to obtain at least 10 marks out of a total of 20 available marks. A pass rate of 73.5% was recorded. The highest score was 19 out of 20 marks while the lowest was 0.

This question was in three parts, (a), (b) and (c). It was attempted by 80% candidates. The analysis of the performance was as follows:

Part (a):

This part of the requested candidates to discuss three (3) main strategic management elements. The part was well answered by many candidates except for a few who mistook for:

(1) Porter's Generic strategies of Cost Leadership, Differentiation and Focus.

(2) Suitability, Acceptability and Feasibility.

(3) Levels of Strategy being at Corporate, Business and Functional or operational

Note that these were all wrong answers, as they were not requested for in the question.

Part (b):

This part asked candidates to advise Chileshe on any three (3) characteristics of effective strategic leaders in an organisation as postulated by Charles Hill and Gareth.

The part was well answered by many candidates except for a few who mistook for:

(1) Functions of a manager- Planning; Organising; Leading; Controlling and Directing

(2) Other characteristics such as: Good communicator; Motivator; Team player and delegating power.

Part (b):

This part asked candidates to state any five (5) factors to consider in selecting a proper organizing culture. The part was well answered by many candidates except for a few who mistook for:

- (1) Placing emphasis on location.
- (2) Need for highly skilled employees
- (3) Considerations for salaries to be paid

#### **QUESTION FOUR**

The general performance on this question was poor. Only 15 of the 72 candidates that attempted the question managed to obtain at least 10 marks out of a total of 20 available marks. A pass rate of 20.8% was recorded. The highest score was 18 out of 20 marks while the lowest was 0.

The question was examining candidates in marketing research and the concept of intrapreneurship. The requested solutions were in three parts (a), (b) and (c).

- (a) This part was requesting the explanation of the importance of research and development to companies like Trade Kings. Most candidates gave answers which were general in nature and not specific and the point.
- (b) This part of the question requested candidates to specifically advise on research aspects that helped Trade kings and the group of companies to pay attention to how goods and services were produced. Candidates gave general solutions which in the main were wrong.
- (c) The third part of the question expected candidates to explain five aspects of intrapreneurship that promoted innovations in companies. This received a few correct answers.

It was not in doubt that this question was a straight forward and generally the expectation would have been many candidates going for it. To the contrary, only less than 40% attempted this question and 20% of these who made an attempt failed. This indicative that most candidates did not consider and prepare themselves for marketing areas of the syllabus. Training providers are being encouraged to prepare candidates in all areas of the course.

#### **QUESTION FIVE**

The general performance on this question was fair. 91 of the 184 candidates that attempted the question managed to obtain at least 10 marks out of a total of 20

available marks. A pass rate of 49.5% was recorded. The highest score was 20 out of 20 marks while the lowest was 0.

This question was in two parts namely (a), and ((b).

(a) Most of candidates failed the first part of this question part (a). The candidates could not discuss the factors that influence the make up or formulation of strategy. Four determinants or factors were required out of six and most those who tried to attempt the part of the question could only give one or two of them only.

(b) This part (b) required candidates to advise on some sources of risks in a business. This part was well answered although it had low marks. However, most candidates were to able write sources of business risks.

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

Most candidates did not understand what was expected of them in the question as indicated by results below;

### **Overall performance of candidates**

Highest mark obtained in this paper	78%
Lowest mark obtained in this paper	12%
Overall pass rate in this paper	42.1%

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

### **QUESTION ONE**

The general performance on this question was good. 135 out of the 207 candidates that attempted the question achieved a pass (that is a score of at least 20 out of 40 marks), representing a pass rate on the question of 65.2%. The lowest score was 2, whilst the highest was 40 out of the available 40 marks.

The question had three (3) parts. Part (a) required candidates to explain the accounting treatment of exchange differences arising on: (i) foreign transactions and (ii) translation of a foreign entity's results and financial position.

Part (b) required candidates to evaluate any ethical and professional issues based on suggestions by the accountant of Grape Plc.

Finally, part (c) required candidates to prepare the consolidated statement of financial position of the Banana Group at 31 October 2023 including a foreign subsidiary.

The most common mistakes made by the candidates:

This question was relatively less challenging and almost all candidates attempted this question. The main technical issues about the question, were on; translation of the results of Melon Plc from foreign currency to the presentation currency of the parent; intragroup interest-free loan; exchange of assets; and the defined benefit scheme. Candidates demonstrated a lack of understanding of the above technical issues. Loss of marks were mainly due to the following common mistakes:

- (i) Multiplied the exchange rates instead of dividing.
- (ii) Consolidated the results of both subsidiaries, without translating the results of Melon Plc. Adjust, Translate and Consolidate (ATC), triple principle must always be applied when dealing with a foreign subsidiary.
- (iii) Computed goodwill of a foreign subsidiary (Melon Plc) in the Zambian kwacha (K), instead of the South African Rand (SAR).
- (iv) 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. First up, don't do calculations in your head. You may think this is a good way to save time, but doing this can trip you up.

Getting parent's share (proportionate) of subsidiary's assets and liabilities for consolidation. This is very disappointing at advisory level, candidates should take note that 100% of subsidiary's assets and liabilities should be consolidated (full consolidation).

### **QUESTION TWO**

The general performance on this question was poor. Only 20 of the 162 candidates that attempted the question managed to obtain at least 10 marks out of a total of 20 available marks. A pass rate of 12.3% was recorded. The highest score was 17 out of 20 marks while the lowest was 0.

The question required candidates to advise directors of Rokana Limited on the required accounting treatment of transactions on the following:

- (i) Sale and lease back of mining equipment for a term (5 years) shorter than the remaining life (10 years).
- (ii) The issue of convertible shares where the conversion option was unlikely to be exercised.
- (iii) legal provision for a lawsuit by a customer where it was probable (85%) that the company would lose the case.

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

#### *Advice on the first transaction*

Some candidates identified the applicable accounting standard as IFRS15 instead of IFRS 16. As a result they could not split the carrying amount of the mining equipment into proportions giving the initial measurement of the ROUA or could they split the annual repayments into amounts applicable for reducing the lease liability and that for reducing the financial liability for subsequent measurement and recognition. Those who did were able to specify which amounts would be taken to cost of sales (depreciation), to financial costs (interest accrued in the year) and those to be reported in the SFP under non-current assets (the ROUA), under current liabilities and under non-current liabilities (split lease liability).

Some candidates erroneously stated that the extra K100m out of K900 sale proceeds was a gain, when in fact it was extra financing on top of the fair value of K800m. The gain could only be computed if the asset was derecognised.

#### *Advice on the second transaction*

Candidates could describe how the compound instrument would be split into the equity component and the liability component. However, they could not demonstrate understanding by calculating relevant amounts because they were not sure what amounts to discount (K120 000, not given in the question) and what rate to use (10% or 11 %). Candidates who did the discounting of the annual amount and prepared the amortization schedule were also able to state correctly amounts that would be reported in the SPL and those to be reported in the SFP. This was proof that a candidate who has understood the topic in full would also provide the required figures up to the stage of reporting in the financial statements.

#### *Advice on the third transaction*

Most candidates stated that the initial K1 million provided for the legal costs would be reversed, instead of accruing the additional K250 000 and charging it

as an expense to the SPL. Some candidates the full present value of the required provision but did not unwind it to reveal the figure of interest to charge as a finance cost in the SPL.

### **QUESTION THREE**

The general performance on this question was poor. Only 18 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 14.1% was recorded. The highest score was 17.5 out of 20 marks while the lowest was 0.

What the question required candidates to do:

The question required candidates to advise directors of Vitendwe plc on the required accounting treatment of the following:

- (i) Lease of agro processing equipment.
- (ii) Sales and lease back of farmland.
- (iii) Lease of head office building.

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

#### *Advice on Lease of agro processing equipment*

Candidates who discounted the annual payments were able to prepare the amortization schedule and from it correctly highlight amounts to be reported in the SPL and those that would be reported in the SFP.

A good number of candidates could not compute by discounting annual lease repayments the amount for initial recognition of the lease liability. Instead the candidates merely described what would be done.

Most candidates incorrectly calculated the initial measurement of the ROUA because they did not add PV of the MLP, and PV of decommissioning costs to the total of directly incurred costs which included legal fees, initial deposit, installation costs and expenditure for testing.

#### *Advice on Sales and Lease Back of Farmland*

A number of candidates could not tell from the sale proceeds that substantially all economic benefits and risks had been transferred on to the lessee (the sale value was equal to the fair value of the farmland). For this reason most candidates treated the transaction as a financing arrangement, and did not recommend the derecognition of the asset to find a gain or a loss on the transaction. The treatment of the financing arrangement was correctly described though it was not the required treatment of the transaction. Candidates worked on the wrong assumption that whenever there is a sale and lease back the answer is always a financing arrangement.

There were candidates who correctly identified the substance of the transaction but could not correctly calculate amounts at which the lease liability and the

ROUA were to be recognized initially, let alone amounts for subsequent measurement and reporting in the financial statements.

#### *Advice of Head Office Building*

Majority of candidates recognized that the lease liability and the ROUA were to be amortised or depreciated over the period of 4 years. They correctly stated that the additional 2 years would be ignored because the construction of office buildings was to be completed earlier than the lease term. Despite this fact, candidates merely described accounting treatment in their answers. Few candidates calculated the required amounts thereby providing justifying their claims with supporting figures. Some candidates extracted amounts and stated where they could be reported as in the SPL and in the SFP only. They did not specify which amounts would be taken to cost of sales, to financial costs or to other operating costs, and for those to be reported in the SFP candidate could not specify which amounts would be reported under current assets, under current liabilities and under non-current liabilities.

#### **QUESTION FOUR**

The general performance on this question was poor. Only 1 of the 76 candidates that attempted the question managed to obtain at least 10 marks out of a total of 20 available marks. A pass rate of 1.3% was recorded. The highest score was 105 out of 20 marks while the lowest was 0.5.

This question had two (2) transactions (Acquisition of Manufacturing plant and Employee Share Option Scheme). The question required candidates to advise the Directors on the accounting treatment of both transactions for the year ended 31 December 2023 in compliance with the IFRS framework.

Only few candidates attempted this question and the performance was below average. For future examinations, candidates are advised to study all examinable standards and pay attention to the standards which are only examinable at advisory level such as IAS 19 and IFRS 2.

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

- (i) Failed to conclude that the first transaction (transaction 1) was a share based payment, specifically cash settled transaction.
- (ii) Most candidates wrongly valued the plant based on fair value (cost) at its delivery date. IFRS 2 requires that goods acquired under a cash settled transaction must initially be measured at the amount of cash payable based on the fair value of the equity instrument at the share based payment arrangement (agreement date).



- (iii) Failed to spread the cost over the vesting period for the second transaction (transaction 2- employee share option scheme).
- (iv) To come up with directors, candidates wrongly subtracted those who left only, instead of expected leavers over the vesting period (the best estimate at each year end should be used).
- (v) Further most candidates simply computed, with no explanation. For future examinations, candidates are advised to pay particular attention to command words (verbs) used.

## **QUESTION FIVE**

The general performance on this question was fair. 100 of the 193 candidates that attempted the question managed to obtain at least 10 marks out of a total of 20 available marks. A pass rate of 51.8% was recorded. The highest score was 15.5 out of 20 marks while the lowest was 1.

This question required candidates to prepare a report analysing performance and position of a limited company, Joshua Limited, over two successive periods. Further, candidates were required to state additional information that would be useful in assessing the company's future prospects, besides recommending whether the loan applied for should be approved or not.

Majority of the candidates prepared the report in the appropriate format and made comments on the company's profitability, liquidity and borrowing status. Common errors on this question were calculating more liquidity ratios than were necessary, and few of other ratios. Those who failed to calculate the known basic ratios merely described trends which are changes in absolute figures only. Few candidates, if any, provided additional information that was going to be useful in assessing the company's future prospects.

In the concluding remarks, some candidates recommended the approval of the loan, and a good number of them advised against approval of the loan application.

### **Overall performance of candidates**

Highest mark obtained in this paper	69%
Lowest mark obtained in this paper	18%
Overall pass rate in this paper	27.1%

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

### **QUESTION ONE**

The general performance on this question was poor. Only 24 out of the 273 candidates that attempted the question achieved a pass (that is a score of at least 20 out of 40 marks), representing a pass rate on the question of 8.8%. The lowest score was 0, whilst the highest was 32 out of the available 40 marks.

This was a mixed scenario based question comprising a number of topics including auditor liability, revenue recognition and audit procedures. The performance in this question was poor and this could be attributed to the fact that the question did not have questions on audit risk and ethics topics that have in the past been examined in the compulsory question. Candidates are reminded that any syllabus topics could be examined in the compulsory question and so selective studying is not recommended.

#### Part (a)

was a knowledge based question on fees owing to previous auditors and requiring candidates to advise the new auditors on action they should take regarding fees owing to previous auditors. A majority of the candidates scored maximum marks in this part. A minority of candidates suggested that the incoming auditors should decline the appointment which is not correct.

A number of candidates considered the outstanding fees as a pre acceptance matter that must be considered. Fees owing to previous auditors is not a ground on which a firm can decline appointment.

#### Part (b)

(i) To score maximum marks candidates were expected to show a clear understanding on the case law and guidance on auditor liability. In this case a few shareholders do not represent the company and so will be treated as third parties and are subject to the ruling in the Caparo case.

Candidates should have explained that the few shareholders would require to prove all three criterion to succeed in suing the auditors and these should have been explained in the solution.

The following observations were made:

- (1) A number of candidates lost marks by not using the expected format for the briefing notes.
- (2) A large number of candidates discussed the responsibilities for fraud prevention which was not the question requirement.
- (3) Some candidates simply mention the three conditions required to succeed in suing the auditors without applying this to the information in the scenario.

(ii) This was a knowledge based question which candidates should have easily answered without necessarily having to refer to the information in the scenario. In answering this question candidates should have distinguished the action to

limit the extent of auditor liability such as taking appropriate insurance from action needed to avoid litigation.

The following were observed:

- A sizeable number of candidates lost easy marks because they explained methods of limiting auditor liability such as taking appropriate insurance and no marks were awarded for this.
- A few candidates explained the types of insurance firms are required to take which was not answering the question requirement. Candidates should ensure they address the question requirements in answering examination questions.
- Some candidates discussed audit procedures that should be conducted in trying to detect fraud which was not the question requirement.

Part (c)

This question required candidate to use the information in the scenario in answering it. The areas referred to are the three areas 1, 2 and 3. The question was split into two parts (i) and (ii) and could have easily been answered in columnar form in order to save time and also ensure that the question requirements are met. A sizeable number of candidates answered the two parts separately and so wasting valuable examination time.

- (i) Required candidates to suggest 2 examples of issues relevant to each of the three areas in undertaking an audit.
  - (1) A sizeable number only considered one example.
- (ii) This part of the question required candidates to recommend two audit procedures to be undertaken to gather the information required in each of the three stages.
  - (2) A few candidates explained methods of obtaining audit evidence such as inquiry without relating this to answering the question.

Part (d)

- (i) A majority of the candidates scored poorly in this part of the question largely because they did not realize that the transaction was more of a financing arrangement rather than a sale. The fact that the maize was still in the custody of Chunga Ltd should have guided candidates accordingly.
  - (1) Most candidates simply did not attempt to answer this part of the question.
  - (2) A number of candidates discussed other risks not related to the maize that was sold for which an explanation was expected.
- (ii) Candidates were required to describe audit procedures regarding this sale of maize. The procedures should have been related to establishing whether the transaction qualified to be considered as a sale according to IFRS 15

The following were observed:

- (1) A minority of candidates suggested as an audit procedure to inquire from the bank whether it had received the maize when the question clearly states stated that the maize was in the custody of Chunga Ltd.

Part (e)

Candidates were required to discuss the appropriateness of the use of analytical procedures in the audit of the financial statements of Chunga Ltd in view of the question by a Trainee Auditor on the use of analytical procedures on a new audit client. Candidates should have considered the use of these procedures at the three areas of an audit namely planning, gathering evidence and finalization and reporting.

The following were observed:

- (1) Some candidates explained and illustrated the meaning of analytical procedures which was not the question requirement and no marks were awarded for doing so.
- (2) A sizeable number gave a general answer that analytical procedures can be used at all the three stages of an audit without illustrating how this is done at each of the three stages. For 7 marks candidates should have explained in detail.

## **QUESTION TWO**

The general performance on this question was poor. Only 110 of the 261 candidates that attempted the question managed to obtain at least 10 marks out of a total of 20 available marks. A pass rate of 42.1% was recorded. The highest score was 17 out of 20 marks while the lowest was 0.

This question was split into two parts with part (a) dealing on laws and regulations while part (b) was on the risk of material misstatements.

Part (a)

- (i) This part of the question required candidates to discuss the responsibilities of the auditor and the management regarding the law on disposal of medical waste. Candidates needed to answer the question in line with the provisions of ISA 250. A majority of the candidates scored maximum marks in this part.

The following observations were made:

- (1) Some candidates discussed the importance of complying with the newly enacted law instead of discussing the responsibility for doing so.
- (ii) This part required candidates to consider the audit risk with regards compliance with laws and regulation by a client company. The concern of the auditors is the impact of non-compliance with laws and regulation on the financial statements.

The following observations were made:

- (1) Some candidates considered this as an ethical matter.

- (2) Other candidates discussed the matter as though the auditors are the ones who are required to comply with the law without relating this to the likely material misstatement of the financial statements in the event of non-compliance by the company.
  
- (iii) Candidates needed to discuss the actions of the auditor on account of non-compliance with the waste disposal law and the fact that management of Gatti Medical Services tried to conceal the non-compliance.

ISA 250 gives guidance on the procedures that the auditor should take under the circumstances and candidates who did not know or understand the provisions of the standard could not satisfactorily answer this part. Candidates are reminded that they are expected to answer examination questions in accordance with the provisions of relevant auditing standards.

The following observations were made:

- (1) Many candidates discussed this matter from the point of view of the client and that the incinerator should be repaired which was not addressing the question requirement.
- (2) Candidates showed lack of understanding of the provisions of the auditing standard regarding the procedures that must be conducted in the event of non-compliance with laws and regulations.

Part (b)

This part of the question required candidates to understand the difference between audit risk and risk of material misstatements. While audit risk has three elements of inherent, control and detection risk, the risk of material misstatement is before the audit and had two elements of inherent and control risks. The question contained information on detection risk and weak candidates will have included the detection risks in answering this part of the question showing that they do not understand the difference between audit risk and risk of material misstatement.

- (i) Required candidates to describe 4 risks of material misstatements from the information in the scenario. The performance in answering this part was poor and the following were observed:
  - (1) A number of candidates described less than the four risks required and lost easy marks.
  - (2) A sizeable number of candidates included detection risks for which no marks were awarded.
  - (3) A number of candidates could not satisfactorily explain why the identified risks were risks of material misstatements as required by the question.

- (4) A number of candidates did not suggest suitable responses to the identified risks and lost the marks allocated to doing so.
  - (5) Some candidates suggested recommendations to Mulungushi Ltd and yet audit responses are by the auditors to the risks that have been identified.
- (ii) This part of the question required candidates to suggest a suitable response for each risk identified in (i). Parts (i) and (ii) could have been answered together in columnar form to save time.

The following were observed:

### **QUESTION THREE**

The general performance on this question was poor. Only 37 of the 171 candidates that attempted the question managed to obtain at least 10 marks out of a total of 20 available marks. A pass rate of 21.6% was recorded. The highest score was 14 out of 20 marks while the lowest was 0.

The following observations were made in the specific parts of the question:

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

This part of the question required candidates to describe from the information given the work that the audit team will perform at each of interim and final audit stages. Candidates needed to show understanding that some audit work can only be done at the final stage because the balances at the interim audit date will be different from those at the period end and this particularly relates to balances in the statement of financial position.

- (i) This part required candidates to describe work at the interim audit stage and the following were observed:
  - (1) Weak candidates discussed procedures that should be done at the final audit stage such as receivables confirmations.
  - (2) Some candidates described less than the required three tasks at this stage as per question requirement.
- (ii) This part required candidates to describe tasks that should be done at the final stage of the audit and the following were observed:

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

Candidates needed to relate the work at the interim audit date and that done at the final audit stage.

#### **Part (c)**

- (i) This part of the question required candidates to discuss three audit risks in the audit of the group financial statements and for each risk to suggest a suitable response.

- (ii) This was a multi requirement question requiring candidates to discuss the impact of the work of component auditors on the work of the group auditors and the group audit opinion. Candidates needed to show an understanding that the group auditors are responsible for obtaining sufficient and appropriate audit evidence on which to base the audit opinion and they are responsible for the group audit opinion notwithstanding the fact the group financial statements include figures of components not audited by them.

#### **QUESTION FOUR**

The general performance on this question was fair. 140 of the 256 candidates that attempted the question managed to obtain at least 10 marks out of a total of 20 available marks. A pass rate of 54.7% was recorded. The highest score was 19 out of 20 marks while the lowest was 0.

##### Part (a)

This part of the question required candidates to explain the meaning of conflict of interest and discuss the conflict of interest in the scenario.

The following observations were made:

##### Part (b)

- (i) Required candidate to discuss the response to the nomination as auditors of Mint Plc considering all possible situation namely if either of the companies does not wish to be audited by the same firm of auditors.

The following were observed:

- (i) This part required candidates to discuss suitable safeguards in the event that both companies accept to be audited by the same firm of auditors.

##### Part (c)

This part of the question required candidates to identify and explain ethical threats in the scenario. General answers did not earn any marks.

#### **QUESTION FIVE**

The general performance on this question was poor. Only 6 of the 99 candidates that attempted the question managed to obtain at least 10 marks out of a total of 20 available marks. A pass rate of 6.1% was recorded. The highest score was 13 out of 20 marks while the lowest was 0.

##### Part (a)

This part of the question required candidates to distinguish corresponding figures from comparative financial statements.

The following were observed:

- (1) Most candidates simply did not attempt to answer this part showing lack of understanding of the types of comparative information that exist.
- (2) Many candidates swapped the meaning of these and mistook comparative figures for comparative financial statements.

#### Part (b)

This part of the question required candidates to explain the auditor objectives in relation to comparative information in the audit of the financial statements of Mabula Plc. Candidates should have observed that the comparative information in the scenario are comparative figures. A majority of the candidates scored very poorly in this part of the question.

The following observations were made:

- (1) Some explained the objectives of financial statements in an audit.
- (2) Other candidates explained the objectives of accountants in an audit of financial statements which was not required by the question.

#### Part (c)

This part of the question was split into two and could have been answered in columnar form to save time.

- (i) This part required candidates to comment on matters to consider for each of the three items in the scenario.

The following observations were made:

- (1) A majority of the candidates did not attempt to answer this part and so could not also answer part (ii) which is related to it.
- (2) Many candidates explained the correct accounting treatment without commenting on the matters that should be considered during the audit.
- (3) There were many candidates who discussed materiality without relating this on how it impacts the audit.

- (ii) This part required candidates to state 2 audit evidence expected on work done for each of the three items in the scenario.

The following observations were made:

- (1) Many candidates simply did not attempt to answer this part of the question.
- (2) Some candidates attempted to describe audit procedures to conduct for these matters instead of stating the evidence they expect to find in the review of the working papers.

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

Highest mark obtained in this paper	63%
Lowest mark obtained in this paper	6%
Overall pass rate in this paper	15.4%



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

### **QUESTION ONE**

The general performance on this question was poor. Only 57 out of the 137 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 41.6%. The lowest score was 1.5, whilst the highest was 36 out of the available 40 marks.

The question covered taxation of mining operations and international aspects of taxation.

Part (a) required candidates to compute the amount of Mineral Royalty Tax (MRT) paid by the company during the year and was generally well answered. The following were the most common weaknesses demonstrated by a few candidates:

- (i) failure to correctly apply the incremental mineral royalty norm price ranges for copper to compute the amount mineral royalty tax on copper.
- (ii) Using the norm value instead of the gross value to calculate the MRT on gemstones.
- (iii) Using the gross value instead of the norm value to calculate the MRT on precious minerals.
- (iv) Using the wrong rate to compute MRT on industrial minerals.
- (v) Failure to explain the correct tax treatment of MRT when computing taxable profits.

Part (b) required candidates to advise on the income tax implications arising from the loan obtained by the Zambian subsidiary from its foreign based parent company at an interest rate higher than the commercial rate. This part of the question was generally answered well, although a few candidates failed to explain that in addition to the interest payable on the loan being subjected to transfer pricing rules, it will also be subjected to the limitation of interest deduction regulations (i.e. the 30% Tax EBITDA allowable interest restriction rules).

Part (c) asked candidates to compute the taxable mining profit. The following were the challenges faced by the candidates who scored poor marks on this part of the question.

- (i) Failure to identify the relevant disallowed expenditure to be added back when computing taxable mining profit.
- (ii) Failure to make the appropriate transfer pricing adjustment in respect of the finance costs on the loan obtained from the foreign based parent company.

- (iii) Using the wrong rates to compute the wear and tear allowances on non-current assets and other qualifying mining expenditure.
- (iv) Failure to apply the 30% Tax EBITDA allowable interest expense limitation rules on the finance cost to determine the amount disallowed interest cost.
- (v) Failure to calculate the correct amount of the indexed loss brought forward to be relieved against taxable mining profits for the tax year.

Part (d) asked candidates to compute the final income tax payable by the company. The most common mistakes made by candidates were:

- (i) Not grossing up the treasury bill discount before including it in the computation of taxable income.
- (ii) Using the wrong tax rates to compute the tax payable. Some candidates were using the income tax bands for individuals.
- (iii) Failure to calculate the correct amount of withholding tax (WHT) on the treasury bill discount, to be deducted from the company's tax liability to arrive at the final amount of company income tax payable. Most candidates used the net figure of the treasury bill discount instead of the gross amount to compute the WHT.

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

- (i) Forgetting to gross up the management fees from Zambian sources before including it in the income tax computation of the individual given that the figure in the question was stated net of the WHT deducted at source.
- (ii) Including the GRZ bond interest which suffers WHT which is a final tax in the income tax computation.
- (iii) Not grossing up the dividend and debenture interest income from foreign sources before including it in the computation of the taxable income of the individual.
- (iv) Failure to calculate the correct amount of double taxation relief on both the foreign dividend income and foreign debenture interest income.
- (v) Using the wrong rates to compute the income tax payable.

## **QUESTION TWO**

The general performance on this question was poor. Only 56 of the 132 candidates that attempted the question managed to obtain at least 10 marks out of a total of 20 available marks. A pass rate of 42.4% was recorded. The highest score was 16.5 out of 20 marks while the lowest was 0.5.

The question examined tax planning focusing on the extraction of profits from a company.

Part (a) (i) required candidates to explain, with supporting calculations, the income tax and NAPSAs implications of drawing directors' emoluments for each individual. This part of the question was generally answered well by most candidates.

In part (a) (ii) candidates were required to explain, with supporting computations, the income tax and NAPSAs implications for the company of each individual drawing directors' emoluments. The main challenges faced by candidates were:

- (i) Failure to explain that for the company the emoluments paid to each director are allowable when computing taxable business profits, resulting in tax savings, and failing to compute the amount of the tax savings arising.
- (ii) Failure to explain that the emoluments will attract employer's NAPSAs contributions which will be allowable when computing taxable business profits, resulting in tax savings and failing to compute the amount of the resulting tax saved.

Part (a) (iii) required candidates to show the overall after-tax position. Candidates failed to make appropriate evaluations to show the overall impact on the tax position of the taxpayers.

Part (b) which required candidates to explain, with appropriate calculations, the income tax and NAPSAs implications both for each individual as well as for the company of drawing profits as dividends and to show the overall tax position was generally answered well. However, a few candidates faced the following challenges:

- (i) Failure to explain that WHT will be chargeable on the dividends which will be a final tax, and as such no personal income tax will arise on the dividends.
- (ii) Failure to explain that both employee's and employer's NAPSAs contributions will not arise on the dividends.
- (iii) Failure to explain the dividends will not be allowable when computing taxable profits.
- (iv) Failure to evaluate the impact on the overall tax position for the tax payers.

Part (c) required candidates to advise as to whether they should draw the profits as emoluments or as dividends. Most candidates failed to make appropriate evaluations in order to give the required advice.

### **QUESTION THREE**

The general performance on this question was poor. Only 15 of the 97 candidates that attempted the question managed to obtain at least 10 marks out of a total of 20 available marks. A pass rate of 15.6% was recorded. The highest score was 12 out of 20 marks while the lowest was 0.

The question covered taxation of financial institutions and financial arrangements for companies.

In part (a) candidates were required to compute the company income tax payable by company providing general insurance. The most common mistakes made by the candidates were:

- (i) Not including the grossed-up amount of the GRZ bond interest and management fees in the computation of taxable income for the company.
- (ii) Failure to make appropriate adjustments for the movements in unearned premiums and outstanding claims from customers during the year.
- (iii) Failure to make appropriate adjustments for claims paid to customers during the year and amounts received under reinsurance.
- (iv) Failure to identify the relevant allowable expenses to be deducted when computing the taxable profit.
- (v) Using the wrong rates to compute capital allowances claimable on buildings and implements, plant and machinery.
- (vi) Not making the relevant adjustments for the personal to holder motor benefit in relation to the motor vehicles provided to directors of the company on a personal to holder basis.
- (vii) Using wrong rates to compute the company income tax liability for the company. Some candidates were using income tax bands for individuals.

In part (b) candidates were required to advise on the taxation implications arising from issuing shares and issuing bonds to finance the purchase of new administration buildings. The challenges faced by candidates were as follows:

- (i) Failure to explain the correct income tax treatment of the issue costs to be incurred by the company under each option.
- (ii) Failure to explain that input VAT to be incurred on under each finance option will be recoverable and failure to calculate the correct amount of recoverable input VAT.
- (iii) Failure to compute the amount of capital allowances to be claimed on the administrative building under each option.

#### **QUESTION FOUR**

The general performance on this question was poor. Only 3 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 3.9% was recorded. The highest score was 16 out of 20 marks while the lowest was 0.

Part (a) required candidates to advise on the taxpayer's exposure to penalties and interest on overdue tax arising from late submission of tax returns and late payments of income tax.

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

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

In part (b) candidates were required to explain the alternative courses of action that an individual can take following receipt of a notice of assessment from ZRA showing additional income tax payable and how disputes between an individual and the Commissioner General would be resolved. Candidates demonstrated a lack of knowledge of the relevant procedures a taxpayer can follow and therefore failed to provide the required explanations.

Part (c) required candidates to advise an individual of the interest on overdue tax and penalties that he may be liable to following the Commissioner General's enquiry into his self-assessment income tax return for the previous tax year. Candidates failed to state the rate at which interest on overdue tax was to be charged and the period over which the interest will apply. They also failed to state the rate at which the penalty for late payment of tax was to be charged and the period over which the penalty will apply.

## **QUESTION FIVE**

The general performance on this question was poor. Only 10 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 11.1% was recorded. The highest score was 15 out of 20 marks while the lowest was 0.

The question examined taxation of trusts. Part (a) required candidates to advise on the property transfer tax (PTT) implications of a settlor making a transfer of property into trust for the benefit of his children during the settlor's life. Most candidates failed to explain that a transfer of property into a trust is an exempt transfer for PTT purposes.

In part (b) candidates were required to discuss the nature of three different types of trusts which included a trust with an interest in possession, a discretionary trust and an accumulation and maintenance trust. Most candidates demonstrated a general lack of knowledge of these types of trusts and therefore failed to provide the required explanations.

Part (c) required candidates to compute the amount of income tax payable by the trust for the year. The challenges faced by the candidates were as follows:

- (i) Failure to compute the correct amount of gross rental income from letting out of residential flats and shopping mall for the year.
- (ii) Failure to calculate the correct amount of rental income tax payable by the trust for the year. Most candidates were calculating the taxable profits and income tax at a rate of 30% which was wrong. This is because even though income of trust is generally taxable at 30%, the trust was generating income from letting of property which is taxable under rental income tax as opposed to company income tax.

### **Overall performance of candidates**

Highest mark obtained in this paper	67%
Lowest mark obtained in this paper	4%
Overall pass rate in this paper	27%

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

### **QUESTION ONE**

The general performance on this question was poor. Only 6 out of the 20 candidates that attempted the question achieved a pass (that is a score of at least 20 out of 40 marks), representing a pass rate on the question of 30%. The lowest score was 5, whilst the highest was 26.5 out of the available 40 marks.

Part (a) (i) required candidates to explain the balanced score card and this was well answered by the candidate and obtained all the marks as they were able to explain all the four perspectives of the balanced Scorecard. Part (a) (ii) required candidates to state three advantages and disadvantages of the balanced scorecard. This part was well answered and candidates did bring out advantages and disadvantages of the balanced scorecard.

Part (a) (iii) required candidates to evaluate the performance of SCC Ltd using the balanced score card. This part was not well attempted by many. However, those who attempted it could pick figures from the scenario and were able to obtain marks. Some could not relate the answers to the scenario and were just answering using the book knowledge of balanced scorecard and lost marks.

Part (b) required candidates to calculate:

- (i) Optimal budget
- (ii) Transfer prices which ought to be set for S1 and S2 based on the answer in (i)
- (iii) Total contributions for Division X, Division Y and SCC group using the transfer prices in (ii).

Candidates could not answer this part of the question and the few of them who attempted it got lost with figures and could not complete it. Future candidates are advised to study the approach used in the suggested solutions.

Part (c) was well answered and good marks were obtained on both part (c) (i) and (c) (ii). Good explanations were given to justify why divisional structures could be used as well as costs and inefficiencies that could come with such operations.

### **QUESTION TWO**

The general performance on this question was poor. Only 8 of the 18 candidates that attempted the question managed to obtain at least 10 marks out of a total of 20 available marks. A pass rate of 44.4% was recorded. The highest score was 14 out of 20 marks while the lowest was 1.

Part (a). Candidates were required to explain how 'Ansoff 's product /market matrix might be used in the formulation of M Ltd 's corporate strategy. Many candidates avoided part (a) despite the fact that it was a straight forward one.

Part (b) (i). Candidates were required to calculate profitability and working capital ratios. This part was well answered by most candidates.

Common errors related to the use of wrong formulae in the calculation of working capital ratios.

Part (b) (ii). Candidates were required to appraise the Managing Director's statement and determine whether in the candidate's opinion M Ltd was credit worthy.

This part of the question was equally well answered by most candidates in that they used the calculated ratios to argue their cases and stated that the company was credit worthy.

Part (c). Candidates were required to explain what they understood by 'critical success factors' as identified in the Ansoff's matrix and to give an example that relates to M Ltd. This part was well answered.

### **QUESTION THREE**

The general performance on this question was poor. Only 1 of the 8 candidates that attempted the question managed to obtain at least 10 marks out of a total of 20 available marks. A pass rate of 12.5% was recorded. The highest score was 10 out of 20 marks while the lowest was 1.

Part (a) invited candidates to prepare computations whether the solar panel installations for recovering heat for heating the swimming pool could go ahead or not. In addition candidates were required to state any assumptions made and any reasons for including and excluding certain costs in the computations.

The question was about decision making and it was very poorly attempted. Hardly any figures were correctly computed.

Candidates needed to work out cashflows relating to 'install solar panels' and 'Do not install solar panels'. The option with a lower differential cost was to be accepted.

Marks were also available for advice, assumptions and for stating whether or not a cost was relevant or irrelevant.

Common errors included:

- (i) Not stating assumptions as required by the question;
- (ii) No explanatory notes for relevant and irrelevant costs;
- (iii) Including irrelevant cashflows such as the K90,000 survey fee (sunk cost);
- (iv) Failure to analyse in depth the information given. E.g. only 20% heat recovery level applied meaning 20% of 250,000 annual total units = 50,000 units. As 100,000 units were used to heat the swimming pool, it is assumed that 50% (50,000/100,000) would be required for the swimming pool. 50% was then required to work out the variable swimming pool costs; but this was only possible after analyzing total costs into 80:20 (variable to fixed costs ratio).
- (v) Not inflating costs by 7% under both options.

Part (b) required candidates to evaluate the use of the Net Present Value as performance measure.

This part was relatively well attempted but not to the expected standard at this level. Those who performed badly did not:

- (i) Give pros and cons of the NPV



- (ii) Indicate that it is a measure of risk
- (iii) Indicate that it is used for strategic control (shareholder wealth)

#### **QUESTION FOUR**

The general performance on this question was poor. Only 4 of the 13 candidates that attempted the question managed to obtain at least 10 marks out of a total of 20 available marks. A pass rate of 30.8% was recorded. The highest score was 14 out of 20 marks while the lowest was 1.

Part (a) required candidates to evaluate the financial performance of M Plc for the year ended 31 December 2022 using both the traditional way and the proposed Economic Value Added (EVA) approach.

EVA has always presented students with challenges in that only few candidates understood the topic well. There were varying answers as they could not identify the information to include in the solution. Generally, the pass rate was poor.

Common errors included:

- (i) Failing to derive the correct NOPAT figure
- (ii) Failing to derive the correct WACC figure using the 50:50 capital structure
- (iii) Failing to compute the notional capital charge figure
- (iv) Failing to work out other growth indicators (increases or decreases) for EPS, EVA, share price, market index, etc. These were required to make a fuller financial evaluation.

Part (b) required candidates to discuss the advantages and disadvantages to M Plc of the use of the EVA for the measurement of performance compared to the traditional approach.

The discussions were not convincing as given by many candidates. In most cases candidates discussed either the WACC or EPS. Therefore, the pass mark was low here.

#### **QUESTION FIVE**

The general performance on this question was fair. 11 of the 19 candidates that attempted the question managed to obtain at least 10 marks out of a total of 20 available marks. A pass rate of 57.9% was recorded. The highest score was 17 out of 20 marks while the lowest was 5.

Part (a) required candidates to explain the problems that could be inherent in the proposed financial benchmarking exercise at TUS.

This was a basic question but it was surprising that at this level some candidates could not appreciate benchmarking. They did not make use of the information in the question. Some of the problems they could have mentioned included competitors not willing to share the information, benchmarking is backward looking, need for validity/comparability, etc. Generally the pass rate was poor.

Part (b) required candidates to describe the four perspectives of the balanced scorecard showing how the new strategy of the business as outlined by Tizione linked to the different perspectives.

Part (b) was popular and in most cases candidates answered the question very well. A good pass mark was achieved.

In part (c) candidates were required to evaluate the financial performance of TUC using the two (2) shareholder performance indicators, namely, the Earnings per share and the share price. This part was well attempted.

However, poorer candidates did not comment on the Zambian market index and the retail sector index to make a fully informed comparison.

### **Overall performance of candidates**

Highest mark obtained in this paper	65%
Lowest mark obtained in this paper	7%
Overall pass rate in this paper	40%

## **SUBJECT: CA 3.6: ADVANCED FINANCIAL MANAGEMENT**

### **QUESTION ONE**

The general performance on this question was poor. Only 2 out of the 23 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 34.8%. The lowest score was 3, whilst the highest was 32 out of the available 40 marks.

This question was a Section A usual compulsory investment appraisal question requiring candidates to evaluate the proposed investment by determining the value of the call option to undertake the second project and the value of the combined projects. The question further required the explanation of the merits of APV methods as an investment appraisal technique. Also, there were requirements for earlier interest rate risk hedging and an illustration of how to do it.

Part (a) (i) of the question required candidates to determine the value of the call option. Generally, this part should have been the easiest as it tested the basic principles of Black-Scholes Option Pricing Model and the present value cash flows were already given. Nevertheless, majority of the candidates were unable to identify key variables used for substituting in the formula and the reasons for this is best known to themselves as these variables were made available. Few candidates did not know where to start from and completely avoided this part. It was also observed that a significant number of candidates computed the NPV which wasted their time as it was already provided to them. Some weaker candidates just listed the figures and could not even write a report. 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 determine the value of the combined projects i.e. addition of the first project NPV and the value of call option to expand on the second project. Ideally, this part could have been easy, however, candidates found no relationship between the earlier NPV and the value of call option, thus, they could not score easy marks at this stage.

Part (b) required candidates to explain the merits of APV method as an investment appraisal technique. This part was well answered. However, candidates listed the relevant points rather than explaining them.

Part (c) required candidates to discuss the reasons for hedging interest rate risk on 3 October rather than 1 January when the loan was to be taken. The performance for this part was mixed. Some candidates provided useful explanations related to potential adverse interest rate movements, however, the majority of candidates were unable to provide relevant explanations.

Part (d) required candidates to illustrate how interest rate futures could have been used to hedge the interest rate risk and the calculation of the outcome at 1 January. This part was poorly responded to. The majority of the candidates avoided the

question and those that attempted this part of the question could only list the figures without any relevant narration.

## **QUESTION TWO**

The general performance on this question was excellent. 18 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 81.8% was recorded. The highest score was 19 out of 20 marks while the lowest was 7.

Part (a) required candidates to discuss the factors identified by the board chairperson that may affect the implementation of its financial strategies. Some candidates were not able to discuss convincingly as to the funding constraints that MARKO Pharmaceuticals Inc. was to encounter in pursuing debt financing as a source of funding in order to address its profitability and liquidity challenges. The question required the candidates to also discuss the challenges this company may experience in floating their shares on the secondary market, these candidate's answers did not discuss this aspect at all.

There were other factors that the candidates could have mentioned, which they didn't by some of the candidates. These other factors included investor relations and business strategy.

Part (b) required candidates to discuss the business strategy in their answers as they explained the reason as to why corporate planning was important to the company, which some of the answers did not have this explanation. Further in answering this section of the question, some candidates missed out the aspect of identifying the classification of corporate plans. The candidates should also have discussed the business plan and its composition, which some of the candidates did not do that.

In part (c) some of the responses of the candidates that responded to this part of the question failed to state clearly the advantages of business expansion through the aspect of acquisition. The answers needed to discuss the aspect of organic growth as compared to acquisition. In most answers, this aspect was not clearly discussed and brought out by some candidates.

## **QUESTION THREE**

The general performance on this question was fair. 3 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 50% was recorded. The highest score was 11 out of 20 marks while the lowest was 2.

The question required candidates to advise on the hedging method to manage the currency risk exposure, calculate also the maturity value of the CD and finally explain the importance of financial intermediation. Majority of the candidates failed to devise the money market hedge and the option. Some candidates also failed to compute the maturity value of CD.

## **QUESTION FOUR**

The general performance on this question was good. 14 of the 21 candidates that attempted the question managed to obtain at least 10 marks out of a total of 20 available marks. A pass rate of 66.7% was recorded. The highest score was 18 out of 20 marks while the lowest was 5.

Part (a) required candidates to explain the justification for the integration strategies and part (b) to determine the extent to which Simetch will benefit from the proposed merger. The first part was well answered and the second part required computations, but a number of students answered with explanations instead.

## **QUESTION FIVE**

The general performance on this question was excellent. 18 of the 20 candidates that attempted the question managed to obtain at least 10 marks out of a total of 20 available marks. A pass rate of 90% was recorded. The highest score was 16 out of 20 marks while the lowest was 4.

This question required the candidates to understand fully the case study which was centered on discussing the merits or demits of MITEC entering into a joint venter or not. Some candidates failed to identify and apply the knowledge of joint ventures and state the advantages and disadvantages in responding to the requirement of the question.

Clarity was expected in bringing out the additional points to support discussion. For those candidates that responded, some of them failed to show that they clearly understood the requirement of what the examiner was looked for. As a result, discussions by the candidates were not directly linked to the question.

### **Overall performance of candidates**

Highest mark obtained in this paper	69%
Lowest mark obtained in this paper	4%
Overall pass rate in this paper	30.4%

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

### **QUESTION ONE**

The general performance on this question poor. 18 out of the 129 candidates that attempted the question achieved a pass (that is a score of at least 20 out of 40 marks), representing a pass rate on the question of 14%. The lowest score was 3, whilst the highest was 31 out of the available 40 marks.

(1) Part (a) of the question had two aspects with the first one requiring candidates to explain the meaning of risk based auditing and the second requiring candidates to state four reasons risk based auditing is considered important in public sector auditing. A number of candidates simply gave the meaning of risk based auditing without explaining its importance to public sector auditing and so losing the marks allocated to this. Candidates should be guided by the marks on offer in deciding how much to write.

Part (b) This part of the question to identify six audit risks from the information in the scenario and also to suggest suitable safeguards. A majority of the candidates scored more than half the marks. Some candidates gave less than the required number of risks.

(1) Others gave incorrect responses to the risks identified. They explained audit procedures which does not meet the question requirement. Risk assessment is carried out at the planning stage of the audit before performing substantive audit procedures. Remember when risk is assessed as being above tolerable levels the auditor may opt to resign from the engagement.

Part (c)

This part of the question required candidates to recommend six audit procedures to test the assertion of completeness of revenue.

Part (d)

(i) This part of the question required candidates to describe the objective of a compliance audit.

(ii) This part of the question required candidates to define and discuss the need for a compliance audit in respect of petty cash.

(iii) This part of the question required candidates to suggest three techniques or methods that can be used gathering evidence in a compliance audit.

### **QUESTION TWO**

The general performance on this question was poor. Only 6 of the 34 candidates that attempted the question managed to obtain at least 10 marks out of a total of 20 available marks. A pass rate of 17.6% was recorded. The highest score was 14 out of 20 marks while the lowest was 0.

#### Part (a)

This part of the question required candidates to describe the principles of the Mexico declaration related to reports using the information in the scenario and to state whether or not they have been complied with in Zambia.

Candidates should have considered that the principles in the Mexico declaration include some that are not related to reports and so candidates should have considered only those related to reports.

Some candidates discussed principles related to other principles other than reports for which no marks were awarded.

(1) A sizeable majority did not state the application of the principles related to reports in Zambia and so lost the mark allocated to doing so.

#### Part (b)

This part of the question requires candidates to discuss the quality control implications of the omission to obtain audit evidence on the updated disaster recovery plan. Candidates should have observed that from the information in the scenario, the intention was that this audit on the recovery plan should have been undertaken and should have reviewed the quality control lapses that caused this to happen.

It was evident from the solutions that many candidates had little understanding of the provisions of the ISSAI 40 on quality control resulting in low marks being scored.

#### Part (c)

This part of the question required candidates to suggest six suitable audit procedures in the IT audit on the newly introduced recovery plan. In doing so candidates should have considered the objectives of the recovery plan in designing appropriate audit procedures.

#### Part (d)

This part of the question required candidates to state any six contents of an IT audit report in a stand-alone IT audit. Candidates should not have been intimidated by the quoted ISSAI 5 300 in the question. There are basic elements of most audit reports and candidates should have used their knowledge of the contents of a typical report in stating these.

### **QUESTION THREE**

The general performance on this question was poor. Only 26 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 21.5% was recorded. The highest score was 15 out of 20 marks while the lowest was 1.

#### Part (a)

This part of the question required candidates to evaluate the information in the scenario for compliance with the provisions of the Lima declaration. Candidates were required to address only relevant matters in the scenario and discussing matters that are not in the scenario earned no marks.

The following were observed:

- (1) Some candidates explained the principles in the Lima declaration without making reference to the information in the scenario as per question requirement. This did not attract full marks.
- (2) Some candidates wrote too little for the eight marks available. Candidates should be guided by the marks and in this case four valid matters correctly discussed would have earned maximum marks.

Part (b)

This question was divided into two parts requiring candidates to identify ethical threats to independence from the information in the scenario and in the second part to suggest appropriate safeguards that must be applied. These could have been answered in columnar form in order to save time.

- (i) This part required candidates to identify ethical matters and for the marks on offer four matters should have been identified.
- (ii) This part required candidates to suggest suitable safeguards for the ethical threats identified in (i).

Part (c)

This part of the question required candidates to recommend with justification the audit report and opinion that should be given using information in the scenario. Candidates should have considered materiality and pervasiveness and also the matrix that should be used on the form of modification of the opinion.

#### **QUESTION FOUR**

The general performance on this question was poor. Only 47 of the 113 candidates that attempted the question managed to obtain at least 10 marks out of a total of 20 available marks. A pass rate of 41.6% was recorded. The highest score was 17 out of 20 marks while the lowest was 0.

Part (a)

This part of the question required candidates to differentiate the responsibilities of management and the public sector auditors with regards fraud. Candidates needed to know the provisions of ISSA 1240 on fraud to answer this question satisfactorily.

Part (b)

This part of the question required candidates to use their knowledge of forensic investigations and apply it to explaining audit procedures that should be undertaken in investigating the fraud in the scenario.

Part (c)

This part of the question required candidates to discuss the implications of management not reporting the oil spill to the regulatory authority.

Part (d)



This was a knowledge based question requiring the candidates to describe the key stages in a forensic investigation of the fraudulent activities at the government agency. Candidates were expected to briefly discuss the work under at least six stages of a forensic investigation.

The following were observed:

- (1) Candidates that did not know the stages in a forensic investigation gave less than the required stages.

## **QUESTION FIVE**

The general performance on this question was good. 79 of the 119 candidates that attempted the question managed to obtain at least 10 marks out of a total of 20 available marks. A pass rate of 66.4% was recorded. The highest score was 19 out of 20 marks while the lowest was 2.

Part (a)

This part of the question required candidates to explain the objective of performance audits in the public sector. Candidates should have considered value for money audits and the three elements of economy, efficiency and effectiveness.

Part (b)

This part of the question required candidates to differentiate direct reporting and attestation engagements. The key difference comes from who prepares the subject matter information.

The following observations were made:

- (2) Some weak candidates swapped the meaning of these two types of assignments.

Part (c)

This part of the question required candidates to explain the elements of public sector auditing as stated in ISSAI 100 and relating to the following three elements:

- (1) Three party relationship
- (2) Subject matter
- (3) Criteria and
- (4) Subject matter information.

Part (d)

The general observations made above apply to all questions and simply show lack of knowledge of the subject matter.

This part of the question required the candidates to suggest how the audit team should obtain sufficient appropriate audit evidence on government action or measures to prevent large scale power failure.

## **Overall performance of candidates**

Highest mark obtained in this paper	77%
Lowest mark obtained in this paper	6%
Overall pass rate in this paper	29.5%

## **SUBJECT: CA 3.8: PUBLIC SECTOR FINANCIAL MANAGEMENT**

### **QUESTION ONE**

The general performance on this question excellent. All the 6 candidates that attempted the question achieved a pass (that is a score of at least 20 out of 40 marks), representing a pass rate on the question of 100%. The lowest score was 22, whilst the highest was 31 out of the available 40 marks.

Part (a) of this question required the candidates to identify the risk that may be associated with the risks that the project team identified in the various categories of the project design of the Livingstone City Council (LCC). This was for each risk category in each category. Some candidates failed to state each in each category and state clearly these and to which partner. The question also required that the risk type and how the risk identified could be mitigated. The examiner required that the response should be in tabular form and use of initials to designate the project partners, some candidates ignored this instruction from the examiner. This was applicable under section (b).

In part (c) Some candidates failed to discuss the Public Private Partnership (PPP) usefulness in delivering major capital projects. For those that did respond to the section of the question, they did not satisfactorily how the PPP model has so far been useful, its shortcomings and challenges in addressing all public service infrastructure needs.

The question required candidates responding to part d (i) to offer identify and explain the other sources of Government Financing apart from annual government maintenance grant available to the Intercity Bus Terminal to finance approved projects. Some of the candidates did not identify and state what these other sources were and for some, they only identified one other sources instead of at least five (5).

As for part d(ii), some candidate's responses failed to clearly explain the merits and demits of the treasury policy as it relates to the directive requiring public entities not to carry forward unused funds.

### **QUESTION TWO**

The general performance on this question was also excellent as allthe 5 candidates that attempted the question managed to obtain at least 10 marks out of a total of 20 available marks. A pass rate of 100% was recorded. The highest score was 17 out of 20 marks while the lowest was 12.

In Part (a), computation of the NPVs for the individual projects, namely A, B, and C were generally attempted wrongly, and without the usage of annuity formulas.

### **QUESTION THREE**

The general performance on this question was very good. 4 of the 5 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 18 out of 20 marks while the lowest was 9.

This was a 20-mark optional question based on the functions of the Secretary to the Treasury and Good Governance in the context of public sector financial management.

Part (a) required candidates to explain the five responsibilities of the Secretary to the Treasury. This part was well attempted, and candidates were able to explain the responsibilities in a more candid and structured way. A few candidates exhibited limited knowledge and used bullet points.

Part (b) required candidates to explain the implications of good governance in the context of public sector financial management in Zambia. This part was also well answered as candidates were able to identify and explain the key elements of good governance indicators of transparency, accountability and the 3Es. However, a few candidates had problems of identify oversight institutions that holds the executive accountable.

#### **QUESTION FOUR**

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

Though other parts of the question were well answered, a number of candidates showed scanty knowledge on the part that covered the concept of 'citizen budget and its benefits'.

#### **QUESTION FIVE**

The general performance on this question was excellent. All the 2 candidates that attempted the question managed to obtain at least 10 marks out of a total of 20 available marks. A pass rate of 100% was recorded. The highest score was 15 out of 20 marks while the lowest was 11.

This was a 20-mark optional question based on a budget performance report of the Government of the Republic of Zambia.

Part (a) required candidates to prepare a budget performance report showing variances. Candidates performed good calculations. However, they had challenges in coming up with the revised budget that considered the supplementary budget.

Part (b) required candidates to explain any five guiding principles of formulating and implementing fiscal policy objectives. This had an average performance and common mistakes were generic responses. It was also clear that candidates lacked the required knowledge to provide relevant response to this part of this question.

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

Highest mark obtained in this paper	83%
Lowest mark obtained in this paper	63%
Overall pass rate in this paper	100%