



MARCH 2024 EXAMINATIONS

CHIEF EXAMINERS REPORTS

CA ZAMBIA

SUBJECT: CA 1.1 - FINANCIAL ACCOUNTING

QUESTION ONE

The general performance on this question was good. 69 out of the 98 candidates that attempted the question passed (got at least 10 out of the total 20 marks available). The pass rate recorded was 70.4%. The highest mark scored on this question was 18 out of 20 and the lowest was 0 out of 20.

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

QUESTION TWO

The general performance on this question was poor. 13 out of the 88 candidates that attempted the question passed (got at least 10 out of the total 20 marks available). The pass rate recorded was 14.8%. The highest mark scored on this question was 19 out of 20 and the lowest was 0 out of 20.

This was a compulsory question with two parts.

Part "a" required candidates to prepare a cash flow statement in accordance with IAS 7 (statement of cash flows) using the Indirect method. The poor performance can be attributed to the following.

- (i) Failure to learn the cash flow statement format.
- (ii) Failure to calculate basic figures for Payments to acquire PPE, Interest paid and Tax paid. These figures can easily be established by opening ledger accounts e.g. Payments to acquire PPE should have been found as follows:

	K' 000		K' 000
Balance b/f	67,725	Dep'n expense	4,995
∴ Bank (Bal. fig.)	4,928	Disposal	158
	<hr/>	Balance c/d	67,500
	72,653		72,653

- (iii) Failure to adequately cover the syllabus.

Part "b" required candidates to explain the meaning of "cash and cash equivalents" under IAS 7. The few candidates who attempted this part gave poor answers.

QUESTION THREE

The general performance on this question was very good. 72 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 82.8%. The highest mark scored on this question was 18 out of 20 and the lowest was 4 out of 20.

Part (a) required candidates to prepare a statement of Profit or Loss for the year end. Candidates who attempted the question had the following challenges.

- (i) Prepaid insurance. Candidates failed to define the period of prepayment. Since the insurance cover ends in February while the reporting period ends in December 2023, the prepayment should have been calculated as follows: $\frac{2}{12} \times \frac{18,000}{1} = K3,000$
- (ii) Adjustments for Allowance for doubtful debt. This should have been handled as follows:

Existing Allowance as per TB	11,250
Less: Specific Allowance	(5,120)
Required Allowance (5% x 119,080)	(5,954)
∴ Net decrease in allowance	176

Part (b) required candidates to prepare a statement of financial position as at 31 December 2023. No special challenge observed apart from VAT refund figure which was classified as current liability instead of current assets class.

QUESTION FOUR

The general performance on this question was fair. 36 out of the 74 candidates that attempted the question passed (got at least 10 out of the total 20 marks available). The pass rate recorded was 48.6%. The highest mark scored on this question was 19 out of 20 and the lowest was 1 out of 20.

When preparing for final examination, candidates pay less attention to the theory part of the syllabus as compared to practical aspect of the syllabus. Candidates are encouraged to understand the theory part of the syllabus.

QUESTION FIVE

The general performance on this question was good. 42 out of the 70 candidates that attempted the question passed (got at least 10 out of the total 20 marks available). The pass rate recorded was 60.0%. The highest mark scored on this question was 19 out of 20 and the lowest was 2 out of 20.

Part (a) required candidates to explain four (4) benefits and four (4) setbacks for trading as partners instead of trading as a sole trader. Prepared candidates gave good answers.

Part (b)(i) required candidates to prepare Partnership appropriation account for the year ended 31 March 2023. Many candidates failed to calculate the correct figure for interest on drawings for Kuunga because they did not take the proportion time for the drawings.

$$(4\% \times 162,500 \times \frac{6}{12} = K3,250)$$

Part (b)(ii) required candidates to prepare Partnership current accounts. No common challenges was observed.

QUESTION SIX

The general performance on this question was poor. 3 out of the 62 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 12 out of 20 and the lowest was 0 out of 20.

The question required good understanding of double entry bookkeeping system in order to be able to undertake correction of errors.

Part (a) required candidates to prepare Journal Entries to correct the given errors in the question. Candidates lost marks mainly due to their failures to give the correct account names involved for their entries.

Part (b) required candidates to explain the meaning and how the following errors may be corrected which affect the agreement of trial balance i.e.

- Single entry error
- Overcast in one account
- Part omission error.

The candidates gave very poor answers and most of them failed to answer how the errors can be corrected.

Overall performance of candidates

Highest mark obtained in this paper	67%
Lowest mark obtained in this paper	11%
Overall pass rate in this paper	36.8%

SUBJECT: CA 1.2 - BUSINESS STATISTICS

QUESTION ONE

The general performance on this question was fair. 22 out of the 51 candidates that attempted the question passed (got at least 10 out of the total 20 marks available). The pass rate recorded was 43.1%. The highest mark scored on this question was 18 out of 20 and the lowest was 0 out of 20.

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

It had ten multiple choice questions which required short calculation or interpretation of data through short Phrases. This section covered a wide range of topics from the syllabus. The topics covered included numerical data calculation such as the mean, calculation involving concept of time series, regression analysis, random values and probability distribution. The performance was not good as most candidates were unable to provide correct solutions. Candidates did not perform well on multiple choice questions that required calculations. It is therefore suggested that candidates should familiarize themselves with short mathematical and statistical calculation in order to improve on performance in this section of the examination.

QUESTION TWO

The general performance on this question was fair. 21 out of the 50 candidates that attempted the question passed (got at least 10 out of the total 20 marks available). The pass rate recorded was 42%. The highest mark scored on this question was 18 out of 20 and the lowest was 0 out of 20.

The first part of the question required candidates to define terms 'range' and 'standard deviation'. Many candidates demonstrated knowledge of the definition of the terms

The second part of question 2 required candidates to use the provided probability distribution table to calculate the expected value and standard deviation. It was observed that candidates had the required knowledge and skill to answer the question. The candidates who failed the question were observed to be using the method for ungrouped data to find the mean. This resulted in wrong solutions.

Part (c) of this question required candidates to apply probability rules to find the required probabilities. The general performance on this part was not good as the candidates were unable to correctly apply the probability rule, especially the complementary rule for events.

The last part of the question required candidates to use the provided grouped data to find the mode. Most candidates failed to solve the question correctly due to wrong placing of critical values in the formulae.

QUESTION THREE

The general performance on this question was poor. 1 out of the 28 candidates that attempted the question passed (got at least 10 out of the total 20 marks available). The pass rate recorded was 3.6%. The highest mark scored on this question was 10 out of 20 and the lowest was 0 out of 20.

The first part of the question required candidates to apply the multiplication principle and permutation and combination. Further candidates were required to find resulting probabilities for the results obtained in part (a) (i). The performance on this question was poor as most candidates who attempted this question were not familiar with the multiplication principle.

The second part (b) required candidates to find the rank correlation between two variables X and Y. the major challenge observed in this question was candidates using the least square method and ended up finding the Pearson correlation rather than the rank correlation. Few candidates still managed to apply the principle correctly and obtained full marks.

QUESTION FOUR

The general performance on this question was fair. 23 out of the 48 candidates that attempted the question passed (got at least 10 out of the total 20 marks available). The pass rate recorded was 47.9%. The highest mark scored on this question was 18 out of 20 and the lowest was 0 out of 20.

The first part of this question required candidates to use the given data to draw the pie chart. Most candidates were able to draw the chart correctly. Few candidates could not demonstrate how they calculated the degrees hence lost marks.

The second part of the question had ungrouped data and candidates were required to use the data to find quartile deviation. It was observed that candidates did not know what quartile deviation was and were rather calculating standard deviation which was not required hence lost marks on this part.

QUESTION FIVE

The general performance on this question was fair. 12 out of the 29 candidates that attempted the question passed (got at least 10 out of the total 20 marks available). The

pass rate recorded was 41.4%. The highest mark scored on this question was 20 out of 20 and the lowest was 0 out of 20.

Part (a) of this question required candidates to use the given time series indices to find actual sales. Majority of the candidates were able to successfully calculate the required sales values. Few candidates' demonstrated lack of knowledge of the topic hence lost marks due to use of wrong method.

The second part was an application of normal distribution. It was noted that candidates correctly used the normal distribution application of z-tables. Some candidates struggled with use of z-tables; despite having correct z-values, they failed to get the correct probabilities. This was mostly due to failure to read the probability tables correctly.

QUESTION SIX

The general performance on this question was poor. 17 out of the 45 candidates that attempted the question passed (got at least 10 out of the total 20 marks available). The pass rate recorded was 37.8%. The highest mark scored on this question was 20 out of 20 and the lowest was 0 out of 20.

The first part of the question was on regression analysis where candidates were required to use the given data to calculate the regression line and coefficient of correlation. The general performance was very good. It was observed that most candidates were able to compute correct total which were used in the calculations. Few candidates who failed made computation errors due to wrong totals.

The second part required candidates to define the term 'economic' and 'demand' forecasts. It was observed that candidates did not adequately study this part of the syllabus hence struggled to provide correct definitions.

Overall performance of candidates

Highest mark obtained in this paper	75%
Lowest mark obtained in this paper	4%
Overall pass rate in this paper	33.3%

SUBJECT: CA 1.3 - BUSINESS ECONOMICS

QUESTION ONE

The general performance on this question was fair. 29 out of the 61 candidates that attempted the question passed (got at least 10 out of the total 20 marks available). The pass rate recorded was 79.9%. The highest mark scored on this question was 18 out of 20 and the lowest was 2 out of 20.

There was no specific question which proved to be problematic as marks were evenly distributed

QUESTION TWO

The general performance on this question was poor. 14 out of the 61 candidates that attempted the question passed (got at least 10 out of the total 20 marks available). The pass rate recorded was 23.0%. The highest mark scored on this question was 18 out of 20 and the lowest was 0 out of 20.

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

(a) This was fairly done although many candidates merely explained substitute goods and compliments which relating to cross elasticity as required. Candidates needed to explain the two by making reference to cross elasticity of demand.

(b) This was divided into three (3) subparts namely (i), (ii) and (iii).

QUESTION THREE

The general performance on this question was poor. 18 out of the 54 candidates that attempted the question passed (got at least 10 out of the total 20 marks available). The pass rate recorded was 33.3%. The highest mark scored on this question was 18 out of 20 and the lowest was 0 out of 20.

The question was divided into three (3) parts namely (a), (b) and (c) as follows:

(a) This was fairly done as many candidates defined a recession well

(b) This part question required candidates to explain how the government can use (i) fiscal policy and (ii) monetary policy to resuscitate the economy. Overall performance was poor on this part of the question. The common mistake was candidates interchanging fiscal policy with monetary policy when explaining. Further, some explained contractionary fiscal policy and monetary policy when what was required was expansionary!

(c) Many candidates failed to bring out the economic objectives. Many solutions given were far away from what was required. This is surprising because this is the basis of

understanding macroeconomics. It shows that some candidates could not study the entire syllabus.

QUESTION FOUR

The general performance on this question was poor. 15 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 34.1%. 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 (4) parts namely (a) to (d) as follows:

(a) Many candidates answered this part of the question very well. However, others presented assumptions or characteristics of MONOPOLY and not monopolistic competition.

(b) This was largely poorly done. The graphs were poor without proper labels, interchanged ATC and MC curves as well as wrong straight-line MR curves! Others could not clearly show the profit position graphically. Candidates are urged to study this topic seriously as it is a major part of the syllabus

(c) Again many candidates failed to bring out the consequences of increasing the number of firms in the industry. Basically, as more and more firm join in as a result of freedom of entry and exit, output increases thereby putting a downward pressure on the selling price. This goes on until normal profit remains.

(d) This was correctly answered by majority of candidates.

QUESTION FIVE

The general performance on this question was very good. 40 out of the 50 candidates that attempted the question passed (got at least 10 out of the total 20 marks available). The pass rate recorded was 80%. The highest mark scored on this question was 18 out of 20 and the lowest was 6 out of 20.

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

(a) This was correctly answered by majority of the candidates. However, some candidates used "which" to produce instead of "what" to produce

(b) This was well explained by almost all candidates.

(c) Majority of the candidates were able to draw the curve as required. One common error was that some candidates reversed the axes while others couldn't come up with good scale to produce a sizeable PPC. Others tried to force the PPC to be a straight-line!

(d) The answer to this part of the question largely depended on the answer to (c) above. The shape indicates increasing opportunity cost

(e) Most candidates did not address the first part of the question.

QUESTION SIX

The general performance on this question was good. 17 out of the 33 candidates that attempted the question passed (got at least 10 out of the total 20 marks available). The pass rate recorded was 51.5%. The highest mark scored on this question was 18 out of 20 and the lowest was 3 out of 20.

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

(a) This was divided into three (3) parts namely (i), (ii), and (iii).

(i) This was not correctly done by many candidates. The common mistake was to use output

Instead of the man-hours in determining Absolute

(ii) This was fairly done, though some candidates could not even try to calculate the four ratios required for Comparative Advantage!

(iii) Though, this was fairly done, some candidates failed to apply Comparative Advantage as the basis of trade. Worse for those that failed to calculate the ratios

(b) This was divided into two (2) parts as follows:

(i) Majority of candidates failed to ring out the roles that IMF plays in developing countries.

This required text book answers.

(ii) Similarly, many candidates failed to state the objectives of the World Bank.

Candidates are urged to study the entire syllabus for the examination.

Overall performance of candidates

Highest mark obtained in this paper 75%

Lowest mark obtained in this paper 18%

Overall pass rate in this paper 45.9%

SUBJECT: CA 1.4 - COMMERCIAL AND CORPORATE LAW

QUESTION ONE

The general performance on this question was very good. 64 out of the 82 candidates that attempted the question passed (got at least 10 out of the total 20 marks available). The pass rate recorded was 78.0%. The highest mark scored on this question was 18 out of 20 and the lowest was 4 out of 20.

(a) The question was compulsory and multiple choice.

Future candidates are encouraged to revise all past papers and use the elimination method for them to easily understand and pass these kind of questions.

QUESTION TWO

The general performance on this question was good. 53 out of the 82 candidates that attempted the question passed (got at least 10 out of the total 20 marks available). The pass rate recorded was 64.6%. The highest mark scored on this question was 20 out of 20 and the lowest was 3 out of 20.

The question was compulsory and had four parts.

(a) Candidates understood this topic this was evident as they cited a lot of cases to substantiate their position, most of which were not included in the marking key.

(b) This question was answered well by candidates

(c) The question on the hierarchy of the courts was understood by most of the candidates however very few of them included the small claims court as one of the courts in the hierarchy

(d) The question required candidates to give an explanation for 2 marks. This should not have been the case a simple yes or no would have sufficed as an answer.

Future candidates are encouraged to revise all past papers and avoid selective studying.

QUESTION THREE

The general performance on this question was very good. 51 out of the 64 candidates that attempted the question passed (got at least 10 out of the total 20 marks available). The pass rate recorded was 79.7%. The highest mark scored on this question was 19 out of 20 and the lowest was 0 out of 20.

It was divided into three parts.

(a) This part was based on the legislative process and almost all candidates managed to identify and explain the legislative process.

(b) This part was based on the law of agency and the performance was poor in that only 40% of the candidates managed to identify the correct type of agency relationship referred to in the scenario. Those who did well under this part managed to identify the type of agency while those who did not manage to identify the correct type of agency appeared not have studied and understood the topic well.

(c) Here all candidates managed to identify the contents of the Directors' report.

Candidates are encouraged to study all topics in great detail.

QUESTION FOUR

The general performance on this question was poor. 5 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 13.9%. The highest mark scored on this question was 20 out of 20 and the lowest was 0 out of 20.

The question was made up of elements that make up negligence, causation and creation of agency relationship. Candidates answered the question adequately except in Part C which was looking at the creation of the agency contract, where most candidates wrote on the creation of a contract generally. On account of that, less than 50% of the candidates got the question correctly.

In future, examiners must avoid in-between questions and candidates should be able to read and understand questions adequately before attempting it.

QUESTION FIVE

The general performance on this question was very good. 65 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 81.3%. The highest mark scored on this question was 20 out of 20 and the lowest was 0 out of 20.

(a) and (b) Were based on employment and all candidates managed to give the correct answers.

(c) Was a mere definition of agency, here again all of them managed to give the correct answer.

(d) This required candidates to give an explanation of how agency relationship is created and 70% managed to get the correct answer.

(e) The last part was also on agency and all the candidates managed to answer this part correctly.

The candidates who got poor marks under this question seemed to have mastered the topic well. Going forward let the adequately study all topics.

QUESTION SIX

The general performance on this question was very good. 47 out of the 63 candidates that attempted the question passed (got at least 10 out of the total 20 marks available). The pass rate recorded was 74.6%. The highest mark scored on this question was 20 out of 20 and the lowest was 3 out of 20.

This question was on winding up of companies, that is, compulsory and voluntary winding up. Candidates answered the question very. The only problem was that some candidates were unable to provide the detailed explanations of the two ways of winding up. In future, candidates should answer according to the dictates of the questions. The question was within the syllabus.

Overall performance of candidates

Highest mark obtained in this paper	90%
Lowest mark obtained in this paper	21%
Overall pass rate in this paper	78.0%

SUBJECT: CA 1.5 - MANAGEMENT THEORY AND PRACTICE

QUESTION ONE

The general performance on this question was good. 14 out of the 22 candidates that attempted the question passed (got at least 10 out of the total 20 marks available). The pass rate recorded was 63.6%. The highest mark scored on this question was 14 out of 20 and the lowest was 4 out of 20.

QUESTION TWO

The general performance on this question was poor. 7 out of the 22 candidates that attempted the question passed (got at least 10 out of the total 20 marks available). The pass rate recorded was 31.8%. The highest mark scored on this question was 17 out of 20 and the lowest was 1 out of 20.

Like question one above, this was also a compulsory question to attempted by all candidates. The question was requesting candidates to an understanding of principles and functions of management. On the answer submissions of candidates, the following are the comments:

- (a) Most candidates struggled to state any four resources of management. They were mentioning the functions of management instead.
- (b) This part of the question was well answered.
- (c) Majority of the candidates managed to layout at least ten of the fourteen principles of management advocated for by Henry Fayol

QUESTION THREE

The general performance on this question was very good. 13 out of the 16 candidates that attempted the question passed (got at least 10 out of the total 20 marks available). The pass rate recorded was 81.3%. The highest mark scored on this question was 18 out of 20 and the lowest was 0 out of 20.

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

- (a) About average of the candidates managed to define what corporate social responsibility is.
- (b) Majority of the candidates managed to identify the Five (5) fundamental principles of ethics for professional accountants.

QUESTION FOUR

The general performance on this question was good. 7 out of the 14 candidates that attempted the question passed (got at least 10 out of the total 20 marks available). The

pass rate recorded was 50.0%. The highest mark scored on this question was 15 out of 20 and the lowest was 0 out of 20.

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

- (a) Most candidate failed to give the correct answers
- (b) Majority of candidate failed to define the relation mechanisms of formal and informal relationships.
- (c) Most candidates defined the benefits of informal relationships

QUESTION FIVE

The general performance on this question was poor. 5 out of the 13 candidates that attempted the question passed (got at least 10 out of the total 20 marks available). The pass rate recorded was 38.5%. The highest mark scored on this question was 14 out of 20 and the lowest was 2 out of 20.

This question was on Theories of motivation and was in three parts (a),(b) and (c).

- (a) Majority of candidate failed to produce a correct high proficiency of their understanding of the practical value of Maslow, hierarchy of needs that would improve the motivation of people at work instead the majority.
- (b) Most of the students failed to give correct examples of the extent to which Maslow's hierarchy of needs could meaningfully be applied to staff in an organization
- (c) Some candidates correctly analyzed the ERG theory.

QUESTION SIX

The general performance on this question was excellent. 18 out of the 21 candidates that attempted the question passed (got at least 10 out of the total 20 marks available). The pass rate recorded was 85.7%. 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), and (b). The two parts examined the concept of motivation and performance in relation to job rotation, job enlargement and job enrichment.

Overall performance of candidates

Highest mark obtained in this paper	69%
Lowest mark obtained in this paper	22%
Overall pass rate in this paper	72.7%

SUBJECT: CA1.6 - BUSINESS COMMUNICATION

QUESTION ONE

The general performance on this question was very good. 35 out of the 47 candidates that attempted the question passed (got at least 10 out of the total 20 marks available). The pass rate recorded was 74.5%. The highest mark scored on this question was 18 out of 20 and the lowest was 4 out of 20.

QUESTION TWO

The general performance on this question was poor. 11 out of the 46 candidates that attempted the question passed (got at least 10 out of the total 20 marks available). The pass rate recorded was 23.9%. The highest mark scored on this question was 14 out of 20 and the lowest was 0 out of 20.

The question was about identifying types of risks which would help complete the business continuity plan, a computer-based information system that is implemented using information and communication technologies and utilization of spreadsheet software with understanding of the concept of cell referencing.

The common mistakes were as follows:

- (a) Most students were mentioning the ordinary hardware devices used in a computer system, instead of the main hardware components of a computer-based information system.
- (b) Most students could not state the three types of cell referencing and their examples correctly

QUESTION THREE

The general performance on this question was poor. 10 out of the 30 candidates that attempted the question passed (got at least 10 out of the total 20 marks available). The pass rate recorded was 33.3%. The highest mark scored on this question was 17 out of 20 and the lowest was 2 out of 20.

The question was about explaining the different items that make up the structure of the URL, examples of general controls, relating the cache memory to processing power of the computer and the components of an information system.

The following were the common mistakes noted in this question:

- (a) Most students could not explain the different general control classifications correctly
- (b) Some students had challenges explaining cache memory correctly, they understand the explanation of Random Access Memory more than cache memory

- (c) Most students were mentioning types/levels of information systems, instead of components of an information system

QUESTION FOUR

The general performance on this question was poor. 9 out of the 33 candidates that attempted the question passed (got at least 10 out of the total 20 marks available). The pass rate recorded was 27.3%. The highest mark scored on this question was 14 out of 20 and the lowest was 1 out of 20.

The question was about explaining improvements ICT have brought to business processes, security controls and the way they are used to control risks and how information systems are designed to help organizations carry out its operations as well as to facilitate informed decision making planning.

The following were the common mistakes noted in this question:

- (a) Some students were listing improvements ICT have brought to business processes instead of explaining them.
- (b) Some students could not explain encryption but were managing to state how it is used to control risks. Most students struggled to explain electronic signatures and how they are used to control risks.
- (c) Most students did not understand the scenario and failed to relate it to data, information and knowledge. Some students were mentioning types of information systems that were not asked in the question.

QUESTION FIVE

The general performance on this question was good. 27 out of the 40 candidates that attempted the question passed (got at least 10 out of the total 20 marks available). The pass rate recorded was 67.5%. The highest mark scored on this question was 17.5 out of 20 and the lowest was 0 out of 20.

The question was about stating two types of letter formats you are likely to use when communicating with customers, stating four features of a fully blocked letter and writing an apology letter.

The following were the common mistakes noted in this question:

- (a) Some students presented types of letters, which was not the case and had repeated answers
- (b) Some students failed to attempt the question, while some mixed answers or content with features of semi-blocked format instead of features of a full blocked format

- (c) Some students had poorly written addresses and in some cases incomplete addresses or no content details were provided in the answer. Irrelevant content in the opening paragraph or the message itself, some students wrote a report instead of a letter which had wrong content, no other letter elements such as salutation, subject line or complementary close were included and very poor grammar and spellings

QUESTION SIX

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

The question was about explaining five types of reports commonly used in organizations and the five key principles of effective graphic communication

The following were the common mistakes noted in this question:

- (a) Some students explained the major parts of a report such as terms of reference, procedures, findings, conclusions and recommendations when they were supposed to have explained the types of reports. Some students omitted the question of types of reports.
- (b) Some students stated advantages of graphic communication instead of explaining key principles of effective communication. There was repetition of answers as well.

Overall performance of candidates

Highest mark obtained in this paper	74%
Lowest mark obtained in this paper	25%
Overall pass rate in this paper	38.3%

SUBJECT: CA 2.1 - FINANCIAL REPORTING

QUESTION ONE

The general performance on this question was fair. Only 35 out of the 77 candidates that attempted the question achieved a pass (that is a score of at least 20 out of 40 marks), representing a pass rate on the question of 45.5%. The lowest score was 0, whilst the highest was 38 out of the available 40 marks.

This was a 40 marks compulsory question, the marks were split among three areas and candidates were required to: (a) prepare consolidated statement of financial position for 33 marks; (b) explain control and how it is determined for 3 marks and; (c) describe circumstance in which a parent entity may not be required to present consolidated financial statements under International Financial Reporting Standards for 4 marks.

A good number of candidates were able to compute the purchase consideration by share exchange, and the amount of the provision for the warranties. The double entry for the latter was not obvious. There were weaknesses, however, in the following areas:

- (i) Incorrect calculations for contingent consideration and deferred consideration affected the calculation of goodwill.
- (ii) Candidates did not share proportionately the charge for goodwill impairment, between the parent and the NCI.
- (iii) The carrying amount of the investment in the associate was not accurate because the parent's share of the retained earnings for the period was not correctly calculated.
- (iv) Some candidates added unrealized profits to retained earnings instead of deducting the amounts, and could not deduct the same from inventory and from the carrying amount of the investment in the associate. This is evidence of failure to understand double entry at this higher level.
- (v) All candidates without exception ignored the deferred tax implication of the unrealized profit on the special inventory that the parent had supplied to the subsidiary.

For Part (b) of the question, candidates mixed up the definition of control and that of significant influence. They poorly explained other factors that grant control because they just guessed them. In most cases, the factors were not even stated.

For Part (c) of the question some candidates gave good answers on circumstances under which a parent may be exempted from preparing consolidated financial statements. There were still a good number of candidates who could not describe accurately such factors. Some candidates resorted to ignoring this part of the question altogether.

QUESTION TWO

The general performance on this question was good. 36 of the 70 candidates that attempted the question managed to obtain at least 10 marks out of a total of 20 available marks. A pass rate of 51.4% was recorded. The highest score was 18.5 out of 20 marks while the lowest was 0.5.

This was a published question with three sub-questions:

Part (a), worthy 8 marks, required candidates to prepare the statement of profit or loss and other comprehensive income, while

Part (b), which carried 4 marks, required candidates to prepare the statement of changes in equity, and

Part (c), with an allocation of 8 marks, required candidates to prepare the statement of financial position.

The following were the observations made during marking:

- (i) Posting the income tax charge for the year instead of the income tax provision under current liabilities.
- (ii) Bank being recorded under current liabilities, instead of current assets.
- (iii) Poor presentation and failure to produce the financial statements.
- (iv) Very few candidates managed to correctly record the 8% Redeemable preference shares under the non-current liabilities. Further most students presented preference dividends in the statement of changes in equity, instead of presenting in the statement of profit or loss as part of finance costs. Candidates are being advised to revise IAS 32, presentation of financial instruments.
- (v) Adding dividends paid to ordinary shares.
- (vi) Incorrectly computing depreciation charge for the year.
- (vii) Not showing how certain figures were derived, please remember that if the marker is not shown how figures were arrived at, no part marks will be awarded.

Candidates are reminded that, the equity section of the statement of financial position is merely a reproduction of the closing balances from the statement of changes in equity statement.

QUESTION THREE

The general performance on this question was poor. 6 of the 30 candidates that attempted the question managed to obtain at least 10 marks out of a total of 20 available

marks. A pass rate of 20.0% was recorded. The highest score was 16 out of 20 marks while the lowest was 0.

The question required candidates to explain the accounting treatment applicable in calculating basic EPS. Further, the question required candidates to calculate the basic EPS (i) where there was no change in the equity structure and (ii) where the company made a rights issue. It appeared that few candidates had little or no knowledge of IAS 33 Earnings Per Share (EPS). Most candidates had a challenges with theory parts. Candidates are strongly advised to balance between theory and computations. The most common mistakes were:

Failure to write the correct formula for basic earnings per share.

Failure to deduct preference dividends paid, from the profit for the year, hence used a wrong numerator. The correct numerator should have been K6, 762,000 (K8, 142, 000 – K1,380,000).

Failure to determine the weighted average number of shares, after a rights issue.

QUESTION FOUR

The general performance on this question was excellent. 61 of the 65 candidates that attempted the question managed to obtain at least 10 marks out of a total of 20 available marks. A pass rate of 93.8% was recorded. The highest score was 20 out of 20 marks while the lowest was 9.

The question had two (2) parts and candidates were tested on two standards, IAS 10 *Events after the Reporting period* and IAS 23 *Borrowings costs*.

The most common mistakes were:

For part (a. i) most candidates were explaining the accounting treatment instead of defining the adjusting and non-adjusting events.

Failure to comment on the issue of materiality in relation to non-adjusting events.

Most candidates stated that the accounting treatment for adjusting events is done retrospectively, while that of non-adjusting events are done prospectively.

Some candidates explained that adjusting events are treated as non-current assets and non-adjusting event as equity.

The definition of a qualifying asset was a challenge to some candidates, they ended up explaining the recognition criteria for an asset.

Failure to explain the figures that were calculated.

QUESTION FIVE

The general performance on this question was poor. 5 of the 44 candidates that attempted the question managed to obtain at least 10 marks out of a total of 20 available

marks. A pass rate of 11.4% was recorded. The highest score was 13 out of 20 marks while the lowest was 0.5.

The question had two (2) parts. Part (a) required candidates to explain and show how the lease will be accounted in the books of the lessee. Part (b) required candidates to apply the principles of substance of the transaction to the sale, where the seller had continued to use the asset.

The following were the common mistakes:

Failure to recognize a lease liability and Right of use asset (ROUA) in the books of the lessee.

Most students depreciated the ROUA over 5 years instead of 4 years (the shorter of lease term and useful life of the asset).

Failure to split lease liabilities between current liabilities and non-current liabilities.

Failure to account for the cash that was received from the purported 'sale' as loan finance.

Candidates are, once again, reminded of the importance of reviewing past papers to identify the skills required in applying their knowledge in the examination. Covering the entire syllabus is a must as the exam is not going to discriminate syllabus areas.

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

Forgetting to time-apportion entries and omitting adjustment for the amortization of the intangible asset and the calculation of share of after-tax profits of the associate in the consolidated statement of profit or loss,

Failure to split the profit for the year and the Total comprehensive income into the NCI share and the group share of the in the Consolidated statement of profit or loss.

Candidates failed to calculate the deferred consideration because they could not apply the discounting factors correctly.

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

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

Overall performance of candidates

Highest mark obtained in this paper	81%
Lowest mark obtained in this paper	11%
Overall pass rate in this paper	39.0%

SUBJECT: CA 2.2 - MANAGEMENT ACCOUNTING

QUESTION ONE

The general performance on this question was poor. Only 20 out of the 62 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 32.3%. The lowest score was 3, whilst the highest was 28 out of the available 40 marks.

This question examined:

Part (a): calculation of basic variances; part (b): preparation of reconciliation statement; part(c): controllability of variances; part (d): pricing strategies.

The candidates who could not pass the question committed the following errors:

Mixing up variance analysis formulae

Failing to prepare a standard cost card (as workings) which was critical to answering the question"

Presenting Fixed Volume variance answer as capacity variance and vice versa.

In part (b), not adhering to the standard reconciliation statement format. The format carried 1½marks.

In part(c), not presenting the answer as a report. One mark was allocated to the report format. Furthermore, failing to state clearly which variances were controllable and which ones were uncontrollable. Or swapping uncontrollable variances with controllable ones.

In part (d), failing to bring out clearly that price skimming is associated with charging high prices whilst penetration pricing is associated with charging low prices.

QUESTION TWO

The general performance on this question was poor. Only 17 of the 50 candidates that attempted the question managed to obtain at least 10 marks out of a total of 20 available marks. A pass rate of 34.0% was recorded. The highest score was 15.5 out of 20 marks while the lowest was 0.

This question examined the calculation of the minimum price in part a), give advice whether to accept the offer or not in (part (b); advice on ways of closing a cost gap in target costing.

In part (a), a few candidates were able to calculate the minimum price for the job by determining relevant costs and irrelevant costs and explaining why they were relevant or irrelevant. A good number of candidates were able to do this.

Others were including irrelevant costs such as the costs of steel rolls that were in inventory, salary of existing supervisor, 100 idle skilled labour hours, etc.

Some were not providing explanations why a cost is relevant or not. Marks were allocated for such explanations.

Giving wrong advice regarding the offer in part (b).

Ignoring the statement that motors were sold in pairs. Therefore, 80 motors required 40 pairs ($80 \div 2$).

In part (c), a good number of candidates gave the correct options to close the gap.

QUESTION THREE

The general performance on this question was poor. Only 10 of the 51 candidates that attempted the question managed to obtain at least 10 marks out of a total of 20 available marks. A pass rate of 19.6% was recorded. The highest score was 15 out of 20 marks while the lowest was 0.

Parts (a), (b), (c), (d) and (e) required candidates to prepare a production budget, materials purchases budget in litres, materials purchases cost budget, labour budget in hours and labour cost budget including any overtime costs, respectively.

Performance was poor on this question mainly due to the following errors:

Failing to calculate the number of days in the period as $4 \text{ weeks} \times 5 \text{ days} = 20 \text{ days}$.

Failing to calculate the closing inventory in each period as $3/20 \times \text{demand for next period}$.
This was important for the production budget preparation.

For the materials purchases budget, failing to:

- (i) work out the initial shortages of material from supplier under contract (supplier AT) so that the shortage can be bought from an outside supplier.
- (ii) determine quantities to be bought from the outside non-contractual supplier.

For the labour hours budget, failing to:

- (iii) Candidates failed to deal with the 95% operating efficiency for labour (due to technical difficulty). There was need to multiply: the standard hours for net production $\times 100/95$.
- (iv) Others failed to determine in which period overtime work would be required, that is total labour hours required less basic hours available.

QUESTION FOUR

The general performance on this question was poor. Only 1 of the 28 candidates that attempted the question managed to obtain at least 10 marks out of a total of 20 available marks. A pass rate of 3.6% was recorded. The highest score was 14 out of 20 marks while the lowest was 0.

The question examined the following:

- (a) (i) Calculation of the re-order level.
 - (ii) Calculation of the re-order quantity.
 - (iii) Calculation of the maximum level of inventory.
 - (iv) Calculation of the minimum level of inventory.
 - (v) Calculation of average inventory.
- (b) (i) Definition of a non- quantifiable factor.

- (ii) Stating five examples of a non-quantifiable factor

Common Errors:

Many candidates exhibited serious ignorance of inventory management and failed to answer satisfactorily parts (a) (i), (ii) (iii), (iv) and (v). Most candidates either answered part(a) only and did not attempt parts (b) and (c) or answered part (b) and (c) but did not attempt part (a).

In short, most candidates did not attempt all questions. Those who attempted part (b) and (c) gave very wrong answers of the examples of non- quantifiable factors.

It must be noted that there is a very low probability of a candidate passing an examination if he/she does not attempt all the sections in the question.

The performance on this question exhibited a lack of adequate preparation for the examination by candidates.

QUESTION FIVE

The general performance on this question was poor. Only 2 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 3.8% was recorded. The highest score was 2 out of 20 marks while the lowest was 11.

Question five required candidates to do the following:

- (a) Calculation of the total operating cost of a room per day.

- (b) Calculation of the expected profit per day from the sale of one room.
- (c) Explanation of four ways in which service costing differs from product costing.

The question was poorly answered by many candidates. Candidates were not answering questions in full but leaving parts of the question unanswered.

In part (a) most candidates listed some operating costs such as insurance for the building, insurance for equipment, cleaning costs, room service cost per room, electricity and water per room and housekeepers' salary but left out the depreciation cost per room.

Most candidates had difficulties calculating the total operating cost per day as they could not calculate the total days accurately. There were 12 rooms with 90% occupancy giving 10.8 rooms of full occupancy with 365 days each. The total days therefore are 365 multiplied with 10.8 giving 3,942 days. The total operating cost per annum was to be divided by 3,942 days to get the operating cost per day.

Part (b): Profit per room was K100 less the cost per day calculated in (a) above, that is K67.71 to give the answer of K32.29. It follows therefore that any candidate who failed to calculate the unit cost in part (a) above could not get the correct profit per room here. In fact, most candidates failed to provide the correct answer for the profit per room.

Part (c): This part was poorly answered in that most candidates gave examples of organizations where service costing is applicable like hotels, barbershops, etc. instead of giving the four ways in which service costing differs from product costing.

Candidates showed lack of preparation for the examination hence being unable to answer all the parts of the question.

Overall performance of candidates

Highest mark obtained in this paper	51%
Lowest mark obtained in this paper	7%
Overall pass rate in this paper	14.5%

SUBJECT: CA 2.3 - AUDITING PRINCIPLES AND PRACTICE

QUESTION ONE

The general performance on this question was very good. Only 106 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 77.4%. The lowest score was 7, whilst the highest was 35 out of the available 40 marks.

Part (a)

This part of the question required candidates to explain the principle of accountability using the information in the scenario. Candidates were expected to discuss that the owner Prince is not involved the day to day management of the business and that this has been left in the hands of the supervisor who is accountable to Prince in how he is managing the business.

The following observations were made:

- (i) A number of candidates answered the question without using the information in the scenario as per question requirement. Although no marks were deducted, candidates are reminded on the need to use the information in the scenario in answering scenario based questions.
- (ii) Some candidates explained the meaning of accountability without relating to the scenario.

Part (b)

This was largely a knowledge based question requiring candidates to state benefits to the partnership of having its financial statements audited by independent auditors. Most of the candidates scored more than half the available marks.

The following observations were made:

There were a few candidates that stated less than the four benefits required in the question and so obtained marks in proportion to the correct benefits stated. Some candidates discussed benefits of the internal audit department to a company which was not the question requirement.

Part (c)

- (i) This part of the question required candidates to explain the difference between relying on the work of internal audit and seeking direct assistance of internal audit by the external auditors. The performance in this part of the question was poor and below expectation.

The following were observed:

- (i) Some candidates swapped the meanings between relying on the work of internal audit and seeking direct assistance of internal audit.
 - (ii) Some candidates explained the roles of the internal audit department instead of explaining the two requirements. This did not address the question requirement.
 - (iii) Some candidates discussed the potential problems of relying on internal auditors which was not the question requirement.
 - (iv) Some candidates discussed the benefits of seeking direct assurance of internal audit without explaining the meaning of seeking direct assistance.
- (ii) This was an application question requiring candidates to explain three areas where the external auditors are prohibited from seeking direct assistance of the internal audits in the audit of the financial statements of the partnership.

The following were observed:

- (i) A number of candidates did not attempt to answer this part of the question.
- (ii) Some candidates discussed the need to obtain management agreement instead of explaining the areas where direct assistance may not be sought.

Part (d)

This part of the question required candidates to identify seven internal control weaknesses in the operations of the dairy farm business and to suggest recommendations for improvement. The majority of the candidates scored half or more of the available marks and they used the information in the scenario in answering the question.

The following observations were made:

- (i) There were a few candidates that explained identified internal control weaknesses but failed to suggest suitable recommendations to mitigate the weaknesses.
- (ii) There were candidates that explained audit procedures in place of suggesting suitable recommendations to mitigate the weaknesses identified.

Part (e)

This part of the question required candidates to explain the five elements of the assurance engagement with the partnership and the statutory auditors. While the majority of the candidates score high marks in this part of the question, it was disappointing to note that some candidates simply did not know the elements of an assurance engagement and so lost easy marks in this largely knowledge based question.

The following observations were made:

- (i) Some candidates simply did not know the elements of assurance engagements and gave wrong answers such as the elements of an audit report.
- (ii) There were candidates that described the management, the auditor and the interested parties as separate elements of an assurance engagement and yet these three comprise the three party relationship which is one of the elements of the assurance engagement.

QUESTION TWO

The general performance on this question was good. Only 74 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 60.7% was recorded. The highest score was 18 out of 20 marks while the lowest was 0.

Part (a)

This part of the question was on acceptance of audit clients and required candidates to explain the response of the firm for nomination as auditor of the two clients in the scenario. General answers to this application question did not earn maximum marks.

Reed Ltd:

Candidates should have noted that this question was on conflict of interest between the auditor and the prospective client. The firm had an interest in a competing client with Reed Ltd and unless the interest is resolved the offer should have been declined.

The firm should consider disposing of the interest before accepting the offer.

The following observations were made:

- (i) A majority of the candidates did not realize that the threat was a conflict of interest and so lost marks.
- (ii) A large number of candidates simply concluded that the firm should decline the offer without explaining the reasons for doing so.
- (iii) There were candidates that discussed threats such as self-review or self-interest which were not required and no marks were awarded for doing so.

Fast Communications:

Candidates should have noted that there was a conflict of interest between clients. The firm was current auditor of Link Co a company in the same industry as that of Fast Communications. Both companies may not be willing to be audited by the same firm of chartered accountants. There is need to communicate to both companies and obtain their clearance before accepting the offer. If either of them is not willing to be audited by the

same firm then either the firm decides on which one they wish to audit and decline or resign from the other.

The following were observed:

- (i) Many candidates either stated that the offer should be accepted or rejected without explaining the reasons for doing so.
- (ii) There were candidates who suggested that the firms should accept because it has experience in the offer of audit services in the industry without considering the conflict of interest.

Part (b)(i) part of the question required candidates to evaluate and state the matters that should be documented in the working papers on the audit of the financial statements of Fig Ltd on materiality. Relevant auditing standards clearly describe the documentation requirement for this and candidates needed to remember the guidance.

The following observations were made:

- (i) Some candidates discussed audit and business risks in this part of the question which did not address the question requirements.
- (ii) Many candidates discussed how materiality is set in planning the audit which was not the question requirement.

Part (b)(ii) required candidates to explain audit risks in the audit of the financial statements of Fig Ltd. Candidates needed to explain the financial statements assertions affected by the audit risk.

There were candidates that explained less than the required four audit risks and got marks in proportion to the correct risks explained.

The following observations were made:

- (i) A few candidates did not give the required responses to the risks identified while other gave general audit procedures which are not the ones required here.
- (ii) A number of candidates explained business risks in this part which required audit risks signifying the fact that they do not know the difference between audit and business risks and no marks were awarded for doing so.

The last part of the question required candidates to explain four business risks candidates should have observed that some of the risks can be both audit and business risks and only the explanation is different.

A majority of the candidates explained the business risks as required and scored maximum marks.

QUESTION THREE

The general performance on this question was poor. Only 20 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 16.5% was recorded. The highest score was 18 out of 20 marks while the lowest was 0.

Part (a)

- (i) The question simply required candidates to explain why auditors are concerned about fraud in an audit of financial statements. Candidates needed to address the impact on the financial statements of fraud and the risk that it may cause the financial statements to be misstated.

A majority of the candidates ably explained the auditor's concern with regards fraud in that fraud may cause the financial statements to be misstated. A few candidates erroneously stated that the auditors is responsible for fraud detection and prevention. There were candidates that discussed the responsibility of the auditors with regards fraud instead of explain why they are concerned with fraud and hence perform audit procedures on fraud.

- (ii) This part of the question required candidates to explain 4 written representations that should be obtained by the auditors regarding fraud in the company. Candidates are reminded that ISA 240 specifies the written representations that should be obtained from both management and those charged with governance. In answering this part of the question, candidates should have addressed separately the requirements for management and those for those charged with governance. In both cases, the auditors should obtain representations that cases of known fraud have been communicated to the auditors and also any suspected fraud has been communicated to the auditors. Marks were awarded in full where the candidates showed awareness that representations should be obtained for the two matters from both management and those charged with governance.

The following observations were made:

- (i) A number of candidates did not attempt to answer this part of the question signifying lack of understanding of the provisions of the provisions of ISA 240
- (ii) A number of candidates discussed written representations required by ISA 580 *Written representations* which were not the ones required here. Candidates are reminded that in some cases specific auditing standards require written representations and these are the ones required to be explained in this part of the question.

(iii) Some candidates explained internal controls and the need for written representations on them which was not the requirement of the question which specifically referred to fraud.

Part (b) (i) This part of the question required candidates to explain the importance of going concern in an audit of the financial statements. Whether a company is a going concern or not will determine the basis of the preparation of the financial statements. If a company is not a going concern the financial statements are required to be prepared on the break up basis while is assessed as a going concern the historical cost basis is appropriate.

Many candidates did not give correct reasons for the concern of the auditor on the ability of a client company as a going concern.

The following were observed:

- (i) Some candidates argued that the auditors are required to assure the shareholders that the company is a going concern.
- (ii) Others suggested that the auditors are concerned about the ability of a company as a going concern because they want to ensure that they are paid the audit fee.
- (iii) Some candidates defined and explained the meaning of going concern instead of discussing why the auditors are concerned about the ability of a client company as a going concern.
- (iv) A few candidates explained the going concern problems that Chiparamba Plc. faced.

The second part of (b) was an application based question requiring candidates to identify and explain indications of going concern problems of Chiparamba Plc. Candidates required to use information in the scenario and general answers stating general indicators of going concern problems did not earn maximum marks.

Most candidates scored maximum marks and were able to identify and explain the conditions that suggested that Chiparamba Plc. had going concern problems using the information in the scenario.

Part (b)(iii) required candidates to suggest giving reasons suitable opinions for four of the firm's audit clients. The performance in this part of the question was poor and below expectation in this important area of the syllabus.

Candidates needed to bring to bear their understanding of the criteria used to determine the form of opinion in a given situation. The matters that should have been considered include:

- (i) The obtaining of sufficient appropriate evidence.
- (ii) Any limitation of scope
- (iii) The materiality and pervasiveness of the matter of concern.

The following observations were made:

- (i) Candidates simply suggesting an opinion with no justification. Where the correct opinion was suggested, marks were awarded for doing so but marks were lost for not justifying the suggested opinion.
- (ii) In a number of cases the justification for the suggested opinion was incorrect and no marks were awarded.
- (iii) Most candidates explained the information in the scenario for each of the clients and suggested how management should have dealt with them instead of evaluating and suggesting suitable opinions.

QUESTION FOUR

The general performance on this question was poor. Only 8 of the 62 candidates that attempted the question managed to obtain at least 10 marks out of a total of 20 available marks. A pass rate of 12.9% was recorded. The highest score was 16 out of 20 marks while the lowest was 0.

Part (a)

- (i) This part was a multi requirement question requiring candidates to explain the meaning of sampling risk and the impact of audit risk on sample sizes in an audit.

The following observations were made:

- (i) There were candidates that addressed the first part of the question without addressing the second part requiring an explanation of the impact of audit risk on sample sizes and lost the marks for doing so.
- (ii) This part of the question required candidates to explain the direction of sample extraction for errors and omissions giving appropriate examples. The performance in this part of the question was poor showing lack of understanding of this topics.

The following observations were made:

- (i) A number of the candidates did not attempt this part of the question losing all the possible marks.
- (ii) Some candidates did not give examples in their explanation of the two sources of samples and losing the possible marks.

Part (b)

- (i) This part of the question required candidates to explain the audit risk regarding accounting estimates. Candidates needed to deal with the inherent risk of accounting estimates and the possible misstatement of the financial statements that they may cause. Candidates showed lack of understanding of how to determine the audit risk for items in the financial statements. Candidates needed to recognize that the fact that judgment is needed in determining accounting estimates makes them inherently risk and that there could be management bias in determining the accounting estimates.
- (ii) Candidates were required to describe three audit procedures each for each of the following figures. The performance was generally poor and the explanations are detailed under each the three figures as follows:

Provision for obsolescence:

A Majority of candidates lost marks because they described audit procedures for inventory without discussing the provision for obsolete inventory which was the requirement. There were also candidates that could not provide the 3 required audit procedures.

Provision for the legal case:

Candidates should have discussed matters to do with accounting estimates. The audit procedures should have been targeted towards determining the amount of the provision. Most candidates could not give satisfactory audit procedures that should be performed while other gave less than the three procedures required.

General provision:

Candidates needed to observe that general provisions in the financial statements are not allowed. Only provisions meeting the requirements of IAS 37 are allowed and the general provision does not meet the necessary criteria and should be reversed. Audit procedures should have been around this guidance.

A majority of the candidates did not observe that general provisions are disallowed and that all provisions should be specific and meet the requirements of IAS 37.

QUESTION FIVE

The general performance on this question was fair. Only 35 of the 86 candidates that attempted the question managed to obtain at least 10 marks out of a total of 20 available marks. A pass rate of 40.7% was recorded. The highest score was 15 out of 20 marks while the lowest was 0.

Part (a)

This part of the question required candidates to explain 5 advantages of using CAATs in the audit of Marino Ltd.

The majority of the candidates scored maximum marks in this knowledge based question. A few candidates lost marks for giving less than the required 5 advantages.

Part (b)

This was an application question requiring candidates to identify and explain the use of negative confirmation to confirm receivables.

Candidates should have noted that it is the positive method that is preferred except under specific conditions that the negative form is used. In order to answer this question satisfactorily candidates needed to use the information in the scenario in answering it. The performance was poor with a majority of the candidates scoring less than half the available marks.

The following observations were made:

- (i) A number of candidates simply did not attempt to answer this part of the question.
- (ii) There were candidates who could not give the required 4 reasons and scored marks in proportion to the correct reasons given.
- (iii) Some candidates attempted to answer this question without using the information in the scenario and as such scored less marks.

Part (c)

This part of the question required candidates to explain matters that should be considered when prepared a report to management after the audit. Those candidates that had little knowledge of the report to management scored poorly in this part of the question.

The following observations were made:

- (i) Some candidates discussed the contents of the letter to management which did not answer the question requirement.
- (ii) Most candidates only considered one matter against the 4 required. Candidates are reminded to use the marks on offer in deciding the points that should be given

Part (d)

This part of the question required candidates to explain breaches of professional ethics in the scenario. The performance in this part was fair but the following were observed of the candidates that performed poorly:

- (i) Some candidates identified the ethical matters but failed to explain why they were breaches of ethical matters as required by the question.

(ii) Other candidates explained the five ethical issues without any reference to the information in the scenario. The ethical matters that should have been discussed are specifically contained in the scenario.

Part (e)

This was a multi requirement question requiring an explanation of public interest in the first instance and required 2 examples of other stakeholders to the audit other than the shareholders of Marion Ltd.

A number of candidates did not answer the first part of the question but managed to give the two examples of other stakeholders as required.

Overall performance of candidates

Highest mark obtained in this paper	75%
Lowest mark obtained in this paper	18%
Overall pass rate in this paper	48.9%

SUBJECT: CA2.4 - TAXATION

QUESTION ONE

The general performance on this question was fair. 56 out of the 113 candidates that attempted the question achieved a pass (that is a score of at least 20 out of 40 marks), representing a pass rate on the question of 49.6%. The lowest score was 0.5, whilst the highest was 35.5 out of the available 40 marks.

The question covered taxation of partnerships.

Part (a) required candidates to calculate the partnership's tax adjusted business profit for the year. The most common weakness demonstrated by candidates was failure to identify the relevant disallowable items to added back in computing tax the adjusted partnership profit.

Candidates specifically faced the following challenges:

- (i) Failure to calculate the amount correct of the markup on the goods withdrawn by partners from the business.
- (ii) Failure to disallow partners private motoring expenses in the computation of taxable business profits.
- (iii) Failure to disallow the excessive salary paid to a partner's daughter employed in the business.
- (iv) Failure to calculate the correct amount of the balancing charge on disposal of delivery van. Some candidates were not restricting the proceeds to the original cost of the van.
- (v) Deducting capital allowances on personal private vehicles for the partners when computing tax adjusted partnership profit. Capital allowances on partner's private vehicles should be deducted from their individual share of partnership profits after appropriation.

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) Not deducting of capital allowances on partners private vehicles, when computing the final amount of profits to be assessed on each individual.

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) Not grossing up the royalties and consultancy fees when computing the final taxable income
- (ii) Using the wrong tax rates to compute the income tax liability for each partner.

QUESTION TWO

The general performance on this question was good. Only 53 of the 106 candidates that attempted the question managed to obtain at least 10 marks out of a total of 20 available marks. A pass rate of 50.0% was recorded. The highest score was 19 out of 20 marks while the lowest was 0.

The question examined taxation of employment income and Customs and excise duty.

Part (a) required candidates to explain the meaning of the term 'domicile' in the context of taxation and explain why the concept of domicile is important in the context of the Zambian taxation system. Most candidates demonstrated a lack of knowledge of the concept of domicile and in most cases mistook it for the concept of residence. They therefore provided explanations of the meaning of residence as opposed to the meaning of domicile as required by the question.

Part (b) asked candidates to calculate the income tax payable by the tax payer receiving employment during the tax 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 amounts of taxable emoluments to be included in the computation for the five months the individual was in employment in the charge year.
- (iii) Using the wrong rates to compute the amount of income tax payable. Some candidates were using the company income tax rate of 30%.

Part (c) required candidates to calculate the value for duty purposes and the total import taxes paid on importation of a 68-seater marcopolo bus.

The most common mistakes included:

- (i) Including of transportation costs and insurance costs incurred within Zambia in the determination of the VDP for customs purposes of the bus,
- (ii) Using of customs duty rates for second hand imported vehicles. The bus in question was brand new and therefore taxes for brand new vehicles should have been applied.

QUESTION THREE

The general performance on this question was good. Only 66 of the 89 candidates that attempted the question managed to obtain at least 10 marks out of a total of 20 available marks. A pass rate of 74.2% was recorded. The highest score was 20 out of 20 marks while the lowest was 0.

This question covered administration of direct taxes and property transfer tax.

Part (a) (i) required candidates to describe the types of taxable persons who are required to pay provisional income tax and was generally answered well.

In part (a) (ii) candidates were asked to explain with reasons which of the individuals in the scenario would be required to pay provisional income tax and state how the income generated would be assessed to tax. Some candidates demonstrated a lack of knowledge of the administration of direct taxes and therefore failed to identify the relevant taxes which will apply to each individual.

In Part (b) (i) candidates to explain the property transfer tax implications arising from transaction entered into by the taxpayers. The most common challenges faced by candidates who performed poorly on this part of the question were as follows:

- (i) Failure to appreciate that where there is a transfer of property made to a member of the immediate family, the realized value is any consideration received
- (ii) Computing PTT on chattels which are exempt from PTT.
- (iii) Failing to determine the correct realized value on chargeable transfers.

Part (b) (ii) required candidates to explain how an objection to any valuation of property can be made. Candidates demonstrated general lack of knowledge of the procedure and therefore failed to provide the required responses.

QUESTION FOUR

The general performance on this question was poor. Only 18 of the 55 candidates that attempted the question managed to obtain at least 10 marks out of a total of 20 available

marks. A pass rate of 32.7% was recorded. The highest score was 16 out of 20 marks while the lowest was 0.5.

The performance of candidates on this question was poor. 20 out of the 55 candidates who attempted the question achieved a pass (that is a score of at least 10 out of 20 marks), representing a pass rate on the question of 36.4%. The lowest score was 1, whilst the highest was 16 out of the available 20 marks.

This question examined taxation of companies engaged in farming and manufacturing.

Part (a) question required candidates to compute the final taxable profit from manufacturing operations for the year. The most common challenges included:

- (i) Failure to apply the 10% test correctly to determine the part of the building qualifying as an industrial building and the component to be classified as commercial buildings.
- (ii) Failing to calculate the correct amount of capital allowances on the low-cost housing.

In part (b) candidates were required to state the date by which the irrevocable election to average farming income should have been made. Most candidates failed to state the correct date.

Part (c) required candidates to calculate the final taxable profit from farming operations assuming that the profits were averaged. Most candidates calculated the capital allowance on the plantation at the rate of 100% instead of 10% and also failed to use the correct figures to calculate the average profits.

Part (d) required candidates to compute the final income tax payable by the company. The most common challenges included:

- (i) Failure to use averaged profits in computing income tax on farming operations.
- (ii) Failure to deduct the loss brought forward from retailing from the retail profits for year to compute the final taxable profits from retailing.
- (iii) Using personal income tax bands in computing taxable profits.

QUESTION FIVE

The general performance on this question was poor. Only 15 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 17.6% was recorded. The highest score was 14.5 out of 20 marks while the lowest was 0.

The performance of candidates on this question was very poor. 20 out of the 85 candidates who attempted the question achieved a pass (that is a score of at least 10 out of 20 marks), representing a pass rate on the question of 23.5%. The lowest score was 1, whilst the highest was 15 out of the available 20 marks.

The question covered ethical issues and Value Added Tax (VAT).

Part (a) required candidates to explain how ethical principles of integrity and objectivity apply to the provision of tax services. This part of the question was generally answered well with the exception of a few candidates who failed to provide the required explanations.

Part (b) required candidates to compute the VAT payable by a sole trader. The most common challenges included:

- (i) Deducting the cash discount in the computation of VAT on standard rated cash sales
- (ii) Failure to restrict the VAT recoverable on motor vehicle to the proportion of business use.
- (iii) Failure to deduct VAT on purchases returns from VAT on standard rated purchases.
- (iv) Claiming input VAT on items on which VAT is irrecoverable such as entertainment expenses for customers and employees.

Part (c) required candidates to compute the amounts of penalties that will arise if VAT is paid late and the VAT returns are submitted late. Most candidates demonstrated a lack of knowledge of the correct due date when the VAT should have been paid and of the correct amounts of penalties arising. They therefore failed to compute the correct amounts of penalties arising.

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.

Overall performance of candidates

Highest mark obtained in this paper	78%
Lowest mark obtained in this paper	2%
Overall pass rate in this paper	52.2%

SUBJECT: CA 2.5 - FINANCIAL MANAGEMENT

QUESTION ONE

The general performance on this question was poor. 16 out of the 116 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 13.8%. The lowest score was 0, whilst the highest was 28 out of the available 40 marks.

Part (a) required candidates were required to calculate the cost of capital. In order to come up with the cost of capital, they needed first to determine the both the cost of debt (k_d) and the cost of equity (k_e). Once these were obtained, the resultant % was to be used to calculate the Current Cost of Capital as required. The common mistakes were the inability to calculate the Total dividends correctly whose amount was to be used as a numerator for the calculation of k_e . Some of these candidates also failed to use the disposal value of K50million as the denominator in the formula when calculating the (k_e).

In calculating the Cost of Debt, the cost of loan capital was to be calculated, whose resultant percentage used in calculating the k_d . Most wrong answers were as a result of failing to calculate this. This meant the cost of capital was therefore incorrect.

Part(b) required candidates to evaluate the financial viability of the proposed investment under scenario A and B. In evaluating the viability of the proposed investment under Scenario A and Scenario B, the candidates needed to use the Cost of Capital as calculated in question 1(a) solution. This was to be used as the discount factor in obtaining the Expected Net Present Value (Expected NPV). So the wrong calculation of the Cost of Capital meant therefore that the Present Values (PVs) were therefore not correct.

The common mistakes in responding to this question included the non-application of the yearly probabilities on the expected demand (units). The incorrect total expected demand meant that the expected contribution and taxation were incorrect.

In order to determine the taxation amount, the amount of K14.5 million, which was the fixed provided in the question, was not identified and used by some of the candidates and therefore the answers was incorrect without deducting the fixed overheads from the expected contribution and then apply the 30% tax rate applicable on the resultant figure. Further, some candidate's responses did not use the 30% rate of tax, they applied a different tax rate resulting into an incorrect taxation amount.

The cost of machinery was not correctly calculated by some candidates as they did not use the correct percentage of 80% which was provided as the percentage that was to be attributed to the cost of machinery out of the total investment of K250 million.

Some candidates did not calculate the tax relief correctly and some didn't even do so. For those that incorrectly, it was largely due to the wrong percentage applied. Instead of using 30% as provided in the question, they used a different percentage in responding to the requirement for Scenario A.

Part (c) required candidates to explain the risk and uncertainty in investment appraisal context. Some candidates' responses did not adequately explain the reasons as to why risk and uncertainty was to be considered in an investment appraisal process. This entails that these candidates did not adequately comprehend these concepts clearly.

QUESTION TWO

The general performance on this question was poor. Only 2 of the 57 candidates that attempted the question managed to obtain at least 10 marks out of a total of 20 available marks. A pass rate of 3.5% was recorded. The highest score was 12 out of 20 marks while the lowest was 0.

Part (a) required candidates to evaluate the effect of the discount. Candidates did not get right the answer on volume of accounts receivable if the policy is changed. The problem was three fold:

- (i) Candidates did not use fraction of $10/365$. Instead they only looked at $50\% \times 140$ making it incomplete.
- (ii) Other candidates did not apply the fraction of $2/12$.
- (iii) In rare cases there were candidates who used $10/365$ and $2/12$ correctly but did not multiply by 50%.

Part (b) required candidates to determine the cost-minimizing order size in units taking into account the discount offered by the supplier. The stockholding cost was generally incorrectly calculated in the three instances i.e. without discount, with 1% discount and with 1.5% discount.

QUESTION THREE

The general performance on this question was poor. Only 15 of the 74 candidates that attempted the question managed to obtain at least 10 marks out of a total of 20 available marks. A pass rate of 20.3% was recorded. The highest score was 16 out of 20 marks while the lowest was 1.

The question required candidates to compute the theoretical ex rights price, share price and discuss the reasons estimated share price differ from the current market price.

Candidates had challenges with calculating the growth rate to use in the dividend valuation model and also discussing the reasons.

QUESTION FOUR

The general performance on this question was good. Only 70 of the 98 candidates that attempted the question managed to obtain at least 10 marks out of a total of 20 available marks. A pass rate of 71.4% was recorded. The highest score was 18 out of 20 marks while the lowest was 2.

Part (a) required candidates to discuss the earnings per share and its importance. Candidates had challenges discussing the importance of earnings per share. Part (b) required candidates to discuss the issues related to conversion of a private company to a public company as well as capital restructuring of a highly geared company. It was fairly attempted.

QUESTION FIVE

The general performance on this question was fair. Only 53 of the 107 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 18 out of 20 marks while the lowest was 1.

a). This section of the question required the candidates to state clearly as to the reasons as to why shareholders value maximisation more than profit maximisation. Some of the candidate's responses were not adequate as they fell short of explaining these reasons. Some merely offered an explanation of profit maximisation and shareholders value maximisation concepts.

b). i) In order to calculate the annual return, the candidate needed in percentage and kwacha, the capital structured needed to be added together to determine the amounts for each one of them, i.e. Equity, Preference shares and Bonds. This was to be done by calculating the trading amounts of K50, K25 and K600 respectively. Common mistakes were a result of not using these trading amounts, and where they were used, they were applied on wrong share (Equity and Preference) and bonds amounts.

ii. In order to calculate the Annual Return in both percentage and Kwacha, the candidates needed to have calculated the capital structure correctly in part b(i). The amount determined was the ones to be used as denominator in part (ii). Due wrong calculation in part (i), most candidates failed (ii) of this question.

iii. Some candidates, who responded to this section, did not satisfactorily explain clearly the relationship between capital structure and Weighted Average Cost of Capital (WACC). They failed to identify and apply the Modigliani and Miller view regarding capital structure

arguments. The application of this theory would have enhanced the answer to this part of the question.

Overall performance of candidates

Highest mark obtained in this paper	60%
Lowest mark obtained in this paper	4%
Overall pass rate in this paper	18.5%

SUBJECT: CA 2.6 - STRATEGIC BUSINESS ANALYSIS

QUESTION ONE

The general performance on this question was good. Only 67 out of the 125 candidates that attempted the question achieved a pass (that is a score of at least 20 out of 40 marks), representing a pass rate on the question of 53.6%. The lowest score was 0, whilst the highest was 38 out of the available 40 marks.

It was made up of three sections whose comments were on:

- (a) Majority of the candidates identified the appropriate business analysis model though in some cases they failed to draw and label the correct diagram which made them lose out on Five marks.
- (b) This part of the question was well answered by most candidates
- (c) Most candidates recommended the appropriate strategies on this part of the question. There were a few candidates that failed part C.

QUESTION TWO

The general performance on this question was good. 64 of the 93 candidates that attempted the question managed to obtain at least 10 marks out of a total of 20 available marks. A pass rate of 68.8% was recorded. The highest score was 20 out of 20 marks while the lowest was 0.

This question had two parts – A and B. The comments on the candidates' performance is as follows:

- (a) This part examined the concepts of transparency of the board to the management of a company and corporate governance. Candidates who gave specific answers as suggested in the solutions got good marks.
- (b) In this part of the question, the candidates were expected to explain four benefits that diversity brings to the company's board of directors. Most of them gave a good account of these benefits and obtained very good marks as can be seen in the table below.

QUESTION THREE

The general performance on this question was good. 78 of the 110 candidates that attempted the question managed to obtain at least 10 marks out of a total of 20 available marks. A pass rate of 70.9% was recorded. The highest score was 20 out of 20 marks while the lowest was 0.

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

- (a) Most the candidates gave the correct distinction between strategic risk and business risk.
- (b) On the TARA Model majority of candidates gave correct answers.
- (c) Majority candidates did not give the factors that determine the level of strategic risk.

QUESTION FOUR

The general performance on this question was poor. 30 of the 81 candidates that attempted the question managed to obtain at least 10 marks out of a total of 20 available marks. A pass rate of 37.0% 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) Majority candidates got this part of the question right. Candidates explained the levels of information flow with system purposes and features.
- (b) Most candidates defined management information system correctly.
- (c) The majority of candidates failed to explain the three characteristics of management information systems.

QUESTION FIVE

The general performance on this question was good. 44 of the 87 candidates that attempted the question managed to obtain at least 10 marks out of a total of 20 available marks. A pass rate of 50.6% was recorded. The highest score was 20 out of 20 marks while the lowest was 0.

- (a) Most of candidates failed the first part of this question part (a). The candidates could not discuss the merits and demerits of offshoring.
- (b) Part B was even more poor done than the part A that was examining the four viewpoints of the balanced scorecard. The candidates either did not know the concept itself or did not understand what examiners were requesting from them. The answers provided by candidates were very poor.

Most candidates did not understand what was expected of them in the question.

Overall performance of candidates

Highest mark obtained in this paper	91%
Lowest mark obtained in this paper	9%
Overall pass rate in this paper	57.6%

SUBJECT: CA 3.1 - ADVANCED FINANCIAL REPORTING

QUESTION ONE

The general performance on this question was poor. 49 out of the 139 candidates that attempted the question achieved a pass (that is a score of at least 20 out of 40 marks), representing a pass rate on the question of 35.3%. The lowest score was 1.5, whilst the highest was 32 out of the available 40 marks.

QUESTION TWO

The general performance on this question was poor. Only 14 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 17.5% was recorded. The highest score was 14 out of 20 marks while the lowest was 1.5.

QUESTION THREE

The general performance on this question was poor. Only 1 of the 60 candidates that attempted the question managed to obtain at least 10 marks out of a total of 20 available marks. A pass rate of 1.7% was recorded. The highest score was 15 out of 20 marks while the lowest was 0.5.

QUESTION FOUR

The general performance on this question was fair. Only 59 of the 126 candidates that attempted the question managed to obtain at least 10 marks out of a total of 20 available marks. A pass rate of 46.8% was recorded. The highest score was 16 out of 20 marks while the lowest was 0.

Part (a)

(i), (ii) Recommend to the Directors of ZED Ltd how the above transactions should be accounted for the financial statements for the year ended 31st December 2022

The question was picked by nearly all candidates but most candidates did not perform well as they failed to do the correct calculations and explanations in both i and ii. Only three (3) candidates managed to get part ii correct.

There is need for the Lecturers in all the learning institutions to find a way of inculcating the material in the students.

Part (b)

- (i) Using the IFAC Code of Ethics as a guide, explain the ethical principles that apply in the above scenario.
- (ii) Recommend the possible actions that you should take as a member of the Zambia Institute of Chartered Accountants (ZICA) in dealing with this ethical dilemma.

QUESTION FIVE

The general performance on this question was excellent. 121 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 91.7% was recorded. The highest score was 20 out of 20 marks while the lowest was 1.

Overall performance of candidates

Highest mark obtained in this paper	68%
Lowest mark obtained in this paper	15%
Overall pass rate in this paper	46.4%

SUBJECT: 3.2 - ADVANCED AUDIT AND ASSURANCE

QUESTION ONE

The general performance on this question was poor. Only 25 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 19.4%. The lowest score was 0, whilst the highest was 30 out of the available 40 marks.

Part (a)(i) required candidates to explain the importance of due diligence and to give 4 examples of such information in an audit. In this case the question was in the context of Mitengo Mining, a prospective audit client of the firm.

A number of candidates did not attempt to answer this part of the question whilst some attempted to explain CDD without giving examples of the information required.

The following were observed:

- (i) Most candidates answered this question in the context of an acquisition or disposal of a company instead of looking at it from the point of view of the audit firm considering accepting appointment. The firm requires to undertake a due diligence exercise to ensure that it knows who the prospective client really is before accepting appointment.
- (ii) There were candidates that explained the meaning of due diligence correctly but did not give the examples required and so lost marks for not doing so.
- (iii) There were candidates that associated customer due diligence to ethics that must be followed by auditors.

Part (a)(ii) was a multi requirement question requiring candidates to discuss the ethical matter in the scenario and to suggest the three possible safeguards that could be applied.

The following were observed:

- (i) Some candidates explained the conflict of interest threat in being approached by a direct competitor of Pamodzi Plc. to offer audit services but could not suggest the three examples of possible safeguards.
- (ii) The wording of the question suggests that there is one ethical issue in Mitengo Mining Ltd and many candidates went on to discuss the general threats to the independence of the auditor of self-interest, self-review etc. Candidates are reminded to address the question requirements in answering examination questions.
- (iii) Some candidates applied business risks in the scenario as ethical issues which is clearly incorrect.

Part (b) was a multi requirement question requiring candidates to explain three areas which could be impacted by the changes in legislation in the year. Candidates could have picked any three areas from matters 1 – 5 in the scenario and in the second part discuss one audit procedure to carry out. Good presentation of the solution is important to gain maximum marks. Candidates are best advised to deal with each area and the possible procedures concurrently.

The following were observed:

- (i) There were candidates that identified the areas that were affected by the changes in legislation but without explaining as required.
- (ii) There were candidates that adequately identified and explained the three areas but did not suggest a suitable audit procedure as required and lost the marks attributed to doing so.

Part (c)(i) required to evaluate the appropriateness of a provision made in the financial statements of K3 million by management. Candidates should have observed that the flood occurred subsequent to the period end and that this was a non-adjusting event that requires disclosure and not the need for a provision. Furthermore, the minors were covered by insurance through possible compensation by the Employee Compensation Board.

The following were observed:

- (i) A number of candidates described audit procedures that should be conducted on the provision of K3 million which was not the question requirement.
- (ii) There were incorrect answers such as 'the provision lacked appropriateness as it lacked quality, authenticity, bias, truthfulness and honest'.
- (iii) Others simply did not attempt to answer this part of the question.

The second part of (c) required candidates to describe the audit evidence expected in a review of the working papers relating to the work performed on the provision of K3 million.

The following were observed:

- (i) Most candidates suggested audit procedures that should be performed in the audit of provisions. The question assumed that the candidate is reviewing the working papers and so describe the evidence they hope to find in the working papers as they are reviewing the working papers.
- (ii) Some suggested that there should be evidence that the bodies of the deceased miners in the mining accident were viewed!

(iii) Many candidates gave less than the required 4 examples of the audit evidence expected and lost marks.

Part (d) required candidates to suggest with justification audit procedures to perform on allowances for receivables an accounting estimate. Candidates needed to consider the inherent risk on accounting estimates and also the provisions of the relevant accounting estimates.

The following were observed:

- (i) Some candidates only gave one audit procedures against the 4 required and scored marks in proportion to any correct procedure explained.
- (ii) Many candidates simply described the methods of obtaining evidence such as recalculation without explaining the audit procedure required.
- (iii) There was evidence of lack of understanding of audit procedures for receivables for example, candidates suggesting that obtaining the cash book and agreeing it to the bank statement is an audit procedure related to accounts receivable.

Part (e)

- (i) This part of the question required a discussion of the nature of sustainable reports for 2 marks. This was poorly done with many candidates not attempting to answer the question.
- (ii) This part of the question required candidates to advise on matters to consider before accepting to audit the sustainability report. Candidates should have applied their knowledge on client acceptance in answering this part of the question.

A majority of the candidates answered this part of the question well and applied their knowledge of client acceptance procedures to answer this part.

QUESTION TWO

The general performance on this question was good. Only 66 of the 102 candidates that attempted the question managed to obtain at least 10 marks out of a total of 20 available marks. A pass rate of 64.7% was recorded. The highest score was 19 out of 20 marks while the lowest was 1.5.

Part (a)

- (i) This was an application question on the topic of subsequent events and candidates were required to describe the audit procedures that should have been conducted regarding three matters in the scenario on different dates subsequent to the period end.

The following observations were made:

- (i) Most candidates got this part of the question wrong because they could not distinguish whether they were adjusting or non-adjusting events.
- (ii) There were candidates that simply repeated the information in the scenario with no clear explanations of the necessary audit procedures.
- (ii) This part of the question required candidates to discuss the impact on the audit opinion of the refusal by management to amend the financial statements following litigation that commenced after the period end before the conclusion of the audit.

There were candidates that suggested resignation of the auditors. Candidates are reminded that resignation is the ultimate action there are other actions such as considering the impact the refusal may have on the audit opinion and also considering the integrity of management before considering resigning.

Many candidates failed to correctly justify the recommended audit opinion using the information in the scenario.

Part (b)

- (i) This part of the question required candidates to discuss the audit risk with regards opening balances. The previous financial statements were audited by different auditors and so there is a risk that the previous year balances brought forward were misstated and could impact the current year figures.

The following observations were made:

- There were candidates that explained the meaning of opening balances without explaining what the audit risk is. Candidates should have considered the fact that of the opening balances were misstated this would result in a misstatement of the current year figure.
- A few candidates suggested that there is no audit risk because the financial statements of Bangweulu Plc. for the previous year were audited by different auditors which is not correct.
- (ii) This part of the question required candidates to suggest 2 audit procedures on the opening balances. The performance in this part of the question was poor with some candidates suggesting that there is a need to write to the previous auditors to get advice on the audit of opening balances.
A number of the candidates simply did not attempt to answer this part losing all the available marks.
- (iii) This part of the question required candidates to evaluate a draft audit report in the scenario. There were sufficient matters that candidates should have discussed but it was noted that A number of candidates discussed matters that are not in

the draft report for example by observing that there was no management responsibility paragraph. The fact that this is just an extract of the audit report means that there is more other information not included and candidates should have concentrated on matters that are in the draft report given.

The following were observed:

- (i) It was disappointing to note the extent of candidates failing to highlight matters that were not correct from the information in the draft audit report.
- (ii) The fact that the question required candidates to suggest any amendments necessary implies that candidates should have considered matters that were wrong in the draft report. Some candidates discussed matters that are correct such as the report having been addressed to the correct recipients the shareholders. This topic has been examined in this manner in the past and if candidates went through past examination questions and answers they should have been aware of the approach in answering the question.
- (iii) Many candidates discussed matters that are not contained in the draft audit report such as there being no paragraph on management responsibilities. Candidates are expected to use the information in the draft report in answering the question.
- (iv) A few candidates redrafted the audit report which was not the question requirement.

QUESTION THREE

The general performance on this question was poor. Only 31 of the 94 candidates that attempted the question managed to obtain at least 10 marks out of a total of 20 available marks. A pass rate of 33.0% 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 discuss the objectives and responsibilities for quality control at the firm and individual audit levels. Candidates needed to bring to bear their understanding of the provisions of the relevant auditing standards namely ISQC1 and ISA 220.

At the firm level the objective is to ensure that quality control is considered important to enable audit teams conduct quality audits that can be relied upon to form the audit opinion.

A quality champion within the firm should be appointed to be responsible for quality controls in the firm. At the individual audit level the Engagement Partner is responsible for all quality control matters and the objective is that the audit team should conduct a quality audit suitable to be the basis for an appropriate audit opinion.

The following were observed:

- (i) Many candidates tried to explain quality control at the firm and individual audit levels but did not explain the responsibility for quality control at both levels. There should be a quality champion at the firm level to deal with matters of quality of audits and the engagement partner is responsible for quality control at the individual audit levels.
- (ii) It was evident that candidates did not know the provisions of the auditing standards on quality control namely ISQC 1 and ISA 220. Candidates at this level of the examinations are required to answer examination questions using guidance in the relevant auditing standards.
- (iii) It was observed that there were clearly incorrect answers with regards quality control.

Part (b)

- (i) This part of the question required candidates to explain the meaning of disclaimers and to specifically discuss the validity of the disclaimer in the draft engagement letter with Gipsy Engineering Plc.

Disclaimers are aimed at avoiding litigation by auditors. In this case the auditors are attempting to avoid litigation by the client company. This is inappropriate and the auditors owe a duty of care to the company and the disclaimer in the draft engagement letter is not valid. The firm should find alternative ways of limiting its liability.

The following observations were made:

- Many candidates suggested that the auditors do not owe a duty of care to Gipsy Engineering Plc. because they have issued a disclaimer.
 - Some candidates did not explain correctly the meaning of disclaimers and did not observe that the auditors owe a duty of care to an audit client and this is notwithstanding the express terms included in the engagement letter. The disclaimer in the engagement letter with Gipsy Engineering Plc. is not valid. In explaining disclaimers, a candidate stated that a disclaimer is an inability of the auditor to obtain sufficient appropriate audit evidence which is clearly incorrect. Others suggested that a disclaimer is when the auditor fails to find evidence.
- (ii) This part of the question required candidates to discuss the chances of success of the litigation against the auditors by three parties in the scenario. Candidates needed to know the guidance on litigation and facts of related case law. Candidates should have used the three criteria of duty of care, breach of duty of care and suffering loss as a result of the breach of duty of care.

This topic has been examined in a similar manner in the past and candidates should not have had trouble answering this question. Candidates should have dealt with each of the three litigants separately and apply the theory on the criteria for suing auditors for professional negligence and conclude on the chances of succeeding in suing the auditors.

The following observations were made:

- (i) Many candidates simply suggested that the auditors do or do not owe a duty of care without explaining. This suggests that the candidates do not understand the case law and the guidance on suing the auditors for professional negligence.
- (ii) Candidates failing to apply the three criterion of duty of care, breach of duty of care and suffering loss as a result of the breach of duty of care in answering this part of the question.

Part (c)

This part of the question required candidates to explain the firm's response to the non-provision of the acknowledgement of management responsibilities by Gipsy Engineering Plc.

Candidates should have discussed the fact that if the preconditions to an audit do not exist, the auditors needed to have declined appointment. In this case the auditors went ahead and since management has refused to acknowledge its responsibilities, the auditors should evaluate the integrity of management and may need to consider resigning from the audit engagement.

The following were observed:

- (i) Candidates stating that the firm should consider declining appointment and yet they accepted appointment and the company is an audit client already. Resigning in this case could be considered due to lack of integrity of management.
- (ii) There were candidates who suggested that the audit opinion should be modified on account of there being no acknowledgement of management responsibilities.

QUESTION FOUR

The general performance on this question was poor. Only 26 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 23.0% 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 4 responsibilities of the ZICA according to the Accountants Act 2008.

The following observations were made:

- (i) Some candidates seemed not to know the responsibilities of the ZICA contained in the Accountants Act 2008 and either did not answer this part or gave less than the 4 required responsibilities.
 - (ii) A number of candidates discussed ethical issues and that the ZICA should enforce them. This was not the question requirement except the part that related to enforcement of ethical principles.
 - (iii) There were incorrect answers such as 'It is the responsibility of ZICA to be diligent with their work and be honest in the work that they do' and 'They should exercise confidentiality when doing their work'.
- (ii) This part of the question related to a mis-conduct by a ZICA member and the possible action that should be taken by the institute in view of this. A majority of the candidates answered this part of the question correctly and scored maximum marks.

A few candidates answered the question from the perspective of Bulangililo Ltd instead of the ZICA.

Part (b)

This part of the question required candidates to evaluate and discuss 6 audit risks in the audit of the financial statements of Bulangililo Ltd.

The following observations were made:

- (i) A number of candidates discussed less than the required number of audit risks.
- (ii) A majority of candidates explained risks without explaining why they are audit risks and what could go wrong in the financial statements. At this level of the examination in explaining audit risk candidates are expected to explain the financial statement assertions that will be impacted by the audit risk.
- (iii) Some candidates explained the risks as business risks contrary to the question requirement requiring an identification of audit risks.
- (iv) A few candidates explained the audit risks and went further to explain the audit procedures to be undertaken contrary to the question requirement.

QUESTION FIVE

The general performance on this question was very good. 60 of the 74 candidates that attempted the question managed to obtain at least 10 marks out of a total of 20 available marks. A pass rate of 81.1% was recorded. The highest score was 18 out of 20 marks while the lowest was 2.

Part (a)

This part of the question required candidates to state 2 advantages of joint audits. The performance in this part of the question was fair.

The following were observed:

- (i) A few candidates explained when joint audits are likely to be undertaken without stating the advantages of joint audits as per question requirement.
- (ii) There were clearly wrong answers such as suggesting that 'when there has been restriction say on legal law in one country, the joint audit will play a big role'.

Part (b)

This part of the question required candidates to explain two implications to an audit of data analytics. A majority of the candidates scored maximum marks in this part of the question. There were a few candidates that either did not know the meaning of data analytics because they did not attempt to answer this part of the question.

Part (c)

This part of the question was on group audits and required candidates to explain 3 matters that should be considered in understanding the component auditors. A majority of the candidates scored half or more of the available marks.

A few candidates explained matters that should be considered before accepting appointment which was not correct.

Part (d)

This part of the question required candidates to recommend 4 audit procedures to conduct in the audit of intra group profit contained in inventory at the period end. The performance in this part was poor with most candidates scoring less than half the available marks.

The following observations were made:

- (i) There were many candidates that have less than the required 4 audit procedures signifying lack of knowledge and understanding of intra group profit which should be eliminated in the consolidated financial statements.

- (ii) A number of candidates did not attempt to answer this part of the question.
- (iii) Most candidates gave general audit procedures for inventory and did not discuss the procedures for unrealized profit which was the question requirement.

Overall performance of candidates

Highest mark obtained in this paper	70%
Lowest mark obtained in this paper	15%
Overall pass rate in this paper	30.2%

SUBJECT: CA3.4 - ADVANCED TAXATION

QUESTION ONE

The general performance on this question was fair. Only 44 out of the 94 candidates that attempted the question achieved a pass (that is a score of at least 20 out of 40 marks), representing a pass rate on the question of 46.8%. The lowest score was 2.5, whilst the highest was 35 out of the available 40 marks.

The question covered tax planning and international aspects of taxation.

In part (a) (i) candidates were required to calculate the income tax payable by the individuals if the business was run as a partnership. The following were the main challenges faced by the candidates:

- (i) Using the wrong rates to compute capital allowances claimable by the business on partnership assets.
- (ii) using the wrong income tax rates to compute income tax arising on the farming income.

Part (a) (ii) required candidates to calculate the amount of income tax, NAPSA contributions and NHIMA contributions payable by the directors if the business was run as a limited company. This part of the question was generally answered well with the exception of a few candidates who failed to compute the correct amount amounts of NAPSA and NHIMA contributions payable by each individual.

In part (a) (iii) candidates were required to calculate the amount of income tax, NAPSA contributions and NHIMA contributions payable by the company if the business was to be run as a limited company. The following are the challenges faced by the candidates:

- (i) Not adding back the personal-to-holder car benefit on the motor vehicles given to directors as personal-to-holder cars.
- (ii) Failure to calculate the correct amount of employer's NAPSA contributions and employer's NHIMA contributions payable by the company.
- (iii) Failure to calculate the correct amount of skills development levy payable by the company.
- (iv) Using the wrong rates to compute the capital allowances claimable by the company on business assets.
- (v) Using the wrong rates to compute the amount of income tax payable by the company. Most candidates were using income tax rate of 30% instead of the rate of 10%, which is applicable to farming income.

Part (b) required candidates to advise the individuals whether they should run their business as a partnership or as a limited company based on the income net of tax and

other deductions. This part was generally answered well with the exception of a few candidates who failed to make the relevant computations of net income in providing the advice.

In part (c) (i) candidates were required to explain the taxation implications arising from exercise of share options. Candidates demonstrated a lack of knowledge the implications and therefore failed to provide the relevant explanations.

In part (c) (ii) candidates were required to calculate the amount of income tax payable by an individual with both income from employment and income from foreign sources. The following are the challenges faced by the candidates:

- (i) Not grossing up the interest income from foreign sources before including it in the computation of the taxable income of the individual.
- (ii) Include rental income from foreign sources which is exempt from tax in the computation.
- (iii) Failure to calculate the correct amount of double taxation relief on both the foreign dividend income and foreign bond interest income.
- (iv) Using the wrong rates to compute the income tax payable.

QUESTION TWO

The general performance on this question was poor. Only 20 of the 64 candidates that attempted the question managed to obtain at least 10 marks out of a total of 20 available marks. A pass rate of 31.3% was recorded. The highest score was 19.5 out of 20 marks while the lowest was 1.

The question examined taxation of financial institutions and financial arrangements.

In part (a) candidates were required to calculate the company income tax payable by the bank. The following are the challenges faced by the candidates:

- (i) Failure to identify the relevant disallowable expenses to be added back when computing the taxable profits.
- (ii) Using the wrong rates to compute capital allowances claimable by the company
- (iii) Using the wrong rates to compute the company income tax payable by the bank. Some candidates used the graduated tax bands for individuals.

In part (b) (i) candidates were required to advise the directors of the bank of the taxation implications arising from the issue of shares and bonds from the company's point of view

as well as the investors' point of view. Some candidates demonstrated a lack of knowledge of the implications and therefore failed to provide the relevant explanations.

QUESTION THREE

The general performance on this question was good. Only 49 of the 81 candidates that attempted the question managed to obtain at least 10 marks out of a total of 20 available marks. A pass rate of 60.5% was recorded. The highest score was 19 out of 20 marks while the lowest was 2.5.

The question covered taxation of mining operations.

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

- (i) Failure to identify the relevant disallowed expenditure to be added back when computing taxable mining profit.
- (ii) Using the wrong rates to compute the wear and tear allowances on non-current assets and other qualifying mining expenditure.
- (iii) Failure to index capital allowances on the mining equipment acquired from foreign suppliers.
- (iv) Failure to calculate the correct amount of mineral royalty paid by the company on copper.
- (v) Failure to apply the 30% Tax EBITDA allowable interest expense limitation rules on the finance cost to determine the amount disallowed interest cost.
- (vi) Using the wrong tax rates to compute the tax payable. Some candidates were using the income tax bands for individuals.

QUESTION FOUR

The general performance on this question was poor. Only 5 of the 65 candidates that attempted the question managed to obtain at least 10 marks out of a total of 20 available marks. A pass rate of 7.7% was recorded. The highest score was 12 out of 20 marks while the lowest was 0.

The question covered tax audits and the interaction of taxes.

In part (a) candidates were required to explain any three (3) audit objectives that a quality tax audit should achieve. Candidates demonstrated a lack of knowledge of the audit objectives and failed to provide the required explanations.

Part (b) which required candidates to explain any three (3) audit procedures the tax auditor should carry out to uncover any unreported income when performing a tax audit was also poorly answered as candidates failed to provide the required explanations.

Part (c) 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 withholding tax (WHT) on dividends, PAYE and VAT.

Candidates demonstrated a general lack of knowledge of the operation of the withholding Tax (WHT), Pay As You Earn (PAYE) and VAT systems. As a consequence, they failed to identify the relevant dates on which WHT, PAYE and VAT should have been paid as well as the dates when the relevant returns should have been submitted in each case.

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 is computed in each case and therefore failed to make the relevant computations.

QUESTION FIVE

The general performance on this question was poor. Only 6 of the 59 candidates that attempted the question managed to obtain at least 10 marks out of a total of 20 available marks. A pass rate of 10.2% was recorded. The highest score was 12 out of 20 marks while the lowest was 1.

The question examined ethical issues in taxation, extraction of profits from the business and reverse VAT.

In part (a) candidates were required to evaluate the ethical and professional issues in relation to the provision of tax services and to recommend the appropriate action to respond to each issue. The following are the challenges faced by the candidates:

- (i) Failure to identify and explain the familiarity threat in relation to provision of taxation services.
- (ii) Failure to identify and explain the self-interest threat in relation to contingent fees to be set based on the amount of tax saved.
- (iii) Failure to identify and explain the ethical issues in relation to omitted income from the tax return submitted by the client.
- (iv) Failure to recommend the appropriate course of action to respond to the ethical issues identified.

In part (b) candidates were required to advise the directors of the tax implications arising from drawing interest free loans under an executive incentive scheme. Candidates demonstrated a lack of knowledge of the implication and failed to provide the required explanations.

Part (c) which required candidates to advise the directors of the procedures to be followed to have an employee share option scheme approved for tax purposes, was generally well answered with the exception of a few candidates who failed to describe the procedure to be followed.

In part (d) candidates were required to advise the directors of the tax implications arising from installation of the elevators by the company resident in a foreign country. The following are the challenges faced by the candidates:

- (i) Failure to explain that reverse VAT will apply on the importation of services by the Zambian resident company and failure to calculate the amount of reverse tax arising on the invoice value
- (ii) Failure to calculate the correct amount of capital allowances claimable on the elevators by the company.
- (iii) Failure to calculate the correct amount of withholding tax to be deducted by the company from the management consultancy fees payable to the non-resident supplier.

Overall performance of candidates

Highest mark obtained in this paper	69%
Lowest mark obtained in this paper	9%
Overall pass rate in this paper	38.3%

SUBJECT: CA3.5 - ADVANCED MANAGEMENT ACCOUNTING

QUESTION ONE

The general performance on this question was fair. Only 6 out of the 15 candidates that attempted the question achieved a pass (that is a score of at least 20 out of 40 marks), representing a pass rate on the question of 40.0%. The lowest score was 8, whilst the highest was 28 out of the available 40 marks.

Part (a) (i) required candidates to discuss four characteristics that should be present in a chosen country so that potential choices can be screened before final decisions are made. This part was well answered by the candidates and obtained all the marks as they were able to explain all the four characteristics using the PESTEL tool. However, many candidates lost marks by not providing the Key Performance Indicators (KPI's).

Part (a) (ii) required candidates to discuss the merits or advantages of decentralization. This part was not well answered because candidates did not bring out the merits of decentralization. Common errors included:

- (i) Explaining decentralization
- (ii) Explaining the demerits of decentralization
- (iii) Not linking the merits to the organization in question, i.e. CI Ltd.

Part (b) required candidates to calculate:

- (i) transfer prices for A70 and B100.
 - (i) Most of the candidates obtained all the marks apart for a few who left this part blank.
- (ii) the fixed cost per unit based on the transfer price of K4, 730.
 - (ii) This part was poorly answered. Candidates did know how to use the information obtained in part (b)(i). They used wrong figures in their calculations.
- (iii) This part required candidates to evaluate whether the fears of Kanyama Division's management accountant was bordering on ethical issues.
 - (iii) Candidates could not answer this part of the question and the few who tried to attempt it could not bring out any ethical issues from the scenario.
- (iv) This part required candidates to evaluate the impact of the change on the proposed divisional structure.
 - (iv) This part was not well attempted and candidates did not bring out solid discussions about the impact that would be created as a result of the proposed changes. Many marks were lost as a result. Candidates should realize that this

is the highest level of learning and they need to evaluate such changes in a given scenario.

QUESTION TWO

The general performance on this question was poor. Only 2 of the 11 candidates that attempted the question managed to obtain at least 10 marks out of a total of 20 available marks. A pass rate of 18.2% was recorded. The highest score was 12 out of 20 marks while the lowest was 3.

Part (a) required candidates to identify and explain four Critical Success Factors (CSF's) which would be appropriate to use by the company.

- (i) A few candidates were able to identify the CSF's and explain them well. E.g. Political, Economic, Social, Technological, Ethical, Environmental and Legal.
- (ii) However, most of them could not differentiate between CSF's and KPI's.
- (iii) Good explanations were not given.

In part (b), candidates were required to recommend, with reasons, two KPI's to support the four CSF's in part (a).

Common Errors

- (i) Stating the KPI's but not explaining how they would be measured. E.g. a KPI for political factors would be to use rankings from agencies such as Transparency International
- (ii) Giving one KPI instead of the required two KPI's
- (iii) Giving no KPI at all.

QUESTION THREE

The general performance on this question was poor. Only 2 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 25.0% was recorded. The highest score was 11 out of 20 marks while the lowest was 4.

Question three required candidates to do the following:

- (a) Discussing the qualitative information that may be of benefit to the directors of TT Ltd.
- (b) Discussing the difficulties that would have to be addressed when introducing a reporting system for the company's management to provide information of a qualitative nature

Part (a) was well answered by some candidates as they were able to write about service reliability, customer service and customer needs as some of the qualitative information that may be of benefit to the directors of the company TT Ltd. The rest of the candidates did not provide relevant information on qualitative information.

Part (b) was **poorly** answered as candidates wrote in general about qualitative information. Candidates were expected to discuss difficulties that would have to be addressed when introducing a reporting system for the company's management to provide information of a qualitative nature.

Common errors included not bringing out the difficulties as follows:

- (i) Failing to state that qualitative information(QI) is difficult to gather and analyze
- (ii) Failing to bring out that QI is difficult to access and retrieve
- (iii) QI may be unclear and not specific
- (iv) Failing to state that QI may be of value to strategic planning but not performance management
- (v) Failing to state that if TT Ltd wanted to use QI it may have to find ways of converting it to quantitative measures. But this may not always be easy.

QUESTION FOUR

The general performance on this question was very good. 11 of the 14 candidates that attempted the question managed to obtain at least 10 marks out of a total of 20 available marks. A pass rate of 78.6% was recorded. The highest score was 15 out of 20 marks while the lowest was 8.

This question examined the following:

- (a) Analyzing the change in the financial performance of the company KMF Ltd for year 2021 and 2022.
- (b) Evaluating the change in the performance of KMF for both years using the information contained in the balanced scorecard extract. In addition discussing the significant reasons why this analysis may be more relevant than the answer to part (a) in helping you as an accountant, to decide whether to accept the offer.
- (c) Explaining whether KMF management should be willing to accede to your request in this regard to secure your acceptance of the position on offer.

The performance from candidates was very good and very good answers were provided in all the parts of the question.

Common errors from poorer candidates included:

- (i) Failing to do a financial performance review, i.e changes in turnover/growth, net profit and irrecoverable debts.
- (ii) Doing a financial review but failing to comment on the changes.
- (iii) In part (b), discussing the components of the balanced scorecard but failing to compute the changes in the statistics plus the relevant comments.
- (iv) Failing to state that the KPI's in the financial perspective were lagging measures whereas those in the other three perspectives were leading measures.
- (v) In part (c), failing to indicate that the request from the new management accountant should be accepted and that his performance will be affected by the profits in the first year since contract was for 3 years.

QUESTION FIVE

The general performance on this question was good. Only 8 of the 12 candidates that attempted the question managed to obtain at least 10 marks out of a total of 20 available marks. A pass rate of 66.7% was recorded. The highest score was 16 out of 20 marks while the lowest was 6.

This question examined the following:

Writing a report on any two of the following established and modern or new techniques:

1. Continuous cost improvement (CCI) Vs target costing (TC)
2. Zero Based Budgeting (ZBB) Vs Activity Based Budgeting (ABB)
3. Interfirm Comparison (IC) Vs Benchmarking (BM)

The report required an explanation of the objectives of the technique, how it works and how it would be differentiated from the established approach. The report needed also to explain how the technique would contribute to cost saving.

This was a popular question attempted by most candidates.

The performance by candidates was very good.

However, common errors from poorer candidates were as follows:

- (i) For each new technique, not explaining its objectives, how it works and how it could be differentiated from old systems- as required by the question.
- (ii) Not discussing how the new technique will contribute to cost reduction as required by the question.
- (iii) Writing the report in the letter form instead of a report in the form of an internal memorandum.
- (iv) Writing about three new techniques instead of two as required by the question: losing precious time.
- (v) Poor structuring of the report.

Overall performance of candidates

Highest mark obtained in this paper	65%
Lowest mark obtained in this paper	35%
Overall pass rate in this paper	46.7%

SUBJECT: CA 3.6: ADVANCED FINANCIAL MANAGEMENT

QUESTION ONE

The general performance on this question was poor. Only 2 out of the 16 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 12.5%. The lowest score was 6, whilst the highest was 21 out of the available 40 marks.

The question required candidates to evaluate the proposed investment using the NPV and MIRR as well as explaining the merits of foreign currency options. The calculation of sales in the first period was not easy for many candidates because most of them did not consider the foreign exchange buying rate including inflation in order to come up with the sales figure. Apart from that consideration of a 75% increase in annual production should also have been taken into account.

Financial evaluation using the MIRR also proved to be very difficult for students. Many candidates did not apply the following formula despite been provided in the question paper:

$$\text{MIRR} = \frac{(\text{PVr})^{1/n}(1+re)-1}{\text{PV}_t}$$

Many candidates did not know how to calculate the PV return phase and neither did they know how to calculate the PV investment phase. Inadequate explanation given of merits of foreign currency options. Some candidates had scanty knowledge on this topic.

QUESTION TWO

The general performance on this question was very good. 10 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 76.9% was recorded. The highest score was 18 out of 20 marks while the lowest was 4.

Part (a). i. This part of the question required the candidates to discuss merits and risks in retained earnings, syndicated medium term bank loan at a fixed interest rate and a rights issue. Most common mistakes were as a result of not explaining clearly these option in terms of identifying the merits and risks. The merits and risks for some of the candidate's answers were not directly attributed to the mentioned funding strategies as was required in the question. The discussions as responses were therefore not related to these funding sources.

ii. Some candidates in responding to this question failed to explain that the carbon credits were part of the carbon emission trading schemes that were developed under Kyoto Protocol as strategies to mitigate global warming. The aims of the Kyoto agreement were not stated in most candidates' response in order to enhance the answer.

Part (b). i. Common mistakes by some candidate's answers for this question included the inability to identify and explain the compensation required by the investors for investing long, the expectations theory and the market segmentation theory. Clearly explaining this would have culminated into more marks.

ii. Some candidates did not respond to this part of the question, for some that did, instead of mentioning at least 4(four) of the 6 (six) factors that affect the general level of interest rates and returns on Treasury Bills, they only mentioned 1(one) or 2(two). This resulted into loss of marks.

QUESTION THREE

The general performance on this question was poor. Only 1 of the 7 candidates that attempted the question managed to obtain at least 10 marks out of a total of 20 available marks. A pass rate of 14.3% was recorded. The highest score was 13 out of 20 marks while the lowest was 3.

The majority of candidates who sat this paper did not calculate well, the evaluation of interest rate swap if LABOR remains at 10% for the whole year. The calculation required a comparison of ZOE with Other Company. Four components should have been included in the calculation. These are: (i) Existing commitment (ii) What ZOE or Other company pays (iii) What ZOE or other company receives (iv) Revised commitment. Candidates should have ended or finished up by determining the cost rate debt and the cost under the swap. It is also important to explain why the swap would not be beneficial.

QUESTION FOUR

The general performance on this question was poor. Only 5 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 38.5% was recorded. The highest score was 15 out of 20 marks while the lowest was 5.

Part (a). Some candidates did not calculate the overall value of the company due the wrong calculation of the value spread. In calculating the cost which was to be deducted from the operating profit a wrong percentage was used instead of 15%, some candidates used 10%, while some used 6%. This therefore resulted into a wrong benefit determined.

Part (b). The question required that the candidates provide in their responses a detailed explanation as to the reasons as to why most business combinations are unsuccessful as they do not produce the expected benefits. Some of the responses did not give these reasons as required to have been stated.

QUESTION FIVE

The general performance on this question was excellent. 16 of the 17 candidates that attempted the question managed to obtain at least 10 marks out of a total of 20 available marks. A pass rate of 94.1% was recorded. The highest score was 17 out of 20 marks while the lowest was 9.

Part (a) of the question required the candidates to candidates to advise ABM Corporations on the concerns regarding the plans in establishing the treasury function as a profit center. Some candidates did not state these concerns.

Part (b) was on the features of the forward rate contracts, interest rate swaps and over the counter (OTC). These were not fully stated. Some candidates explain features of Forward rate contracts as that of interest rate shops and vice-versa.

Overall performance of candidates

Highest mark obtained in this paper	62%
Lowest mark obtained in this paper	16%
Overall pass rate in this paper	41.2%

SUBJECT: 3.7-PUBLIC SECTOR AUDITS AND ASSURANCE

QUESTION ONE

The general performance on this question good. 51 out of the 81 candidates that attempted the question achieved a pass (that is a score of at least 20 out of 40 marks), representing a pass rate on the question of 63.0%. The lowest score was 8, whilst the highest was 32 out of the available 40 marks.

Part (a)

- (i) This part of the question required candidates to explain the meaning of performance auditing.

A majority of the candidates were able to correctly explain performance auditing and scored maximum marks. There were a few candidates that did not mention the three elements of value for money of economy, efficiency and effectiveness.

- (ii) This part of the question required candidates to discuss the selection criteria of subjects to audit by the Supreme Audit Institution.

Most of the candidates could not explain clearly how the Supreme Audit institution selects topics that should have performance audits conducted. There were candidates that seemed not to have understood the term 'topics' which simply means the areas in the public sector that be subject to public sector audits.

Part (b)

This part of the question required candidates to explain the role of IT audits in the context of performance auditing. Some candidates simply explained the meaning and roles of IT audits without relating these to performance auditing.

Part (c)

- (i) This was a knowledge based question requiring candidates to explain the three possible approaches that the public sector auditors will choose from an approach to adopt in a performance audit.

The following observations were made:

- (i) Candidates seemed not to know the possible approaches to performance audits and suggested approached such as materiality based approach, solution based approach and risk based approach which were incorrect.
- (ii) Some candidates discussed methods of obtaining evidence such as observation, inspection etc. in answering this part which was incorrect.
- (iii) There were candidates that explained the audit approaches of risk based audit for example which was not correct.

- (iv) There were candidates that simply stated the three approaches without explaining as per question requirement.
- (ii) This part of the question required candidates to choose an appropriate approach using the information in the scenario.
- The following observations were made:
- Some candidates suggested an approach that should be followed without explaining the justification for choosing that approach.
 - There were candidates who stated that a choice of approach should be made from the three elements of value for money audits of economy, efficiency and effectiveness which were clearly wrong.

Part (d)

This part of the question required candidates to describe 6 audit procedures in the performance audit of early detection system of the DMMU. Candidates were expected to consider each of the three main elements of performance audits namely economy, efficiency and effectiveness in designing the audit procedures.

There were candidates that explained the various methods that the auditors use to obtain evidence such as recalculation etc. without suggesting the audit procedures.

Part (e)

- (i) This part of the question required candidates to describe 3 different types of audits in the public sector. Most of the candidates correctly explained the three types of public sector audits and scored maximum marks.
- A minority of candidates explained economy, efficiency and effectiveness as types of audits in the public sector.
- (ii) This part of the question required candidates to describe the relationship between parliament, the government and the public sector auditors. A description of the accountability triangle could have sufficed in answering this part of the question.
- A majority of the candidates correctly explained the responsibility triangle and scored half or more of the available marks. A few candidates simply drew a sketch of the responsibility triangle with no supporting explanations for which marks were lost.
- (iii) This part of the question required an explanation of the objectives of the principle of value and benefits as it relates to the Supreme Audit Institution. Candidates needed to have an understanding of the provisions of ISSA 12 Value and benefits of the SAI in answering this question.

Many of the candidates failed to explain the three value and benefits of the SAI signifying the fact that they could not recall the provisions of ISSAI 12. Some candidates explained the benefits of external audits conducted by the SAI which did not answer the question.

QUESTION TWO

The general performance on this question was poor. Only 9 of the 32 candidates that attempted the question managed to obtain at least 10 marks out of a total of 20 available marks. A pass rate of 28.1% was recorded. The highest score was 14 out of 20 marks while the lowest was 2.

Part (a)

- (i) This part of the question required candidates to explain the implication of the statement by the Director of Finance to ignore the ruling of the University Council. Candidates could not explain the implications of the statement to ignore the ruling of the University Council. A majority of the candidates did not answer this part of the question and those that did, did not address the question requirement.
- (ii) This part of the question required candidates to explain whether it is advisable for the written representations if the council insisted on ignoring the ruling. A majority of the candidates did not answer this part and most of those that did scored low marks.

Part (b)

This part of the question required candidates to recommend 5 audit procedures that should be performed on the provision for terminal benefits assuming the provision remains in the financial statements.

The following observations were made:

- There were candidates that gave less than the required 5 audit procedures. Marks were awarded in proportion to the correct procedures suggested.
- There were candidates that explained methods of obtaining audit evidence instead of explaining audit procedures.

Part (c)

This part of the question required candidates to explain the consequences of not carrying out follow up audits in public sector auditing.

Most of the candidates answered this part of the question correctly and scored high marks.

QUESTION THREE

The general performance on this question was poor. Only 23 of the 69 candidates that attempted the question managed to obtain at least 10 marks out of a total of 20 available marks. A pass rate of 33.3% was recorded. The highest score was 15 out of 20 marks while the lowest was 0.

Part (a)

This part of the question required candidates to explain the meaning of propriety and its importance in public sector auditing. The performance in this part of the question was below average.

The following observations were made:

- (i) Most of the candidates explained propriety correctly but did not answer the part that required an explanation of its importance.

Part (b)

This part of the question required candidates to recommend 6 audit procedures that should be performed in the compliance audit of the project under the Ministry of Education.

The following observations were made:

- A number of candidates did not give the required six procedures and so scored marks in proportion with the correct procedures for the number given.
- A number of candidates did not use the information in the scenario in answering this part and instead suggested general audit procedures that did not answer the question requirement on the compliance audit.
- There were candidates that explained methods of obtaining evidence without describing the audit procedures for which no marks were awarded.

Part (c)

This part of the question required candidates to advice on the action that must be taken in view of the non-existence of the pre-conditions for an audit at the Ministry of Defence. Candidates should have shown their understanding of the difference in the action had it been a private sector audit. In this case the mandate of the SAI in the law and declining or resigning from the engagement is not appropriate.

Most of the candidates concluded that the absence of pre-conditions to an audit should result in the Supreme Audit Institution rejecting the audit which is not the case in public sector auditing. Candidates should have compared the guidance in private sector auditing

with that applicable in the public sector where the mandate to conduct audits is contained in legislation.

QUESTION FOUR

The general performance on this question was poor. Only 10 of the 70 candidates that attempted the question managed to obtain at least 10 marks out of a total of 20 available marks. A pass rate of 14.3% was recorded. The highest score was 12.5 out of 20 marks while the lowest was 2.

Part (a)

This part of the question required candidates to explain 3 fraud risk factors present in Gamma Co-operatives.

The performance in this part of the question was below average expected resulting in the performance by most candidates being below half the available marks.

The following observations were made:

- (i) Some candidates could not explain the three fraud risk factors explaining in some cases only one.
- (ii) Some candidates explained the responsibility to fraud by management and the public sector auditor which was not answering the question requirement.
- (iii) There were candidates that explained the two main types of fraud without explaining the fraud risk factors in the scenario.

Part (b)

This part of the question required candidates to advise management on how the SAI could assist in the detection of the reported fraud.

Candidates should have considered the guidance given in ISSAI 1240 in answering this question and this is where auditor and management responsibilities for fraud should have been discussed. Most of the answers by candidates did not address the provision of ISSAI 1240 resulting in candidates losing marks.

Part (c)

This part of the question required candidates to recommend 6 audit procedures which should be performed when auditing the performance information.

Most candidates scored half or more of the available marks in suggesting suitable audit procedures.

The following were observed regarding those that performed poorly:

- (i) Candidates that suggested less than the required 6 audit procedures scored marks in proportion to the correct procedures suggested.
- (ii) There were candidates that discussed methods of obtaining audit evidence without suggesting suitable audit procedures.
- (iii) A number of candidates suggested audit procedures that were not related to value for money principles which should have been considered in this performance audit question. Candidates were expected to suggest two audit procedures for each of the three elements of value for money of economy, efficiency and effectiveness.

QUESTION FIVE

The general performance on this question was poor. Only 22 of the 71 candidates that attempted the question managed to obtain at least 10 marks out of a total of 20 available marks. A pass rate of 31.0% was recorded. The highest score was 14 out of 20 marks while the lowest was 3.

Part (a)

This part of the question required candidates to explain the objective of financial audit in the public sector. A majority of the candidates explained correctly the objectives of financial audits which is to obtain sufficient appropriate audit evidence on which the audit opinion is based.

Part (b)

This question required candidates to explain the substantive audit procedures to test the assertions of accuracy and completeness in the payroll costs of the Ministry of Health.

The following were observed on candidates that performed poorly in this part:

- (i) Candidates that suggested less audit procedures than the 6 required in the question.
- (ii) Candidates suggesting audit procedures not confirming the assertions of accuracy and completeness.
- (iii) There were candidates that explained the assertions of accuracy and completeness without suggesting any audit procedures to test these assertions. No marks were awarded for doing so.
- (iv) There were candidates that discussed controls necessary in capturing payroll data and others suggested general audit procedures for the audit of payroll.

Part (c)

This part of the question required an explanation of the importance of gaining an understanding of the Ministry of Health operations including that of the payroll's internal controls.

A majority of the candidates answered this part of the question well. A few of those who scored lower marks focused only on one aspect of risk.

Part (d)

This part of the question required candidates to discuss the characteristics of the sample selection methods according to ISSAI 1530 in the audit of the payroll in the Ministry of Health. Candidates needed to explain any of the methods used in sample selection and briefly explain the characteristics.

Many candidates scored well in this part but there were others that scored less than half the available marks.

The following observations were made:

- (i) Some candidates discussed characteristics of samples selected for testing instead of the sampling methods.
- (ii) There were candidates who explained just one sampling methods which was inadequate considering the six marks on offer. Candidates were expected to discuss at least three methods and candidates are reminded to use the available marks in deciding the depth of the answers.

Overall performance of candidates

Highest mark obtained in this paper	70%
Lowest mark obtained in this paper	20%
Overall pass rate in this paper	42.0%

SUBJECT: CA 3.8 - PUBLIC SECTOR FINANCIAL MANAGEMENT

QUESTION ONE

The general performance on this question good. 1 candidate that attempted the question achieved a pass (that is a score of at least 20 out of 40 marks), representing a pass rate on the question of 50%. The lowest score was 13, whilst the highest was 25 out of the available 40 marks.

This was a capital project appraisal question. Surprisingly, candidates did not get correctly the Un-discounted net Benefits figures of years 2-5 of Social Time Preference. The same thing applied to calculation of Social Opportunity Cost Rate Undiscounted Net Benefits figures. The Term Treasury Management seemed to be difficult to explain among candidates.

QUESTION TWO

The general performance on this question was also good as 2 out of the 3 candidates that attempted the question managed to obtain at least 10 marks out of a total of 20 available marks. A pass rate of 66.7% was recorded. The highest score was 16 out of 20 marks while the lowest was 9.

(a) Inadequate justification of why the legal and regulatory framework within the Public Finance Management operated in Zambia required further reforms were not stated clearly in some responses.

(b) Some candidates were not able to clearly state and explain the various sources of finance between the central government and the local Government in Zambia. Some responses only stated 1(one) source for the local Government and 1(one) source for the Central Government.

(c) Candidates who responded to this question were unable to clearly articulate the different responsibilities of the Ministry of Finance and the Local Authorities.

QUESTION THREE

The general performance on this question was poor. None of the 3 candidates that attempted the question managed to obtain at least 10 marks out of a total of 20 available marks. A pass rate of 0% was recorded. The highest score was 7 out of 20 marks while the lowest was 6.

The question required candidates to discuss the nature and cycle of Public Financial Management in Zambia and the reforms introduced by the Public Expenditure

Management and Financial Accountability framework. Surprisingly, candidates exhibited lack of knowledge of these concepts.

QUESTION FOUR

The general performance on this question was good as 2 of the 3 candidates that attempted the question managed to obtain at least 10 marks out of a total of 20 available marks. A pass rate of 66.7% was recorded. The highest score was 13 out of 20 marks while the lowest was 9.

(a) This section of the question required the candidate to explain the meaning of fiscal risk. Some candidates in explaining the fiscal risk were instead explaining foreign exchange risk and some were explaining basis risk instead.

(b) i & ii. The section of the question required the candidates to compare and contrast the Fiscal risks in the public sector by explaining the difference between Endogenous and Exogenous risks and also Continuous and Discrete risks. Explanations stated by some candidates were vague and not well articulated.

(c) Required candidates to explain the IMF fiscal transformation codes. The question was well attempted.

(d) Required candidates to discuss the entity level of financial risks for individual public sector entities. The question was fairly attempted.

QUESTION FIVE

No candidate attempted this question.

Overall performance of candidates

Highest mark obtained in this paper	53%
Lowest mark obtained in this paper	34%
Overall pass rate in this paper	33.3%