



JUNE 2024 EXAMINATIONS

CHIEF EXAMINERS REPORTS

CA ZAMBIA

SUBJECT: CA 1.1: FINANCIAL ACCOUNTING

QUESTION ONE

The general performance on this question was poor. 55 out of the 193 candidates that attempted the question passed (got at least 10 out of the total 20 marks available). The pass rate recorded was 28.5%. The highest mark scored on this question was 18 out of 20 and the lowest was 0 out of 20.

This was a multiple-choice question requiring candidates to write the letter of the correct answer selected.

Candidates are encouraged to pay attention to the theory part of the syllabus and the accounting equation in particular. These two areas contributed to poor performance in the question.

QUESTION TWO

The general performance on this question was good. 112 out of the 193 candidates that attempted the question passed (got at least 10 out of the total 20 marks available). The pass rate recorded was 58%. The highest mark scored on this question was 20 out of 20 and the lowest was 0 out of 20.

Candidates are encouraged to pay attention to theory part of the syllabus.

QUESTION THREE

The general performance on this question was good. 127 out of the 176 candidates that attempted the question passed (got at least 10 out of the total 20 marks available). The pass rate recorded was 72.2%. The highest mark scored on this question was 20 out of 20 and the lowest was 0 out of 20.

The allowance for irrecoverable debts was not treated well.

QUESTION FOUR

The general performance on this question was poor. 25 out of the 122 candidates that attempted the question passed (got at least 10 out of the total 20 marks available). The pass rate recorded was 20.5%. The highest mark scored on this question was 19 out of 20 and the lowest was 0 out of 20.

The theory parts were again poorly answered.

The direct method presented a challenge both the theory part and how it operates.

QUESTION FIVE

The general performance on this question was poor. 28 out of the 69 candidates that attempted the question passed (got at least 10 out of the total 20 marks available). The pass rate recorded was 40.6%. The highest mark scored on this question was 20 out of 20 and the lowest was 0 out of 20.

The subscription in arrears balances were shown on wrong sides i.e. these should be under current assets not current liabilities.

QUESTION SIX

The general performance on this question was very good. 159 out of the 189 candidates that attempted the question passed (got at least 10 out of the total 20 marks available). The pass rate recorded was 84.1%. The highest mark scored on this question was 20 out of 20 and the lowest was 0.5 out of 20.

Overall performance of candidates

| | |
|-------------------------------------|-----|
| Highest mark obtained in this paper | 91% |
| Lowest mark obtained in this paper | 12% |
| Overall pass rate in this paper | 54% |

SUBJECT: CA 1.2: BUSINESS STATISTICS

QUESTION ONE

The general performance on this question was fair. 44 out of the 93 candidates that attempted the question passed (got at least 10 out of the total 20 marks available). The pass rate recorded was 47.3%. The highest mark scored on this question was 16 out of 20 and the lowest was 2 out of 20.

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

The multiple-choice questions were short answer phrases and calculations on a wide range of topics from the syllabus. The topics covered included numerical data calculation such as the mean, calculation involving concept of regression, random values and probability distribution. Candidates should familiarize themselves with short statistical calculation in order to improve on performance in this section of the examination

QUESTION TWO

The general performance on this question was good. 47 out of the 93 candidates that attempted the question passed (got at least 10 out of the total 20 marks available). The pass rate recorded was 50.5%. The highest mark scored on this question was 20 out of 20 and the lowest was 0 out of 20.

This question was compulsory and was attempted by all candidates.

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

The second part required candidates to use basic probability rule particularly the conditional probability using the Bayes theorem method. Majority of candidates lost marks due to inappropriate use of probability methods.

QUESTION THREE

The general performance on this question was good. 55 out of the 90 candidates that attempted the question passed (got at least 10 out of the total 20 marks available). The pass rate recorded was 61.1%. 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 grouped data requiring candidates to find the mean, standard deviation, mode and median. The general performance was good as most candidates demonstrated knowledge of solving the given question. There was an observed use of wrong totals in the table for few candidates hence loss of marks. Some candidates were observed to have used wrong principles in determining the median and the mode. They were just selecting the median or modal class rather than calculating the actual value.

The second part required candidates to use the given ungrouped data to formulate a stem and leaf plot. Most candidates did not understand the required principle hence lost marks due to application of wrong method.

QUESTION FOUR

The general performance on this question was poor. 57 out of the 84 candidates that attempted the question passed (got at least 10 out of the total 20 marks available). The pass rate recorded was 20.5%. The highest mark scored on this question was 20 out of 20 and the lowest was 0 out of 20.

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

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

QUESTION FIVE

The general performance on this question was poor. 5 out of the 31 candidates that attempted the question passed (got at least 10 out of the total 20 marks available). The pass rate recorded was 16.1%. The highest mark scored on this question was 17 out of 20 and the lowest was 0 out of 20.

The question required candidates to apply the time series method to find the trend line and use the trend line to forecast on a specified year.

Majority of the candidates failed this question due to inability to convert the years into counting numbers and use the numbers to obtain regression total.

Few candidates obtained some marks on part b and c of the question as they were independent of part a. it was basic algebra that was required to find the third quartile in part b, and the mean in part c.

QUESTION SIX

The general performance on this question was poor. 11 out of the 69 candidates that attempted the question passed (got at least 10 out of the total 20 marks available). The pass rate recorded was 15.9%. The highest mark scored on this question was 20 out of 20 and the lowest was 0 out of 20.

The first part required candidates to use the given two-way table to calculate various probabilities by applying basic probability rules. The general performance on this question was poor due to use of wrong totals when calculating the probabilities.

The second part of question required candidates to use the given grouped data to find the mean, mode and median. The majority of candidates solved the question correctly.

Overall performance of candidates

| | |
|-------------------------------------|-------|
| Highest mark obtained in this paper | 82% |
| Lowest mark obtained in this paper | 7% |
| Overall pass rate in this paper | 41.9% |

SUBJECT: CA 1.3 Business Economics

QUESTION ONE

The general performance on this question was good. 64 out of the 107 candidates that attempted the question passed (got at least 10 out of the total 20 marks available). The pass rate recorded was 59.8%. The highest mark scored on this question was 18 out of 20 and the lowest was 2 out of 20.

QUESTION TWO

The general performance on this question was poor. 49 out of the 107 candidates that attempted the question passed (got at least 10 out of the total 20 marks available). The pass rate recorded was 45.8%. 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 five (5) parts namely (a) to (e) as follows:

- (a) Required candidates to distinguish between change in quantity demanded and change in demand. Performance was average. A good number of candidates interchanged the answers. They also interchanged the factors that bring about a change in quantity demanded and a change in demand. Other candidates were totally lost. This is a basic topic in Business Economics that each and every candidate is expected to know.
- (b) Required candidates to explain using graphs what happens to equilibrium price and quantity following changes of the given factors. Overall performance was fair. The common mistake was that some candidate drew the correct graphs but could not explain as required. Others drew wrong graphs altogether.
 - (i) Increase in demand shifts the demand curve to the right
 - (ii) Increase in supply shifts the supply curve to the right
- (c) Required candidates to show the surplus and shortage using graphs. This was poorly done by majority of the candidates, surprisingly! Majority of the candidates could not even draw the equilibrium position where the demand curve and the supply curve intersect. Others put the equilibrium on either the left or right side of the graph!
- (d) Required candidates to explain the impact of government fixing a price below the equilibrium price. This was poorly answered. Some candidate explained why the government would do that instead of the impact as required by the question. The impact is a shortage always as demand will exceed supply.
- (e) Required candidates to outline any two (2) reasons why the government would intervene in the market. This was well answered by majority of candidates.

QUESTION THREE

The general performance on this question was poor. 11 out of the 37 candidates that attempted the question passed (got at least 10 out of the total 20 marks available). The pass rate recorded was 29.7%. 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 five (5) parts namely (a) to (e) as follows:

- (a) Required candidates to calculate the profit maximizing quantity from the given data. This was fairly well answered. Candidates simply needed to state the identity $MC = MR$ and then solve for Q .
- (b) Required candidates to determine the economic profit. This was skipped by a good number of students. Profit = TR – TC. Since the price was given as 200, then TR = 200Q. From TR, TC must be subtracted to find profit. This required the use of the profit-maximizing quantity of 7,500 calculated in (a).
- (c) Required candidates to determine the total quantity produced by 100 firms. This was poorly done. Total quantity is found by multiplying 7,500 by 100 firms since they operate in a perfectly competitive market.
- (d) Required candidates to explain using demand and supply analysis, the effect on equilibrium price and quantity for X given an increase in the price of a substitute Y. This was well attempted but some candidates got mixed up. It is the demand curve for good X which shifts to the right. Other candidates draw the correct graph but did not explain it. Candidates are reminded that marks are allocated between graphs and explanations. There should be no graph without an explanation.
- (e) Required candidates to advise the business on pricing strategy given that the product's elasticity of demand is -0.8

QUESTION FOUR

The general performance on this question was very good. 73 out of the 106 candidates that attempted the question passed (got at least 10 out of the total 20 marks available). The pass rate recorded was 68.9%. The highest mark scored on this question was 19 out of 20 and the lowest was 3 out of 20.

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

- (a) Required candidates to explain why the kwacha today does not buy the same quantity of goods today than it did twenty years. Most of the candidates got this part of the question wrong. They attributed it the depreciation of the kwacha instead of inflation.

- (b) Required candidates to determine the statutory reserve ratio before the increase. This was also poorly performed. Many candidates failed to understand that 100 basis points is equal to 1% hence 250 basis points means 2.5% increase.
- (c) Required candidates to explain how the increase in statutory reserve ratio would affect money supply. Many candidates seemed to appreciate what money supply is all about let alone the explanation. Money supply is the stock of money in circulation. Increasing the statutory reserve ratio reduce money supply.
- (d) Required candidates to outline any four (4) functions of the Bank of Zambia. This was fairly well answered, though some candidates outlined functions of commercial banks which are totally different from those of the Bank of Zambia.
- (e) Required candidates to explain the concept of demand pull inflation. This was well answered.

QUESTION FIVE

The general performance on this question was poor. 29 out of the 79 candidates that attempted the question passed (got at least 10 out of the total 20 marks available). The pass rate recorded was 36.7%. The highest mark scored on this question was 20 out of 20 and the lowest was 0 out of 20.

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

(a) Required candidates to:

- (i) State the major difference between explicit costs and implicit costs. This was fairly done though some candidates had trouble stating what implicit costs are hence failed to get the full mark
- (ii) Calculate explicit costs from given data. This was well answered. Explicit costs are out of pocket costs.
- (iii) Calculate implicit cost from the given data. Majority of the candidates failed to identify the implicit costs in this scenario. The implicit costs are the forgone revenue of K450,000.

(b) Required candidates to:

- (i) State one difference between economic costs and accounting cost. Majority of the candidates were able to get this part correct.
- (ii) Calculate the economic cost from the given data

(c) Required candidates to:

- (i) Calculate the economic profit and accounting profit. Performance was fair but a good number of students failed to correctly calculate economic profit because they couldn't identify the implicit cost since $\text{Economic profit} = \text{Total Revenue} - (\text{Explicit Costs} + \text{Implicit costs})$.

- (ii) Explain the difference between the economic profit and accounting profit. Some candidates were able to explain the difference which basically lies in implicit costs. This is the reason why economic profit is always less than accounting profit.

QUESTION SIX

The general performance on this question was very good. 75 out of the 95 candidates that attempted the question passed (got at least 10 out of the total 20 marks available). The pass rate recorded was 78.9%. The highest mark scored on this question was 20 out of 20 and the lowest was 0 out of 20.

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

- (a) Required candidates to describe the three (3) accounts of the Balance of Payments. This was fairly well answered except that some candidates merely listed the accounts instead of describing them hence couldn't get the full credit.
- (b) Required candidates to describe any three (3) measures the central bank can use to correct a current account deficit. Clearly the right policies are devaluation of the local current, tight monetary policy, protectionism
- (c) Required candidates to define the term flexible exchange rate. This was highly scored by all candidates.
- (d) Required candidates to explain any three (3) causes of currency depreciation. This was well answered. However, some candidates were totally lost. The question is all about factors affecting the exchange rate.

Overall performance of candidates

| | |
|-------------------------------------|-------|
| Highest mark obtained in this paper | 81% |
| Lowest mark obtained in this paper | 23% |
| Overall pass rate in this paper | 52.3% |

SUBJECT: CA 1.4: COMMERCIAL AND CORPORATE LAW

QUESTION ONE

The general performance on this question was very good. 165 out of the 199 candidates that attempted the question passed (got at least 10 out of the total 20 marks available). The pass rate recorded was 82.9%. The highest mark scored on this question was 18 out of 20 and the lowest was 2 out of 20.

Future students are encouraged to use the elimination methods when dealing with such questions.

QUESTION TWO

The general performance on this question was very good. 169 out of the 199 candidates that attempted the question passed (got at least 10 out of the total 20 marks available). The pass rate recorded was 84.9%. The highest mark scored on this question was 20 out of 20 and the lowest was 0 out of 20.

Some candidates just provided the general elements of a partnership and nothing more. That was not part of the question and most of them lost marks because of that. In future candidates should understand the question and then answer as required instead of creating their own questions and answering them as that does not add to the marks.

QUESTION THREE

The general performance on this question was poor. 52 out of the 140 candidates that attempted the question passed (got at least 10 out of the total 20 marks available). The pass rate recorded was 37.1%. The highest mark scored on this question was 17 out of 20 and the lowest was 2 out of 20.

(a) This question had two parts A and B.

Part A required student to focus on general understanding and application of contract Law. The answer was to be guided by the facts. Future candidates are encouraged to read widely on this topic as there is always a question in contract Law. The Zica manual is comprehensive on this topic.

(b) This question demanded students to demonstrate their understanding of the differences between Public law and Private Law. Future candidates are encouraged to study widely, avoid selective studying and prepare for anything as all questions are highly examinable.

QUESTION FOUR

The general performance on this question was poor. 14 out of the 81 candidates that attempted the question passed (got at least 10 out of the total 20 marks available). The pass rate recorded was 17.3%. The highest mark scored on this question was 14 out of 20 and the lowest was 0 out of 20.

The question was compulsory and had two parts.

- (a) Candidates struggled to answer this question; it showed a lack of knowledge on Share Capital. The quality of most of the responses was unsatisfactory perhaps due to selective studying. Candidates are somehow not quite familiar with negligence as a topic.
- (b) Candidates answered this question well, although some misunderstood the question and wrote an actual report where they invented their own facts. Future candidates must apply themselves fully to this cause.

QUESTION FIVE

The general performance on this question was good. 137 out of the 189 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 20 out of 20 and the lowest was 0 out of 20.

This question was on agency of necessity, sale by sample and unfair dismissal. The question was well attempted, except in part one some candidates wrote on the duty of care under Tort of Negligence, and in part two some candidates thought the question was about wrongful dismissal. In future candidates should be encouraged to read widely.

QUESTION SIX

The general performance on this question was excellent. 163 out of the 188 candidates that attempted the question passed (got at least 10 out of the total 20 marks available). The pass rate recorded was 86.7%. The highest mark scored on this question was 20 out of 20 and the lowest was 0 out of 20.

The question was on explanation of what is meant by contract for services, contract of service, vicarious liability, and agency by estoppel. Future candidates are encouraged to address their mind to this topic. Roughly 90% got this question correct.

Overall performance of candidates

| | |
|-------------------------------------|-------|
| Highest mark obtained in this paper | 16% |
| Lowest mark obtained in this paper | 88% |
| Overall pass rate in this paper | 79.9% |

SUBJECT CA 1.5: MANAGEMENT THEORY AND PRACTICE

QUESTION ONE

The general performance on this question was good. 60 out of the 83 candidates that attempted the question passed (got at least 10 out of the total 20 marks available). The pass rate recorded was 72.3%. The highest mark scored on this question was 18 out of 20 and the lowest was 2 out of 20.

QUESTION TWO

The general performance on this question was excellent. 77 out of the 83 candidates that attempted the question passed (got at least 10 out of the total 20 marks available). The pass rate recorded was 92.8%. The highest mark scored on this question was 20 out of 20 and the lowest was 5 out of 20.

This is a compulsory question which was in two parts; (a) and (b).

Part (a) i: Candidates were required to explain the term cooperative. Most candidates could not correctly explain the term cooperative

Part (a) ii: Candidates were required to discuss any five (5) advantage/ benefits of creating a cooperative. Most candidates were able to bring out the advantages of a cooperative using general knowledge rather than theoretical knowledge and understanding.

Part (b) i: This part required candidates to list four (4) key stakeholders. This part was generally well answered hence the performance was very good.

Part (b) ii: Candidates were required to describe any four (4) benefits of a sole trader. Most candidates demonstrated understanding of the advantages of a sole trader hence well answered except for a few who disappointingly struggled.

QUESTION THREE

The general performance on this question was excellent. 53 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 86.9%. 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).

Part (a): Candidates were asked to analyse any five (5) categories of environmental factors in the PESTEL Model. All candidates who attempted this part performed very well scoring very high marks indicating that the PESTEL Model was well understood.

- Part (b) i. Candidates were required to define mission statement. Most candidates demonstrated understanding of the concept of the mission as they correctly defined a mission statement.
- Part (b) ii. Candidates were required to define three (3) levels/layers of strategy in large organisation. Many candidates came up very good solutions.

QUESTION FOUR

The general performance on this question was excellent. 53 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 85.5%. The highest mark scored on this question was 20 out of 20 and the lowest was 2 out of 20.

This question had two (2) parts; (a) and (b).

- Part (a): Candidates were asked to discuss any five (5) benefits of delegation. The majority of candidates gave correct answers on benefits of delegation.
- Part (b) i: Candidates were asked to explain the term 'Transformational leader'? Majority of candidates defined a transformational leader correctly.
- Part (b) ii: Candidates were asked to outline characteristics of transformational leaders. Majority of candidates gave the correct characteristics of transformational leaders.

QUESTION FIVE

The general performance on this question was excellent. 61 out of the 65 candidates that attempted the question passed (got at least 10 out of the total 20 marks available). The pass rate recorded was 93.8%. The highest mark scored on this question was 18 out of 20 and the lowest was 3 out of 20.

This question had two parts; (a) and (b)

- Part (a) i: Candidates were required to list any five (5) dissatisfying (hygiene) factors at work. Most candidates listed the correct factors
- Part (a) ii: Candidates were required to list any five (5) satisfying (motivator) factors at work. This was answered correctly by most candidates and a few who failed could not simply recall the factors.
- Part (b) i: Candidates were required to define Job description. Most candidates defined job description correctly.
- Part (b) ii: Candidates were required to discuss three ways of job description. Most candidates were able to identify and explain job rotation, job enlargement and job enrichment.

QUESTION SIX

The general performance on this question was good. 43 out of the 60 candidates that attempted the question passed (got at least 10 out of the total 20 marks available). The pass rate recorded was 71.7%. The highest mark scored on this question was 20 out of 20 and the lowest was 2 out of 20.

This question had two parts: (a) and (b).

- Part (a) i: Candidates were required to explain planned and unplanned change
Majority correctly defined planned and unplanned change
- Part (a) ii: Candidates were required to discuss three (3) internal triggers for change in an organization. Majority gave correct internal triggers
- Part (b) i: Candidates were required to discuss Lewin's three (3) stage change process. Majority gave correct Lewin's three (3) stage change process.
- Part (b) ii: Candidates were required to outline four (4) measures to overcome resistance to change. Most candidates outlined the four measures that can be put in place to overcome resistance.

Overall performance of candidates

| | |
|-------------------------------------|-------|
| Highest mark obtained in this paper | 90% |
| Lowest mark obtained in this paper | 28% |
| Overall pass rate in this paper | 92.8% |

SUBJECT: CA1.6: BUSINESS COMMUNICATION

QUESTION ONE

The general performance on this question was very good. 95 out of the 118 candidates that attempted the question passed (got at least 10 out of the total 20 marks available). The pass rate recorded was 80.5%. The highest mark scored on this question was 20 out of 20 and the lowest was 4 out of 20.

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

QUESTION TWO

The general performance on this question was excellent. 105 out of the 118 candidates that attempted the question passed (got at least 10 out of the total 20 marks available). The pass rate recorded was 89%. The highest mark scored on this question was 20 out of 20 and the lowest was 0 out of 20.

This question required candidates to calculate the total sales for each store for part (a) and in part (b) to draw a table that presents the total number of sales in Kwacha for each store. Part (c) required them to state any four (4) key features of effective graphic communication from a given scenario which had a pie chart as a guide in answering this question. The common errors on this question were:

(a) Failure by candidates to provide correct workings leading to a correct final answer.
This led to loss of marks.

Omitting of this part of the question and in some cases the whole question.

(b) Some answers were presented in degrees instead of actual figures; this also led to loss of marks.

Some candidates presented answers as either advantages or disadvantages of visual communication instead of feature of visual communication.

QUESTION THREE

The general performance on this question was poor. 24 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 24.5%. The highest mark scored on this question was 20 out of 20 and the lowest was 0 out of 20.

This question required candidates to: describe main elements of an organisation information system in part (a) of the question and part (b) required them to explain the software, computer operation and implementation controls while part (c) required them to mention types of computer malware.

The common errors observed on this question were:

- (a) Candidates described types of information system instead of IS
Other candidates explained the main categories of functions of transaction processing system which was not supposed to be the case.
- (b) Students struggled to explain the IT controls correctly.
Other students failed to state the importance of these controls to an organization.
- (c) Some candidates presented answers as types of computer hardware instead of computer malware

QUESTION FOUR

The general performance on this question was poor. 7 out of the 35 candidates that attempted the question passed (got at least 10 out of the total 20 marks available). The pass rate recorded was 20%. The highest mark scored on this question was 16 out of 20 and the lowest was 0 out of 20.

This question required candidates to: mention main categories of functions performed by TPS and their functions using experiences of mobile application.

Part (b) required them to explain the differences between general controls and application controls while part (c) required them to explain the meaning of email client giving examples in each case.

The common mistakes observed were:

- (a) Most students did not understand the question and those who attempted it answered it wrongly. Candidates mixed up categories with types of information.
- (b) Failure to distinguish between general controls and application controls correctly.
Most candidates couldn't explain the controls adequately. Candidates failed to answer this question correctly. It had wrong content. They only gave basics on emails but did not explain the meaning of email clients. Failure to give examples of email clients used within an organization

QUESTION FIVE

The general performance on this question was very good. 73 out of the 111 candidates that attempted the question passed (got at least 10 out of the total 20 marks available).

The pass rate recorded was 65.8%. The highest mark scored on this question was 20 out of 20 and the lowest was 2 out of 20.

From a given scenario, candidates were required to explain what should be included in the following parts of minutes: New business, Matters arising, apologies. Heading. any other business. This task was for part (a) and for part (b) candidates were required to justify any three (3) reasons why a meeting would be unsuccessful while part (c) candidates were required to assess any two (2) factors which can cause a secretary to produce incomplete minutes.

The most common mistakes were:

(a) Omitting the question leading to loss of marks

- Mixing up of questions or parts of the minutes as required by the question
- Some candidates prepared the actual agenda which was wrong.

(b) Mostly there was wrong content provided on this question and this led to loss of marks.

(c) Some candidates indicated duties of a secretary instead of reasons for unsuccessful meetings. In some cases, this was mixed up with duties of members of a meeting.

QUESTION SIX

The general performance on this question excellent. 96 out of the 107 candidates that attempted the question passed (got at least 10 out of the total 20 marks available). The pass rate recorded was 89.7%. The highest mark scored on this question was 20 out of 20 and the lowest was 4 out of 20.

This question required candidates to write a memo to the principal requesting to use the college facilities during the inter-college sports tournament including at least two (2) benefits that hosting the tournament would bring to an institution in part (a) of the question. Part (b) required them to explain the use of **PASS** concept when drafting memos. The questions were asked from a given scenario in the question paper. The most common mistakes that were observed were:

(a) Wrong formats were used; some candidates wrote letters as answers instead of Memos.

- Some parts of the memo were not logically presented.
- Failure to link the answer to the scenario provided.
- Very poor opening paragraphs.
- Generally Poor spellings and grammar.

(b) Some candidates misrepresented "PASS" with different words such as people, audible, straight and simple instead of purpose, audience, structure and style well explained in line with memos.

- Some candidates displayed no knowledge and understanding of the question through wrong content that was presented.
- Two elements specifically structure and style was mixed up.
- PASS was simply presented as a route to walk through which was not supposed to be the case

Overall performance of candidates

| | |
|-------------------------------------|-------|
| Highest mark obtained in this paper | 85% |
| Lowest mark obtained in this paper | 26% |
| Overall pass rate in this paper | 75.4% |

SUBJECT: CA 2.1 FINANCIAL REPORTING

QUESTION ONE

The general performance on this question was good. 91 out of the 126 candidates that attempted the question achieved a pass (that is a score of at least 20 out of 40 marks), representing a pass rate on the question of 72.2%. The lowest score was 4, whilst the highest was 40 out of the available 40 marks.

The question required candidates to prepare the consolidated statement of profit or loss and other comprehensive income, and the consolidated statement of financial statement for a group of companies including a parent, a subsidiary and an associate.

Candidates managed to score above average marks because the question has a number of nonadjustable entries to put on the two financial statements. Most candidates also managed to prorate the entries in the SPL to 9 months before adding the amounts to those from the SPL of the parent.

The most common mistakes made by the candidates:

1. Failure to include the 3/12 proportion of retained earnings and other reserves in the pre-acquisition profits figures required in the calculation of net assets for goodwill computation.
2. Failure to reverse the dividend received by the parent company from both the subsidiary and the associate.
3. Failure to remove the preacquisition amounts from calculation of Post acquisition retained earnings which eventually would be shared between the parent and the non controlling interest.
4. Failure to prorate the additional depreciation arising from the fair value adjustments to 9 months equivalent.
5. Failure to calculate correctly the present value of the deferred consideration (initial measurement) and that for the subsequent measurement to be reported on the CSFP, and the consequential unwinding of interest at the prorated amount to charge to the CSPL as finance cost.
6. Some candidates prorated the entries from the subsidiary's draft SFP to 9 months in error because those are position amounts, not 12 months accrued amounts.

QUESTION TWO

The general performance on this question was poor. 30 of the 96 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 20 out of 20 marks while the lowest was 0.5.

Part (a) Required candidates to prepare the statement of profit or loss and other comprehensive income for the year ended 30 September 2022.

Part (b) Required candidates to prepare a statement of financial position as at the end of the year.

This question examined the core competence of financial reporting. Yet, candidates scored disappointingly below average marks in this question.

Common mistakes included:

- (i) Failure to recognize a loss on disposal of furniture in the SPL. Some candidates even reported the furniture in the SFP even though it had already been sold!
- (ii) Failure to calculate the correct income tax expense to charge to the statement of PL. Some candidates reported the opening balance of the Deferred tax account instead of the closing balance.
- (iii) Failure to discount the future lease minimum payments to the present value that would be increased in order to arrive at the amount to recognize as the initial measurement of the non current asset (the motor vehicle acquired on lease) As a consequence, the amount of the effective interest charge to the SPL as finance cost and the amount of depreciation expense were incorrectly calculated.
- (iv) Failure to clear the suspense account as a way of proving that the amounts of share capital and dividend paid were correctly reallocated to the correct accounts in the statement of financial position. As a consequence some candidates reported the suspense account balance in the SFP!
- (v) Failure to account for the government grant fully after the disposal of the asset. The repayment of the grant was not set off against the balance on the grant. Some candidates actually added the two amounts, and this was evidence that learners did not understand accounting adjustments arising from provisions of IASs/IFRSs as transactions requiring applying the basic rule of double entry. Some candidates were able to prepare the IAS 16 Schedule of non current assets correctly and were able to calculate the amount due for the loan note. They however, reported opening balances instead of closing balances in the SFP. Candidates appear to be memorizing contents of accounting standards instead of understanding them as transactions being posted to the ledger where the rule of double entry must apply.

QUESTION THREE

The general performance on this question was poor. Only 46 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 40.7% was recorded. The highest score was 20 out of 20 marks while the lowest was 0.

The question required candidates to prepare a statement of cash flows.

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

A number of candidates failed to compute the correct figure for dividends paid from the Retained Earnings account by not crediting the account with the K3,100 in the Statement of profit or loss and other comprehensive income for the year ended 31 December 2023.

Some candidates were referring to wrong workings.

Some candidates failed to compute correct figures for depreciation.

Some candidates were adding three zeros to figures already in "thousands".

Some candidates failed to complete the question.

None of the candidates got the full available marks on the question.

Some candidates had no major runs on the question but for a few workings that were uncoordinated.

QUESTION FOUR

The general performance on this question was poor. 9 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 12.9% was recorded. The highest score was 13 out of 20 marks while the lowest was 1.

The question required candidates to:

- (i) Explain how deferred tax arises and state the purpose of accounting for deferred tax.
- (ii) Briefly outline the requirements of IAS 12 *Income Taxes* relating to Deferred tax.
- (iii) Explain how Machine Works, the company in question, would account for the item of equipment they had acquired some 3 years before, clearly stating the deferred tax effect on the profit or loss of the third year and what balances would be reported in the statement of financial position.

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

This was the least popular question on the Paper. For parts i) and ii) Candidates provided scanty answers. Most answers were off tangent as they brought in issues of tax liability and consequential penalties which are relevant to CA 2.4 Taxation. The required emphasis was supposed to be the effect of an underestimated tax expense on profits in the year when timing differences arise, and the effect of a huge amount of tax expense on profits in the year timing differences reverse. Overall, candidates were supposed to climax their explanation on the need to smoothen volatility of performance in terms of profitability for reporting purposes.

Further, candidates could not specifically outline provisions of the accounting standard IAS 12, which was evidence of ignorance of detailed contents of the accounting standard.

In their solutions to Part iii) of the question candidates included the required calculation of depreciation and the carrying amounts of the asset that was acquired by Machine Works. However, they were not able to calculate the corresponding amounts of tax bases for each of the three years with a view to finding the differences (timing differences) upon which to apply the tax rate in order to find the DT liability balance at the end of each year. As a result, the answers fail short of the required figures necessary to score passing marks on this question. They could not provide increases/decreases in the deferred tax balance from one year to the next and state them as charges to the SPL as expenses. They they did not have the figures to report as DT liability/asset balances at the end of each year in the statement of financial position.

Learners must remember that it is not enough merely to know **where** and account balance is reported in the statement of financial position -as an asset or as a liability. It is even more important to know **how** to calculate the amount that will be reported in the financial statements.

QUESTION FIVE

The general performance on this question was poor. 2 of the 58 candidates that attempted the question managed to obtain at least 10 marks out of a total of 20 available marks. A pass rate of 3.4% was recorded. The highest score was 15 out of 20 marks while the lowest was 1.

The question was on IFRS 16 Leases, it had two (2) parts: Part (a) required candidates to explain the features in a lease that indicate a lease is a **finance lease** and part (b) required candidates to explain how **Doka (lessor)** must account for the lease in its financial statements.

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

Transaction One

- Most students were not able to explain the correct treatment of the revaluation loss. The stated the requirement for recognition of assets under IAS 16 and that the Accounts Assistant was correct
- The calculation of the depreciation expense was also a challenge as most students failed to find the correct period for charge the depreciation. The most common answer was prorating the depreciation for six months.

- Most candidates did not know how to treat the revaluation deficit of K17.5

Transaction Two

- Most candidates were just book lifting the wording from the scenarios given in the question
- Candidates showed lack of knowledge of the treatment of the asset after the change of use and stated that the Accounts Assistant was correct but just needed to recognize the asset at the fair value of K21 million and depreciate it further
- Most students classified the asset as a lease
- This part of the question was poorly answered by most students

Transaction Three

- This part of the question was the rest attempted part of the question by the candidates. The candidates that attempted this question showed lack of knowledge of the standard being examined.
- Some candidates were computing the dividend per share
- Some candidates were splitting the convertible debt between equity and liability
- Some candidates were discounting the debt at 10%

Overall performance of candidates

| | |
|-------------------------------------|-------|
| Highest mark obtained in this paper | 85% |
| Lowest mark obtained in this paper | 10% |
| Overall pass rate in this paper | 34.9% |

SUBJECT: CA 2.2: MANAGEMENT ACCOUNTING

QUESTION ONE

The general performance on this question was poor. Only 40 out of the 91 candidates that attempted the question achieved a pass (that is a score of at least 20 out of 40 marks), representing a pass rate on the question of 44%. The lowest score was 8, whilst the highest was 37.5 out of the available 40 marks.

The most common mistakes made by the candidates included:

Part (c) was poorly answered and few obtained total marks. But the majority could only calculate the sales figure and the rest was either wrong or left blank.

In part(e), poorer candidates could not reconcile the profits while others failed to calculate the variances and also failed to prepare the operating profit.

QUESTION TWO

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

The most common mistakes made by the candidates included:

The majority of the candidates did not answer this question and the few that answered the question performed badly.

Candidates were not able to explain the advantages of composite cost units such as accurate charge, provides better performance and have motivational effect.

Failed to consider the return trips by multiplying by two.

Did not realise that 20% margin is the same as 25% on cost. This was required to be applied on the cost in order to calculate the sales revenue.

QUESTION THREE

The general performance on this question was poor. 15 of the 84 candidates that attempted the question managed to obtain at least 10 marks out of a total of 20 available marks. A pass rate of 17.9% was recorded. The highest score was 14.5 out of 20 marks while the lowest was 0.

The most common mistakes made by the candidates included:

- Failing to use the high/low method to split total costs into variable and fixed costs.
- Failing to explain why it is important to classify costs into variable and fixed.
- The reasons should have included: to assist in estimating future costs, facilitate decision making, etc

- Flexing fixed costs. Fixed costs from mixed costs are not flexed.
- Failing to explain the disadvantages of the current method of cost recovery by head office. The disadvantages included that shared costs were arbitrary and that head office costs were not controllable by the sites.

QUESTION FOUR

The general performance on this question was very good. 68 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 80% was recorded. The highest score was 19 out of 20 marks while the lowest was 3.5.

The common mistakes made by the candidates included:

On part (a) most candidates did not give detailed information on the interests of various stakeholders. Some candidates focused on the interest of one stakeholder in each case without considering the interests of the others.

Part (c) was well answered in some parts. However, most candidates did not get the correct budgeted net profit of K33,000,000.

Candidates who failed this question could not explain how management information could help in the three functions. Other candidates left part (b) blank.

QUESTION FIVE

The general performance on this question was poor. 18 of the 88 candidates that attempted the question managed to obtain at least 10 marks out of a total of 20 available marks. A pass rate of 20.5% was recorded. The highest score was 18 out of 20 marks while the lowest was 0.

The most common mistakes made by the candidates included:

In part (a) poorer candidates gave guesses of why marginal costing is used for decision making. Points include that marginal costing splits costs into variable(used for decision making) and fixed(not used for decision making)

In part (c), most candidates did not get the correct production figures by adding closing inventories to sales. Instead they used sales figures.

Failing to confirm the limiting factor; which was the labour cost.

Ranking on the basis of contribution per unit instead of contribution **per labour cost**.

Deriving wrong optimal production plans.

Overall performance of candidates

| | |
|-------------------------------------|-------|
| Highest mark obtained in this paper | 80% |
| Lowest mark obtained in this paper | 22% |
| Overall pass rate in this paper | 42.9% |

SUBJECT: CA 2.3 AUDITING PRINCIPLES AND PRACTICE

QUESTION ONE

The general performance on this question was poor. Only 82 out of the 180 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 45.6%. The lowest score was 2, whilst the highest was 34 out of the available 40 marks.

Part (a)

This part of the question required candidates to explain the work that could be performed at the interim audit using the information in the scenario. The question requirement specifically specifies the interim audit of the financial statements of Sparkling Ltd and so general answers were not awarded full marks if they did not relate to the scenario.

The following observations were made:

- There were candidates that explained only one type of work that could be done at the interim audit stage. Candidates should have used the information in the scenario and their theoretical understanding to describe the work that could be done at this stage.
- There were candidates who described work that can only be done at the period end as it relates to balances at the period end.
- A sizeable number of candidates defined and explained interim and final audits without explain the work that could be done during the interim visit.

Part (b)

- (i) This part of the question required candidates to identify 5 internal control weaknesses in the scenario. This part could have been answered simultaneously with part (ii) which required candidates to suggest suitable recommendations to the weaknesses identified.
- (ii) This part required candidates to suggest suitable recommendations to the weaknesses identified in (i) above.

The majority of the candidates scored more than half the available marks in this part.

The following observations were made with regards the above two parts:

- There were candidates who explained less than the required 5 internal control weaknesses.
- A sizeable number of candidates explained internal control weaknesses but did not suggest any recommendations to mitigate the weaknesses. Candidates are reminded to address all part of question requirement.

Part (c)

This part of the question required candidates to identify 5 business risks in the operations of Sparkling Ltd.

The following observations were made:

- Some candidates identified business risks but could not explain what makes them business risks.
- A sizeable number of candidates explained the meaning of business risk without using the information in the scenario to identify and explain the business risks there.
- There were candidates that explained audit risks showing that they do not understand the difference between business and audit risks. Risks that cause the entity not to meet its objectives are business risks while those that could cause the financial statements to be misstated are audit risks.

Part (d)

This was a multi requirement question requiring candidates to explain the meaning of financial statement assertions in the first part and an illustration of how they are used by the auditors to design suitable audit procedures.

Candidates are encouraged to ensure that they address both question requirement separately with appropriate headings in order to increase the chances of scoring maximum marks. Generally, the performance in this part of the question was good with a sizeable number scoring maximum marks.

The following observations were made:

- There was a sizeable number of candidates that did not address the second part of the question requiring an illustration of how financial statements assertions are used to design audit procedures.
- There were candidates that seemed not to understand or know the meaning of financial statements assertions. For example one candidate explained assertions as measures that are presented to mitigate errors in the financial statements.
- Some candidates simply listed some assertions such as completeness, cut of etc. without explaining the meaning of financial statements assertions first and then give an example in so doing.

Part (e)

This question was on audit procedures a core are of the syllabus. The performance was poor with a majority of the candidates scoring less than half the available marks in both parts (i) and (ii). Questions on audit procedures have been poorly answered in the past and this has been mentioned in previous examiner's reports. Candidates are reminded that this is a core syllabus area and questions on audit procedures will feature in future examinations.

- (i) This part of the question required candidates to suggest 6 audit procedures for the audit of accounts payables in the audit of financial statements. The

performance in this part of the question was poor with a majority of the candidates scoring less than half the available marks.

The following observations were made:

- A large number of candidates explained the methods that auditors use to obtain evidence such as recalculation without explaining how these will be used in the audit of accounts receivables.
- There were candidates who gave less than the required number of audit procedures scoring marks in proportion to correct procedures explained.
- A large number of candidates explained what work should be done using terms such 'check' or 'ensure.' The audit procedures are the details of what and how should be checked.
- There were answers that showed lack of understanding such as suggesting to inspect the accounts receivables. Another candidate included observations as one of the audit procedures for receivables clearly showing lack of understanding.

- (ii) This part of the question required candidates to suggest 6 audit procedures to be performed in the audit of car cleaning equipment in the audit of the financial statements of Sparling Ltd:

The following observations were made:

- There were candidates that explained less than the required number of audit procedures.
- Many gave far less than the 6 audit procedures required in the question.
- There were wrong audit procedures showing lack of understanding of this topic for example giving observation as one of the audit procedures to test for existence instead of inspection!

QUESTION TWO

The general performance on this question was poor. Only 63 of the 148 candidates that attempted the question managed to obtain at least 10 marks out of a total of 20 available marks. A pass rate of 42.6% was recorded. The highest score was 19 out of 20 marks while the lowest was 0.

Part (a)

This part of the question required candidates to explain the principles of accountability and stewardship using the information in the scenario. The scenario explains that the shares are listed and that there is management in place running the company on behalf of the shareholders clearly explaining that management prepares financial statements that are considered at the annual general meeting.

A majority of the candidates adequately explained the principles of accountability and stewardship. Very few used the information in the scenario to explain this principle. Candidates are reminded to use the information in the scenario as much as possible in explaining principles unless there is no such information that could be used.

Part (b)

This was basically a knowledge based question requiring the candidates to suggest 4 areas of work that the internal audit department of Mweru Plc. should undertake. A majority of the candidates scored maximum marks in this part of the question.

The following observations were made:

- A few candidates explained less than the number of areas that could be subject to internal audit reviews.
- A sizeable number of candidates have general answers with no reference to the information in the scenario.

Part (c)

This part of the question required candidates to illustrate how each of the five methods of obtaining evidence could be used in obtaining evidence in the audit of financial statements.

A majority of candidates were able to illustrate the use of the stated methods of obtaining evidence in gathering evidence in the audit of the financial statements of Mweru Plc. and scored maximum marks.

Part (d)

- (i) This part of the question required candidates to explain the audit risk with regards warranty provision. Candidates should have considered what could go wrong in the financial statements that could result in the misstatement of financial statements.

The following observations were observed:

Many candidates simply stated that warranty provision will be misstated without explaining reason for this. The risk of misstatement arises from judgment used to determine this figure and so auditors should look out for any management bias that may arise.

- (ii) This part of the question required candidates to explain 4 audit procedures that should be performed to audit the warranty provision in the financial statements of Mweru Plc.:

The following observations were made:

- Many candidates left this part of the question unanswered.
- Several candidates explained methods of obtaining audit evidence without suggesting suitable audit procedures using the stated methods.

QUESTION THREE

The general performance on this question was poor. Only 19 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 21.3% was recorded. The highest score was 16.5 out of 20 marks while the lowest was 0.

Part (a)

This part of the question required candidates to suggest suitable responses to the identified risks at the planning stage of the audit contained in the scenario in the question. There are 5 risks that are explained in the question and the responses should have been specific to the risks in the question.

The following observations were made:

- A majority of the candidates answered this question from the point of view of management which is incorrect. Audit risks are the responsibility of the statutory auditors and the response that was required was that of the auditors.
- Many candidates copy the risks in the question and tried to explain the response. It is unnecessary to copy the question as it is a waste of valuable examination time. Correct numbering of solution will enable the markers to identify the risk being addressed.
- Many considered the audit risks as weaknesses and made recommendations on how these should be addressed. The question clearly stated that the listed were weaknesses and candidates needed to explain the audit response to the weaknesses. In previous examination questions, candidates have been required to identify the weaknesses and also suggest suitable responses. In this case the weaknesses have been given in the scenario.

Part (b)

To answer this part of the question satisfactorily, candidates needed to use the guidelines in ISA 315 *Assessing the risk of material misstatement through understanding the entity and its environment*.

The documentation requirements are specified in the standard and candidates only needed to state them. The performance in this part was poor with many candidates scoring low marks.

The following observations were made:

- There were answers that were clearly wrong and candidates are reminded on the need to ensure they are familiar with the requirements of relevant auditing standards.
- Many could not state the three matters but less than the required number.
- There were candidates who explained the risk assessment procedures which was not the question requirement. Documentation is an important areas of the subject

and auditing standards give guidance on what should be documented in auditing specific areas and candidates require to be able to demonstrate that they understand the documentation requirement.

Part (c)

This part of the question require candidates to state 8 pieces of information that should be contained in a typical audit working paper.

The following observations were made:

- There were many candidates that explained less than half the required number of pieces of information in a typical working paper.
- Several candidates listed elements of a statutory audit report which are different from those of a typical audit working paper.

Part (d)

This part of the question required candidate to explain audit procedures in the audit of accounts payables clearly stating the relevant financial statement assertions for each audit procedure. The performance in this part of the question was poor with a majority of the candidates scoring less than half the available marks.

The following observations were made:

- Many candidates explained financial statement assertions without designing suitable audit procedures to test the assertions.
- Many candidates stated assertions but gave wrong examples of audit procedures to test the stated assertions.
- There were candidates that gave less than the required 4 audit procedures.
- Weak candidates explained methods of obtaining evidence such as recalculation without explaining how they are used to design relevant audit procedures.

QUESTION FOUR

The general performance on this question was poor. Only 36 of the 134 candidates that attempted the question managed to obtain at least 10 marks out of a total of 20 available marks. A pass rate of 26.9% was recorded. The highest score was 13.5 out of 20 marks while the lowest was 0.

Part (a)

- (i) This part of the question required candidates to explain the ethical guidelines on lowballing in auditing:

The following observations were made:

- A majority of the candidates explained the meaning of lowballing without explaining the ethical guideline as per question requirement. Basically there is

nothing wrong with lowballing but the auditors should show evidence that they conducted an audit of the expected standard and quality.

- There were candidates who explained that lowballing is prohibited which is incorrect and showing lack of understanding of this.

- (ii) This part of the question required candidates to explain the 3 preconditions that should be met for an assurance engagement to be accepted. It was disappointing to note that a majority of candidates that attempted this question did not know what the pre-conditions to an audit are. This is a knowledge-based question in which candidates should have scored maximum marks. The preconditions that must be met are the use of the correct financial reporting framework in the preparation of the financial statements and management acknowledging its responsibility for the preparation of the financial statements and related internal controls.

The following observations were made:

- Many candidates gave wrong answers which were not part of the preconditions for an audit.
- Many simply did not attempt to answer this part of the question and so lost all the marks available.
- There were candidates who explained how clients are screened before acceptance. Others went further to explain matters that auditors should consider before undertaking an assurance engagement.
- There were candidates that discussed ethical issues in answering this part of the question including independence and communicating with the previous auditors. These are not the preconditions for an audit and did not attract any marks.

Part (b)

- (i) This part of the question require candidates to identify and explain going concern indicators in the scenario for Mafuta Co. Most of the candidates scored maximum marks and were able to identify and explain the going concern indicators in the scenario.

The following observations were made:

- A minority of candidates gave less than the required number of going concern indicators.
- There were candidates that identified the going concern indicator but did not explain how the matter is a going concern indicator as required by the question.

- (ii) This part of the question required candidates to explain 5 audit procedures to assess whether or not Mafuta Co is a going concern:

The following observations were made:

- Candidates gave less than the required number of audit procedures and lost easy marks.
- There were candidates that gave general audit procedures not related to going concern. ISA 560 *Subsequent events* gives guidance on the audit procedures for going concern and these are the ones that should have been explained in answering this part of the question.
- There were candidates who explained audit procedures they would carry out on the going concern indicators that they identified in (i) which was not answering the question requirement. There were answers such as "Assess the revenue of Mafuta Co if it is able to sustain operations." and "Inquiry, observation, confirmation, recalculation, analytical procedures, tests of details." with no further explanation.

- (iii) This part of the question required candidates to explain 4 factors that can influence the auditor's judgment regarding the sufficiency of audit evidence obtained. This was a knowledge based question that required candidates to remember and reproduce.

The following observations were made:

- A sizeable number of candidates gave less than the 4 factors that should have been given.
- Most of the candidates focused on discussing the reliability of evidence such as external evidence being more reliable than internal evidence without explaining how this will affect the sufficiency of the evidence obtained.

QUESTION FIVE

The general performance on this question was good. 81 of the 148 candidates that attempted the question managed to obtain at least 10 marks out of a total of 20 available marks. A pass rate of 54.7% was recorded. The highest score was 18 out of 20 marks while the lowest was 0.

Part (a)

This part of the question required candidates to identify and explain 4 threats to the objectivity of the auditor and to suggest a suitable safeguard for each threat.

The following observations were made:

- There were candidates that explained 4 general threats to the independence of the auditor without applying them to the scenario and no marks were awarded.

- There were candidates that explained threats but did not give suitable safeguards as required by the question. For example explaining familiarity without relating it to the information in the scenario.

Part (b)

This part of the question required candidates to consider the responsibility of the auditors with regards three events in the scenario. These comprised subsequent events and candidates needed to evaluate and advise whether they are adjusting or non-adjusting with justification. Candidates needed to know the important dates at the period end and the responsibilities of the auditors with regards the events that occur during those periods.

- (i) Legal case against the company:
- (ii) Damage to constructed smelter:
- (iii) Scandal involving the Operations Manager:

A majority of the candidates scored more than half the available marks in answering the above three parts.

A few candidates lost marks and the following observations were made:

- Candidates explaining adjusting and non-adjusting events in general without addressing the question requirements.
- A sizeable number did not answer one or more of the parts.

Part (c)

This part of the question required candidates to explain the difference between a qualified and an adverse opinion. A majority of the candidates scored well in this part of the question and correctly used materiality and pervasiveness for them to explain the two forms of modifications of the audit opinion.

The following observations were made:

- A few candidates mixed the basis of reaching either of these forms of modification and as a result lost easy marks.
- There was a sizeable number of candidates that did not attempt to answer this part of the question.

Overall performance of candidates

| | |
|-------------------------------------|-------|
| Highest mark obtained in this paper | 69% |
| Lowest mark obtained in this paper | 8% |
| Overall pass rate in this paper | 43.3% |

SUBJECT: CA2.4 TAXATION

QUESTION ONE

The general performance on this question was good. 117 out of the 195 candidates that attempted the question achieved a pass (that is a score of at least 20 out of 40 marks), representing a pass rate on the question of 60%. The lowest score was 2, whilst the highest was 40 out of the available 40 marks.

In part (a) candidates were required to calculate the amount of provisional income tax paid and to show the due dates when the tax was paid. The following are the challenges faced by the candidates:

- (i) Failure to calculate the correct amount of provisional income tax paid by the sole trader. Most candidates were using the company income tax rate of 30% instead of the graduated income tax bands for individuals.
- (ii) Failure to state the correct due date when provisional income tax was paid for each quarter throughout the tax year 2024.

In part (b) (i) candidates were required to calculate the amount of capital allowances claimable on implements, plant and machinery. The following are the challenges faced by the candidates:

- (i) Not restricting the disposal proceeds to the original cost when computing the amount of balancing charge arising on disposal of the delivery trucks.
- (ii) Failure to restrict the capital allowances claimable on the motor vehicle to the business use given that it was used for both business and private purposes.
- (iii) Using the wrong rates to compute the amount of wear and tear on manufacturing equipment. Candidates were using the rate of 25% instead of the rate of 50%.

In part (b) (i) candidates were required to calculate the amount of capital allowances claimable on buildings. The following are the challenges faced by the candidates:

- (i) Not restricting the disposal proceeds to the original cost when computing the amount of balancing charge arising on the disposal of the retail shop.
- (ii) Failure to apply the 10% test to determine the component of the structure qualifying as an industrial building and the component qualifying as a commercial building.
- (iii) Using the wrong rates of wear and tear to compute the allowances available.

In part (c) candidates were required to calculate the amount of tax adjusted business profits for the year. The following are the challenges faced by the candidates:

- (i) Failure to identify the relevant disallowed expenditure to be added back when computing taxable profits. Some candidates ended up including all allowable expenditure and disallowable expenditure in the computation.
- (ii) Failure to adjust for the excess salary paid to the sole trader's wife.
- (iii) Not deducting income from investments received by the sole trader when computing the taxable profits.

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

- (i) Not grossing up the investment income on which withholding tax is not the final tax before including it in the computation
- (ii) Using the wrong rates to compute the tax arising. Most candidates were using the income tax rate of 30% instead of the graduated income tax bands for individuals.
- (iii) Failure to adjust for provisional income tax paid and withholding tax deducted at source from the investment income.

QUESTION TWO

The general performance on this question was poor. Only 57 of the 149 candidates that attempted the question managed to obtain at least 10 marks out of a total of 20 available marks. A pass rate of 38.3% was recorded. The highest score was 18 out of 20 marks while the lowest was 0.

Part (a) asked candidates to explain the functions of taxation in an economy and the qualities of a good tax system. This part of the question was generally answered well with the exception of a few candidates who demonstrated a lack knowledge of this topic and therefore failed to provide the required explanations.

In part (b) candidates were required to calculate the amount of Value Added Tax payable. The following are the challenges faced by the candidates:

- (i) Deducting the cash discount on the cash sales when computing Output VAT on the cash sales instead of using the undiscounted sales value.
- (ii) Not deducting the trade discount on the credit sales when computing output VAT on the credit sales.

- (iii) Not deducting goods taken from the business for personal use from purchases when computing the recoverable input VAT on the purchases.
- (iv) Claiming input VAT on items on which VAT is irrecoverable such as spare parts, lubricants and on entertainment expenses for customers and employees.
- (v) Failure to restrict the VAT recoverable on motor vehicle and on diesel to the proportion of business use.

QUESTION THREE

The general performance on this question was poor. Only 56 of the 150 candidates that attempted the question managed to obtain at least 10 marks out of a total of 20 available marks. A pass rate of 37.3% was recorded. The highest score was 20 out of 20 marks while the lowest was 1.

In part (a) candidates were required to explain the meaning of domicile and advise the taxpayer of his domicile status as well as that of his family. Most candidates confused domicile with residence and therefore failed to provide the required explanations.

Part (b) which required candidates to explain why the taxpayer will be regarded as being a resident and ordinarily resident in Zambia was generally answered well, with the exception of a few candidates who demonstrated a lack of knowledge of the criteria used to establish the residence of individuals and therefore failed to provide the required explanations.

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

- (i) Treating exempt benefits as taxable emoluments
- (ii) Failure to calculate the correct amounts of taxable emoluments comprising the basic salary and allowances to be included in the computation for the nine months the individual was in employment in the charge year.
- (iii) Not grossing up the income from foreign sources before including it in the income tax computation.
- (iv) Failure to calculate the correct amount of double taxation relief available on the income received from foreign sources.
- (v) Using the wrong rates to compute the amount of income tax payable. Some candidates were using the company income tax rate of 30% instead of the graduated tax bands for individuals.

QUESTION FOUR

The general performance on this question was poor. Only 39 of the 117 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 20 out of 20 marks while the lowest was 0.

In part (a) candidates were required to explain which of the three individuals will be required to pay provisional income tax. Candidates demonstrated a lack of knowledge of the types of persons who are taxable under provisional income tax, turnover tax and rental income tax and therefore failed to provide the required explanations.

In part (b) (i) candidates were required to compute income tax payable by an individual who had both farming income and non-farming income. The following are the challenges faced by the candidates:

- (i) Not grossing up the taxable investment income received by the individual before including it in the income tax computation .
- (ii) Failure to allocate part of the tax- free amount to the farming income as the non-farming income was less than the tax -free amount of K61,200.
- (iii) Using the wrong rates to compute the income tax arising

In part (b) (ii) candidates were required to calculate the tax payable by the sole trader who had annual turnover of less than K800,000. Most candidates failed to identify the fact that the taxpayer was chargeable under turnover tax as opposed to normal income tax on taxable profits. Such candidates wasted time in computing the taxable profits and then applying the graduated tax bands for individuals to compute the income tax arising as opposed to simply applying the turnover tax bands on the gross turnover to compute the amount of turnover tax arising.

In part (b) (iii) candidates were required to calculate the amount of tax payable by the company whose income was from letting of properties. Most candidates failed to calculate the correct amount of the gross taxable rental income, as they made the mistake of deducting the expenses incurred in relation to the letting as opposed to applying the rental income tax bands on the gross rental income.

QUESTION FIVE

The general performance on this question was fair. Only 80 of the 161 candidates that attempted the question managed to obtain at least 10 marks out of a total of 20 available marks. A pass rate of 49.7% was recorded. The highest score was 19 out of 20 marks while the lowest was 2.

Part (a) which required candidates to explain the importance of the professional ethics for professional accountants was generally answered well. Part (b) which required candidates to explain how the fundamental principles of integrity, objectivity and professional behavior apply in the provision of tax services was equally answered well. Only a few candidates demonstrated a lack of knowledge of the principles and failed to provide the required explanations.

In part (c) candidates were required to explain the functions of the customs services division of the Zambia Revenue Authority. Most candidates provided explanations of the general functions of the ZRA as opposed to the functions of the Customs Division of ZRA as required by the question.

In part (d) candidates were required to calculate the total import taxes paid on the importation of the brand-new motor vehicle. The most common weaknesses were including motor vehicle registration costs incurred within Zambia in the determination of the VDP for customs purposes of the vehicle and using customs duty rates for second hand imported vehicles. The vehicle in question was brand new and therefore taxes for brand new vehicles should have been applied to determine the import taxes arising.

Overall performance of candidates

| | |
|-------------------------------------|-------|
| Highest mark obtained in this paper | 90% |
| Lowest mark obtained in this paper | 8% |
| Overall pass rate in this paper | 64.6% |

SUBJECT: CA 2.5: FINANCIAL MANAGEMENT

QUESTION ONE

The general performance on this question was poor. Only 55 out of the 145 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 37.9%. The lowest score was 1, whilst the highest was 33 out of the available 40 marks.

Part (a) required candidates were required to calculate the current cost of capital. The most common mistake included wrong use of formula to calculate equity beta (β). Most candidates did not get this calculation right because they did not get the formula right. The other common mistake in this part of the question was calculation of cost of loan capital. A good number of candidates got this wrong by not taking into account that the interest rate was paid semi-annually.

Part (b) required the candidates to advise the Financial Manager what the company's investment decision should be based on the capital rationing. Surprisingly, most of the candidates did not get this right. Candidates did not realise that only project A had a positive NPV and the others had negative NPV's which made them not viable financially. There was no other combination of NPV. Recommendation should be to invest in project A only.

Part(c) asked candidates to evaluate how often the machine should be replaced based on the given two situations. The common mistake was incorrect calculation of Equivalent Annual cost for year 2 and 3 replacement cycles.

Part (d) required candidates to evaluate whether the machine should be leased or purchased based on given three situations. Some candidates could not distinguish the calculation of NPV under LEASE and under BUY. Calculation of Tax Relief under BUY was incorrectly calculated resulting in wrong Net Cash flows. Some candidates were incorrectly using the before tax cost of borrowing as the discount rate.

QUESTION TWO

The general performance on this question was fair. 73 of the 124 candidates that attempted the question managed to obtain at least 10 marks out of a total of 20 available marks. A pass rate of 58.9% was recorded. The highest score was 17 out of 20 marks while the lowest was 0.

(a)

- Part (i) of the question required the candidates to explain two (2) types of leases available to Radisson Blue Hotel. Some of the candidate's responses did not state the two leases, being operating and financial leases, instead these candidates left

the question unanswered. For those that did, some of the answers failed to state clearly the advantages of the type of lease identified.

- Part (ii) required the candidates to discuss the consequences of overtrading and how these could be resolved by the Hotel. Some candidates were unable to clearly define the meaning of overtrading before identifying its consequences and how these would be resolved. Some candidates instead described the various roles of a finance manager.
- Part (iii) of required candidate to explain two (2) main attractions of convertible bonds to the issuer. The responses of the candidates should have first shown the marker that the candidate understands the meaning of a convertible bond. From some candidate's answers, it was observed that some of these candidates did not know what a convertible bond was. This resulted into not identifying their features as was required to be answered in this question.

(b)

Part (b) of the question required the candidates to calculate the size of the overdraft given information on the credit sales, cost of sales and the current assets and current liabilities, including information on overdraft rate, credit period and the current ratio and operating cycle. Common mistakes in responding to this part of the question committed by some candidates included that of failure to determine the size of the overdraft as required in Section (b) part (i), (ii) and (iii) of the question. The reason largely being the incorrect calculation of the Net Working Capital (part iii) due to wrong current liabilities and current assets figures. Some candidates deducted the current assets from the current liabilities in determining the Net Working Capital.

QUESTION THREE

The general performance on this question was poor. Only 42 of the 104 candidates that attempted the question managed to obtain at least 10 marks out of a total of 20 available marks. A pass rate of 40.4% was recorded. The highest score was 16 out of 20 marks while the lowest was 0.

Part (a) required the candidates to calculate the weighted average cost of capital of CEEC plc. In order to calculate this, candidates were supposed to first determine the cost of equity and the cost of debt. Most candidate's common mistakes were the wrong calculation of both the cost of capital and cost of debt.

Part (b) (i) required the candidates to calculate the total value of the West Energy Ltd using the Price/earnings method using the price/earnings ratio of CEEC Plc. Some

candidates wrongly calculated the Number of ordinary shares of West Energy Ltd. In the Calculation, instead of using the value of K50 million for West Energy Ltd, some of these candidates used the K150 million value of the shares for CEEC Plc. This therefore resulted into an incorrect Value of West Energy Ltd calculated.

Part (b) (ii) required the candidates to calculate the total value of the West Energy Ltd using the dividend valuation model. Some candidates failed to determine the dividend per share of West Energy Ltd whose resultant figure was to be used to determine the share price.

QUESTION FOUR

The general performance on this question was good. 67 of the 111 candidates that attempted the question managed to obtain at least 10 marks out of a total of 20 available marks. A pass rate of 60.4% was recorded. The highest score was 18 out of 20 marks while the lowest was 0.

Part (a) required candidates to explain the conflicting relationship between long-term debt holders, the management and the shareholders in achieving the primary objective. Some candidates could not identify the conflicts among the stakeholders.

Part (b) required candidates to explain the advantages of using convertible loan notes to finance the investment. Some candidates did not seem to know the advantages of convertible loan. Part (c) required candidates to discuss the dangers of a company having a high gearing level. This part of the question was fairly attempted.

Part (d) required candidates to explain the reason the market value of convertible loan notes is likely to be affected by the dividend policy of the issuing company. Most candidates exhibited lack of knowledge of convertible loan and how it relates with the dividend policy.

QUESTION FIVE

The general performance on this question was poor. Only 33 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 35.1% was recorded. The highest score was 18 out of 20 marks while the lowest was 2.

In part (a), the candidates were required to prepare a forecast statement of profit and loss for 2024 of MN Plc from the provided summarized statement of profit or loss. Some candidates used incorrect sales and cost of sales percentage increase, instead of using the 10% and 12% for sales and cost of sales respectively, some of these candidates used 12% and 10% for cost of sales and sales respectively. They reversed the % and hence obtained incorrect forecasted amounts for Sales and Cost of Sales.

Candidates also failed to correctly calculate the projected dividend. This is because an incorrect growth rate per annum was calculated. Instead of using the 15% as stated in the question, a 10% was used.

Part (b) required candidates to state whether the company is likely to meet its financial objectives or not. As a consequence of incorrect pre-tax return on shareholders' funds from part (a) above, these candidates incorrectly stated the outcome of whether the company will meet its financial objectives.

Part (c) asked candidates to prepare a cash flow forecast for the year 2024 and interpret the results. The common mistake observed was that most candidates were not adding back depreciation to the retained earnings.

Overall performance of candidates

| | |
|-------------------------------------|-------|
| Highest mark obtained in this paper | 64% |
| Lowest mark obtained in this paper | 0% |
| Overall pass rate in this paper | 36.9% |

SUBJECT: CA 2.6: STRATEGIC BUSINESS ANALYSIS

QUESTION ONE

The general performance on this question was poor. Only 53 out of the 168 candidates that attempted the question achieved a pass (that is a score of at least 20 out of 40 marks), representing a pass rate on the question of 31.5%. The lowest score was 0, whilst the highest was 30 out of the available 40 marks.

Part (a): Asked students to describe the three (3) stages of strategy implementation and the suggested solutions were:

- Strategy formulation
- Strategy implementation
- Strategy evaluation

Comment: Most candidates failed to get this part correct as they described hierarchy of strategic plans such as corporate, business and functional/ operation level. Others gave strategic planning process such as strategic position, strategic choice and implementation.

Compensatory marks were earned using follow through principle but did not attract full marks.

Part (b): Asked candidates to discuss five common challenges in executing strategic plan. The suggested solutions included the following:

- Poor goal setting
- Lack of alignment
- Inability to track progress
- People not connected to strategy (management and employees)
- No measurement or leading indicators

Part (c): Asked students to identify the organisation culture in Toyota's case and how it affects the strategic implementation.

Candidates correctly referred to the case and identified the mechanistic control nature and strict policies hence lacking flexibility.

Part (d): Asked candidates to use the Ansoff growth vector matrix determine the direction of growth for Toyota company.

Many illustrated with a diagram and correctly determined the direction of growth.

QUESTION TWO

The general performance on this question was very good. 80 of the 97 candidates that attempted the question managed to obtain at least 10 marks out of a total of 20

available marks. A pass rate of 82.5% was recorded. The highest score was 20 out of 20 marks while the lowest was 0.

Part (a): The candidates were unable to identify the specific events that could impact upon the implementation of strategy in an organisation. They gave general knowledge answers than specific solutions required. Most candidates did not do well in this section.

Part (b): Almost all the candidates did very well on this part as many scored 100% of the marks allocated to this part.

Generally, most candidates did well.

QUESTION THREE

The general performance on this question was good. 106 of the 146 candidates that attempted the question managed to obtain at least 10 marks out of a total of 20 available marks. A pass rate of 72.6% was recorded. The highest score was 19 out of 20 marks while the lowest was 2.

Part (a): Candidates were asked to identify and explain five (5) principles of corporate governance according to the King's report.

Comment: most candidates were able to identify and explain the principles hence the performance was good except some who demonstrated to complete ignorance.

However, other candidates used general knowledge and Knowledge from auditing hence brought in other principles instead of those specifically requested.

Part (b): the question required candidates to describe the given types of risks which included:

- Strategic risks
- Operational risks
- Financial risk
- business

Comment: The general performance on this part was fair but most candidates lacked theoretical knowledge and understanding as they used general knowledge.

Part (c): Candidates were required to use their knowledge about pure risks to determine whether the risks are insurable.

Comment: The general performance on this part was poor as candidates lacked knowledge on pure risks and failed to determine correctly whether the risks are insurable or not.

QUESTION FOUR

The general performance on this question was good. 90 of the 164 candidates that attempted the question managed to obtain at least 10 marks out of a total of 20 available marks. A pass rate of 54.9% was recorded. The highest score was 20 out of 20 marks while the lowest was 0.

Candidates were required to analyse how the following macro environmental factors affect strategic positioning of a business:

- The economic environment
- Social/cultural environment
- Political environment
- Technological environment

Comment: Majority of the candidates understood the concepts (macro environmental factors). However, some failed to relate the effect of these factors on organisations. Generally, the performance was good.

QUESTION FIVE

The general performance on this question was excellent. 83 of the 97 candidates that attempted the question managed to obtain at least 10 marks out of a total of 20 available marks. A pass rate of 85.6% was recorded. The highest score was 20 out of 20 marks while the lowest was 1.

Part (a): Candidates were asked to analyse the interplay between corporate, business and operational strategies in the context of Umoyo; a company in the scenario.

Comment: Most candidates were able to describe these strategies but could not analyse in the context of Umoyo. It was disappointing that some candidates displayed complete ignorance on this area. However, the general performance was good.

Part (b): the question asked candidates to explain significance of core competencies in sustaining competitive advantage and suggest four (4) qualities of capabilities.

Comment: The general performance on this part was poor as most candidates could not explain significance of core competence and were blank on the qualities of capabilities. Candidates would have easily used VRIO Model to state qualities of capabilities.

However, the general performance on question five (5) was good as most candidates gained marks from part (a).

Overall performance of candidates

| | |
|-------------------------------------|-------|
| Highest mark obtained in this paper | 80% |
| Lowest mark obtained in this paper | 13% |
| Overall pass rate in this paper | 63.7% |

SUBJECT: CA 3.1 ADVANCED FINANCIAL REPORTING

QUESTION ONE

The general performance on this question was good. 111 out of the 188 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 59%. The lowest score was 0, whilst the highest was 37.5 out of the available 40 marks.

Part (a) required candidates to prepare the consolidated statement of financial position as at 31st March 2025.

Part (b) required candidates to discuss the principles behind the classifications in the statements of cash flows whilst advising on how to treat the two transactions.

The most common mistakes made by the candidates:

The following were the common mistakes:

- (i) Candidates had difficulty in computing and presenting contingent consideration (contingent shares to be issued). The contingent consideration should have been valued at fair value, after taking into account various milestones that were set under the agreement. The correct amount should have been K2 million (20% x 5 million shares x K2). There will be no re-measurement of the fair value in subsequent periods. If this were a liability, there would be re-measurement.
- (ii) The land that was transferred as part of the purchase consideration was wrongly valued at carrying amount instead of at its fair value on acquisition date. Therefore, the increase of k2 million over the carrying amount should have been credited to retained earnings of the parent.
- (iii) Though fundamental, some candidates still included pre-acquisition equity elements like share capital, and retained earnings in the consolidated statement of financial position and in addition, the investment in the subsidiaries in the consolidated statement of financial position.
- (iv) The gain on the disposal of the subsidiary (Nakonde) was incorrectly done by almost all the candidates.
- (v) Failure to transfer profit that was reported in other component of equity to retained earnings.
- (vi) Not showing all the workings. Some candidates simply showed consolidated figures for property, plant and equipment and other items of the statement of financial position without showing how they were arrived at. Marks were lost especially where their consolidated figures were incorrect.
- (vii) Wrongly fair valued non-controlling interest (NCI) using the fair value of the net assets at acquisition" (i.e. proportionate/partial method) for Mpika and Isoka despite notes (3 and 4) of the question clearly stated that "it is group policy to initially

measure Non-controlling interests on the acquisition at fair value (full goodwill method).

(viii) Improper computation of deferred tax asset due to impairment charge.

(ix) Most candidates wrongly concluded that the deposit of K3, million would qualify as cash equivalent.

QUESTION TWO

The general performance on this question was poor. Only 12 of the 92 candidates that attempted the question managed to obtain at least 10 marks out of a total of 20 available marks. A pass rate of 13% was recorded. The highest score was 13.5 out of 20 marks while the lowest was 0.5.

The following were the common mistakes:

(i) Capitalised future (K3 million) costs to rectify the damage caused by the erection of the extraction facility, instead of the present value K966,000.

(ii) Candidates failed to unwind the discount for the current year.

(iii) Recognised the potential amount receivable (K800,000) as contingent asset, instead of disclosing. It must be appreciated that contingent assets should not be recognized, but should be disclosed where there is a probable future receipt of economic benefits.

(iv) Failure to discuss the impact on the financial statements of the proposed ways to raise required funds.

The message is not changing to future candidates; the syllabus is what must guide you. It seems most candidates are not covering the entire syllabus and are ignoring accounting standards. As per previous examiner's reports, you are again **advised and warned to avoid predicting** what will come in the examinations, you are not the examiner.

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

QUESTION THREE

The general performance on this question was poor. Only 15 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 14.7% was recorded. The highest score was 12 out of 20 marks while the lowest was 0.

The question was in three parts examining areas relating to IAS 2, the conceptual framework, IAS 37, IAS 16, IAS 36 and IFRS 3

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

Candidates generally displayed lack of knowledge of the relevant accounting standards and inability to apply them.

It must be stressed that financial reporting is about knowing the standards applicable to given transactions and the application of those standards.

QUESTION FOUR

The general performance on this question was poor. Only 19 of the 123 candidates that attempted the question managed to obtain at least 10 marks out of a total of 20 available marks. A pass rate of 15.4% was recorded. The highest score was 15.5 out of 20 marks while the lowest was 0.

This question had **two (2) transactions (Employee Pension Plan and Directors Bonus Scheme)**. The question required candidates to explain the appropriate accounting treatment of both transactions for the reporting period.

The following were the **common mistakes**:

- (i) Failed to conclude that the first transaction (transaction 1) was a defined benefit pension plan.
- (ii) Failed to spread the cost over the vesting period.
- (iii) To come up with senior management team/senior executives, candidates wrongly subtracted those who left only, instead of **expected leavers** over the vesting period (the best estimate at each year end should be used).
- (iv) Further most candidates simply computed, with no explanation. For future examinations, candidates are advised to pay particular attention to command words (verbs) e.g. explain.

QUESTION FIVE

The general performance on this question was good. 115 of the 176 candidates that attempted the question managed to obtain at least 10 marks out of a total of 20 available marks. A pass rate of 65.3% was recorded. The highest score was 20 out of 20 marks while the lowest was 0.

The question required candidates to prepare a report to the Board of Directors, analysing the results of a limited liability company whose financial statements included performance of a discontinued operation. In the report, candidates were to draw attention to the effect of the discontinued operations and the contingencies arising from the decision on financial performance and position of the company.

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

A reasonable number of candidate provided impressive answers as they were able to calculate the ratios correctly and make meaningful comments based on the ratios.

Common mistakes included preparing ratios based on continuing operations only instead of ratios based on the combined results of the SPLOCI. Some candidates either failed to prepare the standard ratios or prepared them based on discontinued operations. In the comments some candidates merely referred to increases and decreases in absolute figure without clearly stating the impact of discontinued operations and the contingencies of the financial performance and position of the company.

Overall performance of candidates

| | |
|-------------------------------------|-------|
| Highest mark obtained in this paper | 77% |
| Lowest mark obtained in this paper | 5% |
| Overall pass rate in this paper | 29.8% |

SUBJECT: 3.2: ADVANCED AUDIT AND ASSURANCE

QUESTION ONE

The general performance on this question was poor. Only 41 out of the 239 candidates that attempted the question achieved a pass (that is a score of at least 20 out of 40 marks), representing a pass rate on the question of 17.2%. The lowest score was 2, whilst the highest was 33 out of the available 40 marks.

Part (a)

This part of the question required candidates to evaluate the extent of legal liability of Prince & Co by parties that could take legal action against it. The question requirement did not specify the parties that could take legal action against the firm but the information is contained in the scenario and are namely, the client company, the financial institution and the bank that lent money to Mafuta Refinery relying on the audited financial statements audited by Prince & co. For a maximum of 6 marks, candidates were expected to deal with each of the three possible litigants separately applying the guidance on auditor liability.

It was disappointing to note that a large number of candidates scored less than half the available marks in this question largely due to poor presentation of the answers. The following were also observed:

- A sizeable number of candidates did not realize that they needed to deal with the three possible litigants and instead dealt with only the company. Candidates should be guided by the marks on offer in deciding on the extent of the solution and dealing with only one possible litigant will not attract maximum marks.
- A significant number of candidates explained the general guidelines on auditor liability without making reference to any of the possible litigants and applying the theory to each of them. Candidates who did this did not earn maximum marks available.
- There was evidence that a sizeable number of candidates simply did not understand the guidance on auditor liability. There were candidates who suggested that the disclaimer in the engagement letter protected Prince & co from litigation. Others suggested that it is not the duty of Prince & Co to detect fraud and error and so any parties taking legal action is not likely to succeed.
- There were candidates who made conclusions that Prince & Co may or may not be found guilty of wrong doing. Candidates did not need to suggest any verdict as this is the duty of the court. Nothing stops any injured party from suing auditors for professional negligence what was expected here is for candidates to show their understanding duty of care for different possible litigants against the firm.
- There were candidates that stated expressly that the company meaning shareholders as a whole should prove to the court that Prince & Co owed the

company a duty of care which is clearly incorrect. For the company it is automatic and assumed that the auditors owe the company a duty of care and so the company does not need to prove this fact. The company, however, will need to prove that there was a breach of duty and that it suffered loss as a result of the breach.

- There were candidates who simply discussed the Caparo case without using it to evaluate the chances of the parties in the scenario succeeding in suing the auditors.

Part (b)

This part of the question required candidates to describe the matters that should be considered before accepting nomination as auditors of Mafuta Refinery Plc. As much as possible, candidates were expected to use the information in the scenario in answering this part of the question.

Candidates should have used their knowledge of professional requirements for client acceptance and applying it to the case scenario. Three well explained matters to consider using the information in the scenario earned maximum marks. At the advisory level of the examinations, candidates are expected to use the information in the scenario in answering the questions. It was expected that candidates would use the information in the scenario in supporting their answers. For example, the information in the scenario states that the firm has other clients with a similar period end as that of Mafuta Refinery Plc. and this may exert pressure on the firm to conclude the audits and so resources including human resources are factor that should be considered before accepting nomination.

The following observations were made:

- There were candidates that explained one or two factors that require to be considered and so did not earn maximum marks. Candidates are referred to the instructions to candidates on the cover of the examination paper which clearly states that the marks against the requirement(s) for each question should be taken as an indication of the expected length and depth of the answer. Three to four valid matters to be considered could have earned maximum marks.
- There were answers that clearly showed that candidates did not fully understand the stage of the engagement when acceptance to nomination takes place. For example, there were candidates who explained that the firm should consider the laws and regulations and also the effectiveness of internal controls before accepting nomination. These matters will be relevant at the planning stage of the audit when the firm has been engaged and is about to commence the audit. No marks were awarded as a result.
- The audit fee featured prominently as one of the factors that should be considered before accepting nomination. It should be remembered that when submitting the bid one of the matters that would have been included in the bid documents is the fee and how it has been arrived at. At the stage of accepting the nomination the fee is not likely to be a factor because the company would have considered it in making

the nomination unless the information in the scenario expressly stated that the company has offered a lower fee than was included in the bid documents.

- A sizeable number of candidates explained that one of the matters to be considered is the outstanding fee to the previous auditors and so this is a factor that the auditor should consider before accepting nomination. The correct position is that outstanding fees to the previous auditors is not a factor that can stop a firm from accepting nomination. The firm could consider how it could assist the previous firm to get the outstanding fees.

Part (c)

- (i) This part of the question required candidates to assess the need for the use of the work of an expert in the audit of the financial statements of Mafuta Refinery Plc. and explain the impact of so doing on the audit report. Candidates needed to consider the information in the scenario in answering this part of the question and specifically the fact that the company currently uses the services of Chemical Logistics a company that has been doing so from the time that the company was established and that the fact that the CEO of Mafuta Refinery Plc. owns 5% shares in Chemical Logistics bringing into question the objectivity of Chemical Logistics. As a result, the statutory auditors may not rely on the management experts.

Due to the fact that the firm will be auditing a company in the oil industry for the first time and the nature of the industry is that the firm will not have the skills and competences to audit work in progress. The option left for the firm is to engage experts of their choice being auditor experts. Candidates should have considered the fact that the CEO of Mafuta Refinery Plc. owned 5% shares in Chemical Logistics and that this creates a conflict of interest and that Chemical Logistics may not be objective and as such auditors may not wish to rely of the work of Chemical Logistics the management experts.

The performance in this part was below expectation with a large number of candidates scoring less than half the available marks.

The following observations were made:

- There were candidates that simply discussed the work of an auditor expert and suggesting that the firm should engage an expert in view of the nature of the industry for which marks were awarded.
- Many candidates discussed the fact that Sherry recently joined the firm from Mafuta Refinery Plc. as an expert and went on to discuss ethical issues that would arise such as self-review. This is a matter that the firm should consider before accepting nomination and this could be an answer to part (b) of the

question. Sherry is an accountant who joined the firm and she is not an expert in the context of auditor experts. Sufficient information is given in the question identifying the experts currently used by Mafuta Refinery Plc. namely Chemical Logistics.

- Many candidates lost easy marks by not answering the last part of this question which required candidates to explain the impact of the work of experts on the audit report. Candidates needed to explain that the statutory auditors are responsible for the audit opinion and are not required to refer to the work of the experts in the audit report unless the law requires this to be done.
- A few candidates argued that Chemical Logistics was suitable when in fact not due to the connections the company has with the CEO having a financial interest in the company.

- (ii) This part of the question required candidates to describe how audit risk and materiality in the audit will impact the audit plan for the audit of the financial statements of Mafuta Refinery Plc. and the extent and nature of the further audit procedures that should be performed.

The information in the scenario expressly states that audit risk for the audit of Mafuta Refinery Plc. has been assessed as **high** and this would be taken into consideration when setting the materiality levels. Candidates needed to explain how the audit team should respond to the high audit risk and the general responses to audit risks contained in ISA 330 *The auditor's responses to assessed risks* should have been discussed here and also a comment on the determination of the materiality levels given the high audit risk. Most candidates correctly explained that the materiality level should be set at a low level as a result of the high audit risk. Most candidates lost easy marks because they did not explain the general responses as required by the question.

The following observations were made:

- Candidates explained audit risk and materiality and that these should be assessed at the planning stage of the audit without addressing the question requirement on the impact of high risk on the nature and extent of further audit procedures and on materiality set.
- There were answers that showed lack of understanding by candidates. For example, a candidate explained business risk arising from the company operating at 10% capacity and others explained self-interest threats and financial risks both of which did not address the question requirement.

- Some candidates focused on discussing situations in the scenario and the impact they may have on the audit opinion which clearly was not the question requirement.

(iii) This part of the question required candidates to describe the matters that should be considered by the audit team regarding the impairment review that was conducted by the company. To satisfactorily answer this part of the question candidates needed to have clear understanding of the accounting for impairment reviews as provided in IAS 36 *Impairment of assets*.

Candidates did not require to describe the audit procedures that should be undertaken on the impairment but rather describe the matters that should be considered which will be the basis of the audit procedures such as:

- Establishing whether all assets in the classes affected have been tested for impairment.
- The state of the equipment of Mafuta Refinery Plc. which is operating at 10% capacity necessitating impairment reviews.
- The determination of the assets that have been impaired and the reliability of the figures used in determining the impairment amounts.
- The determination of the value in use and the fair values and the assumptions that were used in determining these amounts.

The marking team awarded marks for correct audit procedures explained signifying understanding of the matters that should be considered.

The performance in this part of the question was low and the following observations were made:

- A sizeable number of candidates explained impairment in detail without explaining what the auditors should consider in auditing impairment. The question has sufficient information which should have led candidates to explain the matters to consider. For example the extract of financial information includes the recoverable amounts, value in use and fair values and these are some of the matters that should be considered and audit procedures will require to be designed and performed regarding these matters.
- A significant number of candidates simply did not answer this part of the question. Candidates are encouraged never to leave a question or parts of questions not answered. There is no loss of marks for attempting to answer a question and marginal marks that could be earned are important for marginal scores between 45 – 48 marks.

Part (d)

- (i) This was a knowledge based question requiring candidates to show that they understand and know the provisions of ISA 560 *Subsequent events* which explains the procedures that the auditors should perform in order to identify subsequent events in the audit of the financial statements of a client company. Many candidates scored low marks showing lack of understanding of guidance given by auditing standards.

The following observations were made:

- A sizeable number of candidates explained in detail the meaning of subsequent events without addressing the question requirement to describe the audit procedures to identify subsequent events and no marks were awarded for doing so.
 - Disappointingly many candidates described the accounting for the event that occurred on 27 May 2024 in this part which is required in part (ii) of this question. No marks were awarded for doing so and the following observations were made:
 - Many candidates explained the provisions of IAS 10 *Events after the reporting period* and the meaning of adjusting and non-adjusting events. This did not address the question requirement which was on the procedures that should be undertaken to identify subsequent events in a client company. Very few candidates made reference to the provisions of ISA 560 *Subsequent events* which gives guidance on the work that should perform to identify subsequent events that may require adjustment or disclosure. Candidates at the advisory level are reminded that they are required to answer examination question in accordance with applicable auditing standards.
- (ii) This part of the question required candidates to describe the impact of the event of the 27 may 2024 on the audit of the financial statements of Mafuta Refinery Plc. simply stating that the matter is either an adjusting or non-adjusting event without explaining did not attract maximum marks. Candidates should have noted that the auditors have a passive duty to perform procedures after the audit report has been signed. In this case the matter has come to the attention of the auditors and they need to discuss with management and find out how it intends to deal with the matter.

Candidates should have noted that the matter is non-adjusting because the inventory destroyed in the fire was in existence at the period end and the audit is for the financial statements at the period end. The possibility of disclosure should have been considered and the fact that the financial statements may have

needed to have been amended to take into consideration the disclosure and the possible inclusion of this in the revised audit report in the emphasis of matter paragraph referring to the disclosure by management in the notes to the financial statements.

The following observations were made:

- Many candidates simply stated that the event is adjusting or non-adjusting without any justifications. There is guidance on what makes an event is adjusting or non-adjusting and candidates needed to support their answer. Again, marks offered should guide candidates on the extent of the answer expected.
- Very few candidates discussed the possibility of disclosure that may be required in view of the fact that the financial statements had not been issued.
- There were answers that were disappointingly incorrect suggesting lack of understanding of the topic. For example, a candidate stating thus "The fire that occurred just after the report was signed has an impact on the financial statements in the sense that it has destroyed the inventory that is material meaning the closing balance of inventory is not what is on the ground as the inventory was destroyed."

QUESTION TWO

The general performance on this question was poor. Only 46 of the 139 candidates that attempted the question managed to obtain at least 10 marks out of a total of 20 available marks. A pass rate of 33.1% was recorded. The highest score was 18 out of 20 marks while the lowest was 0.

Part (a)

This part of the question required candidates to explain the strengths of the provisions of the Sarbanes Oxley Act compared to a principles based approach to corporate governance. The question should have led candidates to realize that laws such as the Sarbanes Oxley Act cannot be varied and should be strictly followed while principles are flexible and can be applied in different situations.

The following observations were made:

- It was disappointing to note that a large number of candidates simply did not attempt to answer this part with many simply putting the number to show they had seen the question but chose not to answer it!
- Very few candidates of those who attempted to answer this question scored maximum marks. Corporate governance is an important part of the syllabus and candidates are encouraged to ensure that they adequately cover this topic.

- A sizeable number of candidates compared the role of the Board Chairman and the CEO positions that should be held by different people which did not answer the question requirement. No marks were awarded for doing this.
- There were clearly incorrect answers showing lack of understanding for example a candidate stating that "In line with corporate governance principles, the provisions of the Sarbanes Oxley Act states that management or indeed those charged with governance should be as transparent and accountable to shareholders." Another candidate explained that the board should include both the non-executive and executive members.

Clearly the above answers indicate lack of the necessary knowledge and candidates are reminded to study with the aim of gaining knowledge and examinations are meant to confirm that learning has taken place.

- A number of candidates mixed the meaning of rule based and principle-based approaches. A candidate stated and wrote "The Sarbanes Oxley Act is more advantageous in that it is flexible and not original like the other approach.' clearly which is the opposite of what is said here.
- A sizeable number of candidates likened the Sarbanes Oxley Act to an auditing standard that protects the entity from exposure to theft.

Part (b)

This part of the question required candidates to advise Kilimanjaro Group and the bank on the litigation against Morgan & Lewis. The candidates needed to correctly apply the theory on auditor liability using the information in the scenario.

In the case of the Kilimanjaro Group the matters are in relation to the comment by the Engagement Partner in the negotiation meeting that the firm stood by the opinion thereby creating a duty of care as in the decided case of ADT v Binder Hamlyn whose facts are similar to those in the scenario and relating to Kilimanjaro Group. In relation to the bank, they are generally exempt from the Caparo decision because auditors are expected to know that banks normally require audited financial statements when making decisions to give loans to their customers. In the case at hand, the question states that the bank specifically required audited financial statements from Mukuba Plc.

The following observations were made:

- Poor presentation of answers was observed with candidates treating the information all at once without splitting between the Kilimanjaro Group and the bank. Candidates needed to apply the theory to the two considering the three criteria that should be proved to a court.
- Many candidates explained the three criterion that must be proved to a court in order to succeed in suing the auditors for professional negligence. Minimal marks were awarded for doing so because this did not fully the matters as they relate to Kilimanjaro Group and the bank.

- Some candidates stated that the litigant should prove the three matters without specifically mentioning them. In the examination it is important to state the criteria not simply to refer to them.
- Many candidates stated that Kilimanjaro Group should prove all three criteria instead of recognizing the fact that the Partner created a duty of care by stating that the firm stood by the opinion in the negotiation meeting. Kilimanjaro Group would however need to prove that the auditors were negligent in the performance of their work and that Kilimanjaro Group suffered loss as a result of the breach. There is no need to make the judgment in answering the question that is the responsibility of the court!
- With regards the bank, candidates failed to explain the exemption of banks from the Caparo decision and so the bank need not prove this to the court but will need to prove that the auditors were negligent and that the bank suffered loss as a result.
- A large number of candidates just explained the decision of the Caparo case without appropriately using the decision therein correctly in answering the question.
- Some answers clearly showed lack of understanding of the topic. A candidate stated "Kilimanjaro Group and the bank have a legal right to sue the auditor unless otherwise", another one stated "Expectation gap, the auditors should remain with professional skepticism." in answering this part.

Part (c)

- (i) This part of the question required candidates to describe matters that should be considered in placing reliance on the work of R & E Consultants in the audit of the financial statements of Mukuba Plc. and also to explain the possible action in case of deciding not to rely on the work of R & E Consultants. Candidates should have noted that R & E Consultants were management experts and should have described the matters that should be considered in relying on their work. Furthermore, candidates needed to suggest a suitable action in the event that no reliance on the work of R & E Consultants was not required suggesting that the auditors should engagement their own consultants the auditor experts.

The following observations were made:

- A sizeable number of candidates did not address the requirement of the question to explain the possible action in the event that the firm does not wish to rely on the work of R & E Consultants. Marks were lost for not doing so.
- Again, there were answers that showed lack of understanding by candidates such as a candidate stating that, "If the auditors decide not to rely on the work of R & S Consultants then they have to communicate with management and go ahead with the audit and eventually come up with an audit report."

The candidate appears not to understand that the auditor is responsible for obtaining sufficient appropriate evidence and reporting to management does not remove this responsibility.

- Some candidates did not realize that R & S Consultants were management experts because they were appointed by it.
- A good number of candidates discussed the three matters but did not explain the possible action if it was decided not to rely on the work of R & E Consultants thereby losing the marks allocated to doing so.
- A few candidates discussed the elements of an assurance engagement signifying that they did not understand the question requirement and no marks were awarded for doing so.

- (ii) This part of the question required candidates to describe the impact of the work of R & E Consultants on the audit work and opinion on the financial statements of Mukuba Plc. Management is responsible for the preparation of the financial statements. R & S Consultants are experts engaged by management to determine the value of inventory in the financial statements. Auditors may rely on the work done by management experts or auditor experts but ultimately, they are responsible for obtaining sufficient appropriate evidence to support the opinion. In the event that the auditors decide to rely on the work of R & E Consultants, this means that it will form part of the audit evidence and it will be recorded in the audit working papers that the management expert's work was used for audit purposes. The auditor may not need to perform any other work with regards inventory because they do not have the skills to determining the reliability of the value of the inventory in question.

With regards the audit opinion, the auditors are responsible for the audit opinion and they are not required to make reference to the work of experts such as R & E Consultants in the opinion unless they are required to do so by law.

The following observations were made:

- Many candidates attempted to address the question of the impact of R & S Consultants on the work of the auditors but did not address the part that dealt with the opinion and so lost marks for not doing so.
- There were many answers that were clearly incorrect and did not answer the question requirement. For example, an extract of the solution to this question reads, "As it has been established that the company had been over valuing the inventory which means that they had been overstating the profits also. This is a material misstatement of the financial statement and is also pervasive which means the auditor would have to modify the opinion." Not very clear

what the candidate was trying to say and it is common for candidates to say things that may not be relevant to answering the question requirement.

QUESTION THREE

The general performance on this question was poor. Only 91 of the 207 candidates that attempted the question managed to obtain at least 10 marks out of a total of 20 available marks. A pass rate of 44% was recorded. The highest score was 17 out of 20 marks while the lowest was 1.

Part (a)

Audit planning is an important stage in the audit of financial statements of client companies. Candidates at the advisory level are expected to describe matters that should be considered in planning an audit given specific information in a scenario. Candidates should be able to do this by applying professional skepticism to the given information. Matters related to the audit of the individual financial statements earned maximum marks in answering this question.

The following observations were made:

- Many candidates could not identify sufficient matters to consider and only dealt with one issue and marks were awarded in line with the valid points made.
- A sizeable number of candidates suggested audit procedures that should be performed rather than simply identifying and explaining the matters that should be performed which will form the basis of further audit procedures that will be performed.
- A few candidates discussed matters that should be considered in accepting nomination as auditors which did not address the question requirement

Part (b)

- (i) This part of the question required a description of the audit risks that should be considered in the audit of the financial statements of Nkaka Ltd. a majority of the candidates ably identified and explained the audit risks in the scenario.

The following observations were made:

- A minority of candidates went further to suggest suitable responses by the auditors to the risks that they identified and explained. This was not required by the question and no marks were awarded. It is also a waste of valuable examination time to explain matters that are not in the requirement.
- There were candidates who explained the meaning of audit risk and its components without identifying the risks in the scenario.
- A significant number of candidates assumed that the investment property in the scenario was obtained through a leasing arrangement and discussed the wrong accounting for the lease as one of the audit risks. The information in

the scenario clearly explained that this was an investment property meaning it belonged to Nkaka Ltd except was not for use in the business but was leased out to an oil company for the use by the oil company. The risk here is with regards presentation in the financial statements and valuation of the investment property.

- (ii) This part of the question required candidates to discuss the accounting for the sales during the last week of the financial year of Nkaka Ltd. Candidates are expected to know the accounting for specific items in the financial statements and the related financial statements assertions contained and be able to identify the possible audit risks.

The performance in this part of the question was poor and the following observations were made:

- A majority of the candidates who attempted this question opted not to answer this part. Candidates should have significant increase in revenue in the last week of the financial year and the increased extension of credit which should be of concern to the auditor as it appears to be part of creative accounting in order to show a better picture than is really the case. The issue of retaining title to goods that have been sold is suspicious and there is a chance that such goods sold could be included in the closing inventory of the company resulting in a misstatement of the financial statements.
- A sizeable number of candidates only explained one matter of concern for which maximum marks were not awarded. There is sufficient information in the scenario to enable candidates give a detailed answer.

- (iii) This part of the question required candidates to suggest suitable audit procedures that should be performed on the revenue figure in the financial statements of Nkaka Ltd. The question specifically required 4 audit procedures.

The performance in this section of the question was very poor with a majority of the candidates scoring below half the available marks. Candidates seem to have challenges in designing suitable audit procedures when required to do so. This has been observed in the past and audit procedures will feature in future examinations. Audit procedures are a core syllabus area and candidates should understand the audit procedures related to specific areas covered in this syllabus. In order to come up with appropriate audit procedures, candidates require to know the accounting and assertions contained in the figures in the financial statements. The evidence suggests that a majority of the candidates do not understand the accounting aspects of specific areas.

The following observations were made:

- A number of candidates could not give more than two audit procedures and in most cases they were not adequate.
- Some candidates explained financial statement assertions related to revenue without designing suitable audit procedures to test those assertions.
- Some candidates simply stated methods of obtaining evidence such as recalculate without detailing how this will be done which is the audit procedure.

QUESTION FOUR

The general performance on this question was poor. Only 69 of the 177 candidates that attempted the question managed to obtain at least 10 marks out of a total of 20 available marks. A pass rate of 39% was recorded. The highest score was 18.5 out of 20 marks while the lowest was 0.

Part (a)

- (i) This part of the question required candidates describe the matters that will be concerned about at the finalization stage of the audit of the financial statements of Kimberly Plc. It is important for candidates to know the stage of the audit this is. Most of the audit work will have been performed and the audit is in its final stages and there are matters that require to be considered at this stage. General knowledge of the theory and standard for subsequent events is not sufficient. Candidates are expected to use the information in the scenario as general answers did not attract maximum marks. With a little bit of skepticism, candidates should have easily identified the matters that should be considered at this stage of the audit. The matters to consider are those that will impact the financial statements and may be different from one company to another. In this case the following matters should have been identified and discussed:
- The revaluation of properties that were done and the accounting for the revaluation surpluses/deficits.
 - The classification of discontinued operations
 - The general provision in the draft financial statements and
 - The costs incurred in 2024 which most likely related to sales in 2023 and
 - The impact of old ageing equipment on the ability of the company as a going concern,

The following matters were observed:

- It was disappointing to find candidates that gave the answer to part (b) on critiquing the draft report here. This did not clearly address the question

requirement. Candidates should ensure they understand the question requirement before starting to answer the questions.

- There were answers that clearly did not relate to the question such as 'was the audit carried according to plan?' "Did we as auditors give an appropriate opinion" and "did we gather sufficient evidence?" among other answers given.
- There were many candidates that attempted to answer this part (a) but did not answer part (b) which required suitable responses to these matters. Some candidates gave responses from the point of view of management of Kimberly Plc. despite the question clearly requiring audit response.
- A few candidates explained the emphasis of matter paragraph which was not relevant but could be discussed in answering part (b).
- A majority of the candidates gave general answers without making reference to the information in the scenario. This did not attract maximum marks.

(ii) This part of the question was related to part (i) and required a suggestion of suitable action for each matter in (i).

These two parts of the question could have been answered together in order to save valuable examination time. The comments made in (i) above apply to this part as well. Questions such as this one are best answered using the columnar form of presentation. All that is required is to clearly label the solution that is related to parts (i)/ (ii).

Part (b)

This part of the question required candidates to evaluate and critique the draft audit report in the scenario. This type of question has been examined in a similar manner in the past and it has been stated in the previous examiner's reports that candidates should restrict their analysis to the information in the draft report. Despite there being enough matters that should have been used in the critique, some candidates discussed matters that are not in the draft report. The marking team awarded full marks for discussing matters not in the draft report but correct when considered in totality. In future examination questions may be specific that only information in the extract should be considered.

The majority of the candidates scored high marks in this part of the question. There were a few that could not give sufficient points for the 6 marks and other that gave answers that were clearly incorrect. For example a candidate saying that that the audit report does not give any recommendations to the users as if it ever does!

The following were observed:

- Some candidates simply rephrased the information in the draft report without any evaluation being done as required.

- There were poor answers in this part signifying poor or lack of knowledge on the important topic of reporting. Candidates are reminded that this topic will feature in future examination sessions and it is important that they understand the provisions of the auditing standards on reporting.

Part (c)

This part of the question required candidates to suggest a suitable response by the audit team in view of management's refusal to provide the requested written representations. Candidates should have noted that the representations required as part of the preconditions for an audit should have been obtained before accepting appointment. In answering this part of the question candidates should have commented on the other representations required as part of obtaining audit evidence. Written representations form part of the evidence that the auditors obtained during the audit. One of the preconditions for an audit is acknowledgement by management that it will provide the auditors with the information that they require.

Candidates were expected to suggest at least 4 responses that the auditors could undertake on account of the refusal to submit the required representations.

The audit team have a number of options including:

- Bringing this matter to the attention of the senior audit team members and the firm to seek their indulgence,
- Discussing with management and the CEO if he is not aware of the refusal by others within the company.
- If the above measures fail considering informing the audit committee who may be able to help in getting the necessary representations.
- Obtaining other audit procedures to get the evidence required if available
- The audit team may require to re-evaluate the integrity of management and
- Finally considering resigning from the engagement.

The performance in this part of the question was average with a majority scoring more than half the available marks.

The following observations were made.

- A number of candidates only managed to give one response of the expected three or four responses. For 6 marks this was not sufficient to score maximum marks. A majority of the candidates only discussed the communication that should be made to those charged with governance.
- There were answers that showed lack of understanding of written representations and their use in an audit.

One candidate gave a response to the refusal as "Draft letter to management and emphasize on written representations. It will allow us to have enough confirmations accurate and have been well researched".

QUESTION FIVE

The general performance on this question was poor. Only 37 of the 170 candidates that attempted the question managed to obtain at least 10 marks out of a total of 20 available marks. A pass rate of 21.8% was recorded. The highest score was 16.5 out of 20 marks while the lowest was 0.

Part (a)

This part of the question required candidates to discuss the purpose of reviews in the audit of the financial statements of Cradle Ltd and to describe how this could be done. Candidates should have used the information in the scenario regarding the composition of the audit team to answer this part. The issue of peer reviews should also have been considered in answering this question.

The performance in this part of the question was below expectations. It was pleasing to find a few scripts with well elaborated answers with the candidates scoring maximum marks.

The following observations were made:

- Candidates explained the two types of peer reviews namely hot and cold reviews without explaining how they form part of reviews of audit work done. Marks were awarded for suggesting that peer reviews are a form of review of audit working papers.
- A majority of candidates seemed not to know the composition of the audit team. The composition of a typical audit team was given in the scenario and candidates should have observed that all work performed by each category should be reviewed by the senior member of the audit team.
- There were candidates that answered the part requiring candidates to explain the meaning of reviews in an audit without addressing the part that required candidates to describe how this should be done by the audit team for the audit of the financial statements of Cradle Ltd.
- A minority of candidates confused review engagements to reviews of audit work in an audit engagement. There were answers such as suggesting that a review engagement is different from audit work for which no marks were awarded.
- There were answers that showed that candidates did not understand reviews during and at the final stage of audits. There were answers such as "An audit review is one in which auditors express a low level assurance."

Part (b)

This part of the question was on bidding for audit services and client acceptance. It was largely knowledge based and all candidates needed to do was to apply the theory to the information in the scenario.

- (i) This part of the question required candidates to suggest suitable notes containing matters that should be contained in bid documents for the offer of

audit services to Kampala Ltd. This was a knowledge based question requiring candidates to state the theory on client acceptance.

A majority of the candidates scored more than half the available marks in this part of the question.

- (ii) This part of the question required a description of matters that should be considered in accepting nomination as auditors. A few candidates repeated the matters that should be included in tendering stage. At this stage a tender will have been submitted and the prospective client nominate the firm to be auditor. It is matters that should be included at this stage that require to be considered here and to a large extent they are the same matters that should be considered when deciding whether or not to put in a bid such as ethical matters and having the skills and competences to undertake the audit. A few candidates lost marks for describing only one or two matters against the four required and also not using the information in the scenario. It was observed that candidates would explain the having of resources as a separate point to having staff with suitable skills and competences and the time as a different point. Resources include the skills and time availability.
- (iii) This part of the question required candidates to evaluate using information in the scenario the extent to which the audit team could use internal audit in the audit of the financial statements of Kampala Ltd. The key word that candidates should have noted is that the question requirement used the term 'use of internal audit' and candidates should have noted that use of internal audit could be in two ways namely relying on the work of internal audit or seeking direct assistance of internal audit. Candidates were expected to apply these two methods in answering this part of the question.

A majority of the candidates discussed the matters that should be considered in deciding whether to use the work of internal audit. There were a few candidates that only considered one of the two aspects and this did not attract maximum marks.

Overall performance of candidates

| | |
|-------------------------------------|-------|
| Highest mark obtained in this paper | 73% |
| Lowest mark obtained in this paper | 10% |
| Overall pass rate in this paper | 23.4% |

SUBJECT: CA3.4 ADVANCED TAXATION

QUESTION ONE

The general performance on this question was fair. 59 out of the 133 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 44.4%. The lowest score was 0, whilst the highest was 34.5 out of the available 40 marks.

The question examined the administration of direct taxes and taxation of mining operations. The question was made up of parts (a), (b), (c), (d) and (e).

In part (a) candidates were required to advise the directors of the company's exposure to penalties and interest on late payment of mineral royalty tax, PAYE and WHT on consultancy fees and penalties arising from the and late submission of the related returns.

- (i) Candidates demonstrate a general lack of knowledge of the due dates for the payment of each of these tax types as well as the due dates for the submission of the related returns in each case.
- (ii) 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 and therefore failed to make the relevant computations of the amount of penalties and interest arising in each case.

In part (b) candidates were required to show how the mining loss incurred by the company in the previous year was to be relieved and calculating the balance of the mining loss remaining unrelieved at end of 2023. The following are the challenges faced by the candidates:

- (i) Failure to index the mining loss brought forward before claiming the loss relieve available.
- (ii) Failure to restrict the indexed mining loss, available for relief to 50% of the taxable mining profits generated during the year and therefore ultimately failing to calculate the amount of unrelieved the mining loss at the end of the year.

In part (c) candidates were required to advise the directors of the tax treatment of the unrelieved loss from hedging brought forward at the start of the tax year 2024. A few candidates demonstrated a lack of knowledge of the tax treatment of losses from hedging and therefore, failed to provide the required explanations.

In part (d) candidates were required to calculate the final tax adjusted mining profit of the company for the tax year. The challenges faced by the candidates are:

- (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) Claiming capital allowances on expenditure that does not qualify for capital allowances such as the construction of police post in a council township outside mining township.
- (iv) Failure to index capital allowances on the mining equipment acquired from foreign suppliers.
- (v) Using the wrong rates to calculate the amount of mineral royalty tax paid by the company on copper, gemstones and other base metals.
- (vi) Not indexing the unrelieved mining loss brought forward at the beginning of the tax year 2024 before offsetting it against the taxable mining profit.

In part (e) candidates were required to calculate the total amount of company income tax payable for the tax year. The following are the challenges faced by the candidates:

- (i) Using the wrong rates to calculate income tax on both the mining income and the non-mining income. Some candidates were using graduated income tax bands for individuals, instead of the company income tax rate of 30%.
- (ii) Not deducting the provisional income tax already paid by the company and withholding tax on interest income to arrive at the final amount of tax payable by the company.

QUESTION TWO

The general performance on this question was poor. Only 33 of the 109 candidates that attempted the question managed to obtain at least 10 marks out of a total of 20 available marks. A pass rate of 30.3% was recorded. The highest score was 20 out of 20 marks while the lowest was 0.

The question examined tax planning covering the incorporation of sole trader into a limited company). It was made up of parts (a), (b), (c) and (d).

Part (a) required candidates to advise of the income tax implications arising from incorporation of the sole proprietorship. Most candidates demonstrated a lack of knowledge of the tax implications and therefore failed to provide the required explanations.

In part (b) candidates were required to calculate the final taxable business profits made by the sole trader before incorporation of the business. Most candidates failed to

calculate the correct amount of balancing charges and allowances arising on the transfer of assets to a newly incorporated company.

In part (c) candidates were required to compute the amount of income tax and employees' NAPSA contributions payable by the directors of the newly formed company.

The following are the challenges faced by the candidates:

- (i) Failure to calculate the correct amounts of taxable emoluments, for the directors relating to the seven (7) months the business was run as limited company in the tax year 2024.
- (ii) Failure to calculate the correct amounts of employees' NAPSA contributions payable by each director. Most candidates were not restricting the emoluments to the NAPSA ceiling.

In part (d) candidates were required to calculate the final taxable business profits and income tax payable by the newly incorporated company. The following are the challenges faced by the candidates:

- (i) Failure to calculate the correct amount of the directors' emoluments to be deducted when computing taxable profits for the company.
- (ii) Failure to calculate the correct amount of the employer's NAPSA contributions to be deducted when computing taxable profits.
- (iii) Using the wrong rates to compute capital allowances claimable by the company for the tax year.
- (iv) Not making the appropriate adjustments for the personal to holder car benefit in respect of personal to holder cars used by the directors.
- (v) Use the wrong income tax rates to compute the income tax payable by the company.

QUESTION THREE

The general performance on this question was good. 65 of the 114 candidates that attempted the question managed to obtain at least 10 marks out of a total of 20 available marks. A pass rate of 57% was recorded. The highest score was 20 out of 20 marks while the lowest was 1.5.

The question examined international aspects taxation. It was made up of parts (a) and (b).

In part (a) candidates were required to calculate the company income tax paid for a company receiving income from both Zambian and foreign sources. The main challenges faced by the candidates are:

- (i) Not grossing up the income from foreign sources before including it in the computation of taxable income.

- (ii) Failure to calculate the correct amount of double taxation relief arising on foreign income received by the company.
- (iii) Using the wrong income tax rates to compute the income tax payable by the company.

In part (b) candidates were required to calculate the income tax payable by an individual receiving income from Zambian and foreign sources. The following are the challenges faced by the candidates:

- (i) Not including refund of rentals and maid's allowance when computing the taxable emoluments of the tax payer .
- (ii) Including interest on GRZ bonds on which withholding tax is the final tax the computation of taxable income.
- (iii) Not grossing up the income from foreign sources before including it in the income tax computation.
- (iv) Failure to calculate the correct amount of double taxation relief available on the income received from foreign sources.
- (v) Using the wrong rates to compute the amount of income tax payable. Some candidates were using the company income tax rate of 30%.

QUESTION FOUR

The general performance on this question was poor. Only 10 of the 79 candidates that attempted the question managed to obtain at least 10 marks out of a total of 20 available marks. A pass rate of 12.7% was recorded. The highest score was 13.5 out of 20 marks while the lowest was 1.

The question covered tax audits, financial arrangements and taxation of employment income. It was made up of parts (a), (b), (c) and (d).

Part (a) required candidates to explain the key differences between a tax audit and a tax investigation and was generally answered well. Only a few candidates demonstrated a lack of knowledge of the differences and therefore failed to provide the required explanations.

In part (b) candidates were required to advise the directors of the tax implications of acquiring a delivery truck under a hire purchase agreement. The following are the challenges faced by the candidates:

- (i) Failure to calculate the amount of the recoverable input VAT included in the cash price of the motor vehicle.
- (ii) Failure to determine the amount of the allowable interest expense implied in the hire purchase agreement.

- (iii) Failure to calculate the correct amount of capital allowances claimable by the company on the motor vehicle.

In part (c) candidates were required to explain the taxation implications arising on exercise of options and subsequent sale of shares under an unapproved employee share option scheme. Candidates demonstrated a lack of knowledge of the tax treatment of unapproved share option schemes and therefore failed to provide the relevant explanations.

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

- (i) Failure to identify the relevant taxable employment benefits to be included in the computation of taxable income.
- (ii) Failure to calculate the correct amount of the taxable gain arising from exercise of share options.
- (iii) Not grossing up the investment income on which WHT is not final before including it in the computation of taxable income.
- (iv) Using the wrong rates to compute the income tax liability
- (v) Failure to deduct the pay as you earn and withholding tax from the income tax liability to determine the final income tax payable

QUESTION FIVE

The general performance on this question was poor. Only 33 of the 85 candidates that attempted the question managed to obtain at least 10 marks out of a total of 20 available marks. A pass rate of 38.8% was recorded. The highest score was 17 out of 20 marks while the lowest was 0.5.

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

- (i) Not grossing up investment income on which WHT is not final before including it the computation of taxable income for the company.
- (ii) Failure to calculate the correct amount of movement in unearned premiums and outstanding claims from customers.
- (iii) Failure to adjust for amounts received from reinsurance and premiums paid to customers.
- (iv) Failure to identify the relevant allowable expenses to be deducted when computing the taxable income for the company.
- (v) Using the wrong rates to compute the capital allowances claimable by the company

- (vi) Failure to adjust for the free residential accommodation benefit and personal to holder car benefit.

In part (b) candidates were required to advise the directors, with appropriate computations, of the taxation implications arising from each shareholder drawing interest free loans from the company. Candidates demonstrated a lack of knowledge of loans to effective shareholders and therefore failed to provide the required explanations.

Overall performance of candidates

| | |
|-------------------------------------|-------|
| Highest mark obtained in this paper | 88% |
| Lowest mark obtained in this paper | 2% |
| Overall pass rate in this paper | 41.4% |

SUBJECT: CA3.5: ADVANCED MANAGEMENT ACCOUNTING

QUESTION ONE

The general performance on this question was poor. Only 9 out of the 23 candidates that attempted the question achieved a pass (that is a score of at least 20 out of 40 marks), representing a pass rate on the question of 39.1%. The lowest score was 11.5, whilst the highest was 30 out of the available 40 marks.

Part (a) (i) required candidates to discuss ethical issues raised in the scenario and this part was well answered as candidates brought out issues that were unethical in the performance of PE Plc. Good marks were obtained as clear explanations of ethical issues were given.

Part (a) (ii) required candidates to evaluate the stake holders of PE Plc using Mendelows matrix by mapping employees, customers, directors, shareholders and government. Candidates obtained good marks here but some could not use Mendelow's matrix. They, therefore, lost marks for this omission. Other candidates could not apply the matrix correctly.

Parts (b) (i) and (ii) and Parts (c) (i) and (ii) required candidates to calculate and discuss transfer pricing of PE. Both parts were poorly answered and the majority of candidates left this part unanswered.

Part (d) required candidates to discuss the disadvantages of using the Earnings Before Interest Tax, Depreciation and Amortisation (EBITDA) as a measure of financial performance.

This part was poorly attempted as many candidates could not explain disadvantages of using EBITDA. Some discussed the disadvantages of Residual Income.

The majority of answers were simply indicated that it was hard to understand, it is not used to calculate profit and many other wrong responses.

The most common mistakes made by the candidates included:

- Failing to evaluate the various stakeholders in the matrix
- Failing to calculate the correct transfer prices
- Not attempting the discursive parts of transfer pricing.
- Discussing Residual Income instead of EBITDA.
- Leaving sub parts of the question unattempted.

QUESTION TWO

The general performance on this question was poor. Only 3 of the 16 candidates that attempted the question managed to obtain at least 10 marks out of a total of 20 available marks. A pass rate of 18.8% was recorded. The highest score was 15 out of 20 marks while the lowest was 0.

This question required candidates to:

- (a) discuss the availability of limited funds and how they may be utilized in the best possible way.
- (b)
 - (i) evaluate LAPS's performance on the basis of non –profit measures.
 - (ii) give suggestions to improve the factors in (b)(i) wherever necessary, including how the observed short comings can be improved.

The most common mistakes made by the candidates included:

- Part (a) was well answered by most candidates.
- Part (b) (i). The evaluation of performance was not detailed. Evaluation was to be made in the eight areas but most candidates provided answers for three to four areas only.
- Part (b) (ii). Suggestions for improvement were not detailed and some were not related to factors stated in (b) (i) above. In short some candidates were giving answers to the question that was not asked.

QUESTION THREE

The general performance on this question was fair. Only 10 of the 21 candidates that attempted the question managed to obtain at least 10 marks out of a total of 20 available marks. A pass rate of 47.6% was recorded. The highest score was 12 out of 20 marks while the lowest was 2.

Question Three required candidates to:

- (a) explain the possible consequences of using students on the project
- (b) evaluate if the project is being poorly or well managed by the IT manager.
- (c) Suggest ways that the head of department can use to resolve challenges so that the project is successful.

The most common mistakes made by the candidates included:

- Failing to pick up from the scenario as many points as possible on the impact of using students on the project such risk, fatal errors, motivational effect on the permanent employees, etc.
- Failing to show that, indeed, the project is being managed poorly.
- Suggesting issues which are not affecting the scenario.
- Not mentioning how the head of department was going to resolve the challenges so that the project could be successful.

QUESTION FOUR

The general performance on this question was poor. Only 9 of the 21 candidates that attempted the question managed to obtain at least 10 marks out of a total of 20

available marks. A pass rate of 42.9% was recorded. The highest score was 14 out of 20 marks while the lowest was 3.

This question required candidates to prepare a report which:

- (a) categorized criticisms of the University of Palesa (UNPA) under the headings of operational, management and strategic; and to advise the Vice-Chancellor (VC) how control measures would assist in the implementation of the new strategic plan
- (c) Recommends, with reasons, what controls UNPA could assist in the improvement of any three of the areas criticized.
- (d) advise the VC how information systems could support the successful implementation of the new strategic plan

The common mistakes made by the candidates included:

- In part (a) most candidates did not distinguish between criticisms relating to Operations, Management and Strategic management.
- Part (b) was generally answered although a few candidates did not give detailed information on criticisms and recommendations.
- Part (c) was poorly answered as most of the candidates did not advise the VC on how information systems could support the successful implementation of the new strategic plan.

QUESTION FIVE

The general performance on this question was poor. Only 3 of the 9 candidates that attempted the question managed to obtain at least 10 marks out of a total of 20 available marks. A pass rate of 33.3% was recorded. The highest score was 13 out of 20 marks while the lowest was 2.

This question required candidates to:

- (a) discuss six principles to be adopted in the beyond budgeting implementation.
- (b) discuss two advantages and two disadvantages arising from the implementation of beyond budgeting in the organisation.

The most common mistakes made by the candidates included:

- A number of candidates failed to bring out the principles for the implementation of beyond budgeting. The principles which should be mentioned are clear principles and boundaries; goals and targets; high degree of autonomy; front line teams; transparency
- Candidates had challenges explaining the advantages and disadvantages of beyond budgeting.

Advantages included: Team based rewards; empowers operational managers by removing resource constraints; creates transparent and open information systems.

Disadvantages: May be costly to implement; there may be little or no expertise to implement Beyond Budgeting.

Overall performance of candidates

| | |
|-------------------------------------|-------|
| Highest mark obtained in this paper | 63% |
| Lowest mark obtained in this paper | 19% |
| Overall pass rate in this paper | 26.1% |

SUBJECT: CA 3.6: ADVANCED FINANCIAL MANAGEMENT

QUESTION ONE

The general performance on this question was fair. Only 9 out of the 20 candidates that attempted the question achieved a pass (that is a score of at least 20 out of 40 marks), representing a pass rate on the question of 45%. The lowest score was 5, whilst the highest was 30 out of the available 40 marks.

Part (a) required candidates to evaluate the financial viability of the proposed project in the electric car battery manufacturing using the NPV method, by preparing an investment appraisal in Zambian kwacha. The common mistakes included:

- (i) Most candidates did not take into account the two (2) taxes i.e. Tax @ 5% (30%-25%) and Tax @ 30% on Royalties. Both taxes should have been computed. Some candidates computed only one of the taxes.
- (ii) Some candidates used a wrong discount rate because of the wrong computation of the cost of capital. They failed to compute the equity beta to use in computing the cost of equity. Furthermore, some candidates failed to compute the cost of debt by computing the IRR since it was a redeemable bond. This resulted in calculation of wrong NPV.
- (iii) Some candidates failed to pick the correct exchange rate.

Part (b) required candidates to discuss other non-financial factors that should be considered before undertaking the proposed investment. This part of the question was fairly attempted

QUESTION TWO

The general performance on this question was good. 11 of the 20 candidates that attempted the question managed to obtain at least 10 marks out of a total of 20 available marks. A pass rate of 55% was recorded. The highest score was 16 out of 20 marks while the lowest was 1.

Part (a) required candidates to compute how much the company would be required to pay based on the forward contract. In responding to this question, candidates should have calculated correctly the forward rate, but most of them did not. This because most candidates did not add the 0.0097 discount to the 2-months forward rate in order to determine the contract amount.

Part (b) asked candidates to discuss the issues that should be considered by the board in determining whether debt would be an appropriate source of finance. The question was fairly attempted although some candidate did not raise enough points to gain full credit.

QUESTION THREE

The general performance on this question was good. 7 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 63.6% was recorded. The highest score was 14 out of 20 marks while the lowest was 1.

Part (a) required candidates to illustrate how traded currency options can be used to hedge the risk.

Part (b) required candidates to show the outcome of the hedge if the spot rate changed.

Lastly, part (c) asked candidates to discuss the relative advantages and disadvantages of using foreign currency options compared with fixed forward contracts. The question was well attempted indicating that most candidates had prepared well for this type of the question.

QUESTION FOUR

The general performance on this question was excellent. 10 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 90.9% was recorded. The highest score was 15 out of 20 marks while the lowest was 5.

Part (a) required candidates to compute the estimated equity market capitalization of the company based on the financial data provided.

Part (b) asked candidates to advise the on the relative advantages and disadvantages of share-for-share exchange and cash payments as a form of bid consideration. Most of the responses did not deduct the K16.6 million from the Cost of Goods and the distribution and administrative expenses in order to determine the Net cash flows. These answers did not correctly calculate the depreciation figure. Some answers failed to determine the real discount rate (using Fisher effect).

QUESTION FIVE

The general performance on this question was good. 11 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 64.7% was recorded. The highest score was 16 out of 20 marks while the lowest was 5.

Part (a) required candidates to discuss the validity of the views of each of the three (3) Managers, with respect to foreign trade. Some candidates were failing to relate their answers to the scenario given.

Part (b) asked candidates to discuss with examples, how any five (5) risks associated with foreign trade can be managed. Some candidates exhibited lack of knowledge of risks associated foreign trade besides foreign currency exchange risk.

Overall performance of candidates

Highest mark obtained in this paper 67%

Lowest mark obtained in this paper 17%

Overall pass rate in this paper 70%

SUBJECT: 3.7: PUBLIC SECTOR AUDITS AND ASSURANCE

QUESTION ONE

The general performance on this question was good. 60 out of the 97 candidates that attempted the question achieved a pass (that is a score of at least 20 out of 40 marks), representing a pass rate on the question of 61.9%. The lowest score was 5, whilst the highest was 32 out of the available 40 marks.

Part (a)

This part of the question required candidates evaluate the performance of the Supreme Audit Institution of Serbia against the Mexico declaration. To be able to answer this question correctly, candidates need to be familiar with the principles of the Mexico declaration on SAI independence. The scenario includes information where the principles are included and the candidate is required to identify the principles and explain whether or not there is compliance by the SAI of Serbia.

Explaining the principles of the Mexico declaration in general does not answer the question requirement and did not attract any marks. A majority of the candidates answered this part of the question satisfactorily and scored maximum marks.

The following observations were made:

- There were a few candidates that confused the Mexico declarations with the concepts in the Lima declaration. The aim of the question was to establish whether candidates knew the differences between these two declarations.
- There were some who simply repeated the information in the scenario without evaluating with the Mexico declaration and concluding whether or not there was compliance.

Part (b)

This part of the question required candidates to evaluate the performance of the Supreme Audit Institution of Algeria against the Lima declaration. The Lima declaration contains concepts that are required in establishing an effective SAI and unless the candidates know these concepts they would find it difficult to answer the question. Explaining in detail the concepts of the Lima declaration did not attract any marks. It is the evaluation that was required.

It is common for candidates to simply explain two or less concepts and marks would be awarded commensurate to the correct evaluations made. Candidates should be guided by the marks on offer for example to earn a maximum of 6 available marks at least four valid points are required.

The following observations were made:

- There were candidates who simply explained the Lima declaration concepts without evaluating against the operations of the SAI of Algeria and no marks were awarded as this did not address the question requirement.

- There were those who confused the Lima declaration concepts with those of the Mexico declaration.
- A few candidates argued against the formation of the SAI under the constitution as not good when that is one of the concepts of the Lima declaration.

Part (c)

This part of the question required candidates to explain the elements of the planned performance audit of the Algeria Technical College and to explain the value for money principles using these elements.

It was clear from the answers that a majority of the candidates did not know the elements of the planned performance audit and as such could not demonstrate the value for money principles against the elements as required.

The following observations were made:

- A majority of the candidates focused on explaining the value for money principles of economy, efficiency and effectiveness without making reference to the elements of the planned performance audit.
- There were some who simply listed the 3 Es without any explanations.
- A few candidates explained the elements of compliance audits for which no marks were awarded.
- A sizeable number of candidates discussed the stages of conducting performance audits which did not address the question requirements.

Candidates are encouraged to ensure they understand this topic well which accounts for 20% of the syllabus. Candidates may review the suggested solutions and establish where they went wrong.

Part (d)

- (i) This was a knowledge based question that required candidates to distinguish direct reporting engagements from attestation engagements. The main distinguishing feature is the party that prepares the subject matter information. When the subject matter information is prepared by the responsible party such as in the case of the preparation of the financial statements requiring the public sector auditors to perform procedures and report thereon is an attestation engagement. Where on the other hand the public sector auditor prepares the information and performs procedures and report, that is a direct reporting engagement such as in the case of a due diligence assignment.

The following observations were made:

- A majority of the candidates swapped/mixed the meaning of direct reporting and attestation engagements.
- There were answers that were clearly incorrect for example:

"Attestation engagements is where the auditor prepares the subject matter and measures the criteria against the reports." Or

"Attestation engagement requires that the auditor collects sufficient evidence to support a positive but absolute assurance while direct reporting is a low level assurance and takes a negative form of assurance." Clearly this was a clear mix up with levels of assurance which was not answering the question requirement.

- (ii) This part of the question required candidates to describe the elements of the intended compliance audit of the Algeria Technical College. It is important for candidates to be conversant with the terms used in order to ensure that candidates do not answer the wrong 'question'. In this case the elements of the compliance audits refer to explaining the authorities and criteria, the subject matter and the three parties to the compliance audit using the information in the scenario.

The following observations were made:

- Most candidates discussed how compliance audits are conducted without describing the elements using the information in the scenario.
- There were candidates that discussed audit procedures that should be conducted which was not addressing the question requirement.
- Some discussed the steps to conducting a compliance audit while
- A sizeable number simply did not attempt to answer this part of the question.

Part (e)

- (i) This was an application question that required candidates to suggest a suitable opinion that should be reached using the information in the scenario. Candidates needed to understand the criteria for reaching an appropriate opinion including:
- Whether or not sufficient appropriate audit evidence was obtained or there was a limitation of scope and
 - The materiality and pervasiveness of the matter of concern.

The following observations were made:

- Most of the candidates simply stated the opinion without any justification for the opinion suggested which did not address the question requirements.
- There were many candidates that simply stated that a modified opinion would be appropriate without specifying the form of modification whether qualified, adverse or a disclaimer of opinion.

- (ii) This part of the question required candidates to draft suitable opinion paragraphs using the opinion suggested in (i). Candidates could get maximum marks here

even if they suggested a wrong opinion if they corrected drafted a report using whichever opinion they had suggested. The format and working of the elements is important in answering this type of question.

The following observations were made:

- Most candidates repeated the answer in (e) which was not the question requirement.
- Many simply used the term 'Opinion' instead of Qualified opinion, Adverse opinion or Disclaimer of opinion as the case may be.
- Others simply stated the headings of the opinion paragraphs without including the relevant wording such as 'Except for ... the financial statements show a true and fair view' for a qualified opinion.
- There were candidates who simply reproduced the standard unmodified report format.

Part (f)

This part of the question required candidates to describe the purpose of the intended forensic audit of the Algeria Technical College. Explaining the meaning of forensic audits did not earn any marks as this did not address the question requirement.

Candidates were expected to explain more than one purpose in order to earn maximum marks.

The following observations were made:

- Many candidates described the situations that may require forensic audits in the scenario without explaining the purpose of the intended forensic audit of the Algeria Technical College.
- There were candidates who simply explained the meaning of forensic audits without describing the purpose as per question requirement.

QUESTION TWO

The general performance on this question was poor. Only 7 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 10.9% was recorded. The highest score was 15 out of 20 marks while the lowest was 1.

Part (a)

This part of the question required candidates to describe the impact of the challenges faced by the Kamunga District Council on the audit of the financial statements for the year ended 31 December 2023.

Candidates needed to use the information in the scenario in answering this question. The main challenge that the council is facing is that of financing and liquidity. Candidates should have immediately observed that this could have going concern implications for the council. The response of these challenges if this was a private

sector auditor could have implications on the basis of the preparation of the financial statements.

The following observations were made:

- The impact of the liquidity challenges were well explained by most candidates. There was failure by the candidates to observe that in the public sector the SAI will require to continue with the audit and cannot consider withdrawal as is the case in private sector auditing.

Part (b)

(i) This was a multi requirement question requiring candidates to:

- Discuss the need for risk assessment in the audit of the financial statements of Zambia Clay Industries Ltd and
- To suggest suitable action that should be taken by the public sector auditors in view of risk which was assessed as high.

Candidates should ensure they address both requirements of the question. It is common for candidates to only cover one aspect of the two questions and thereby lose the marks allocated to the part not attempted. Furthermore, candidates should note that in the private sector unless audit risk can be reduced to acceptable levels the audit should be declined for first time audits or resign in the case of continuing audits. In the public sector the mandate to conduct audits is by law and as such the public sector auditors may not opt to decline or terminate the engagement.

The following observations were made:

- There were candidates who answered the first part of the question on the need for risk assessment but did not answer the second part requiring candidates to suggest action that should be taken on account of high risk.
- Few suggested continuing with the audit despite risk being assessed as high which is the requirement in public sector auditing.

(ii) This part of the question required candidates to describe the audit risk with regards the dealings of Zambia Clay Industries Ltd with Better Cement Ltd and Lusaka Engineering Company both of whom are government owned companies like Zambia clay Industries Ltd.

Candidates should have observed that the three are related parties and the audit risk which could result in the misstatement of financial statements is with regards related party transactions and disclosure.

The following observations were made:

- A majority of the candidates did not consider Better Cement and Lusaka engineering Company as related parties to Zambia Clay Industry and so could not satisfactorily explain the risks associated with related party transactions and disclosures.
- (iii) This part of the question required candidates to describe 4 substantive audit procedures that should be conducted on the dealings of Zambia Clay Industries Ltd with Better Cement Ltd and Lusaka Engineering Company bit related parties.

It was disheartening to note that a majority of candidates had difficulties designing audit procedures a core syllabus area. The best approach is to consider the financial statements assertion contained in the dealing with these companies and design suitable procedures to test the assertions.

The following observations were made:

- Candidates explained audit procedures for compliance which was not the question requirement others detailed audit procedures for bank statements which was not the question requirement.
- Many of the candidates did not realize that the procedures required were those for related party transactions and disclosures and the procedures suggested were not related to these two aspects.

QUESTION THREE

The general performance on this question was good. 41 of the 82 candidates that attempted the question managed to obtain at least 10 marks out of a total of 20 available marks. A pass rate of 50% was recorded. The highest score was 19 out of 20 marks while the lowest was 2.

Part (a)

This part of the question required candidates to suggest and describe the key parties to the performance audit of the FSP program. In answering this question required to use the information in the scenario and not give general answers which did not earn maximum marks.

The following observations were made:

- Many candidates explained in detail one of the elements namely the three party relationship without considering the audited entity and the Supreme Audit Institution.
- There were many candidates that only explained one point. For six marks candidates were expected to identify and explain at least the three parties to the performance audit.

- There were candidates who discussed the value for money principles of economy, efficiency and effectiveness which did not address the question requirements.
- A few candidates discussed the elements of assurance engagements which again did not address the question requirement.

Part (b)

This part of the question required candidates to describe the performance audit process that should be undertaken for the FSO program using the information in the scenario. The performance audit process includes the four stages namely planning the audit, conducting the audit, reporting and follow up. It is important for candidates to familiarize themselves with the terminology used in this paper so that they do not misdirect themselves and answer the questions wrongly.

The following observations were made:

- Many of the candidates explained value for money principles of economy, efficiency and effectiveness which were not the question requirement.
- A minority of candidates discussed audit procedures that should be performed in a performance audit.

Part (c)

This part of the question required candidates to explain the relationship of the OAG, parliament and the government in accordance with the accountability triangle.

A Majority of candidates explained accountability and responsibility with no reference to the accountability triangle. Candidates needed to explain parliament's role in conferring responsibility to the executive to spend public funds in accordance with the relevant authorities and also conferring responsibility to the OAG to conduct audits.

QUESTION FOUR:

The general performance on this question was poor. Only 14 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 36.2% was recorded. The highest score was 18 out of 20 marks while the lowest was 3.

Part (a)

This part of the question required candidates to define effective auditing and conditions to achieve it in the public sector within the provisions of the Lima Declaration. To do this candidates needed to bring to bear their understanding of the concepts of the Lima declaration and for 5 marks explaining 5 concepts earned candidates maximum marks.

Most candidates explained transparency and accountability principles without making reference to the concepts of the Lima declaration which gives guidance to achieve effective auditing in the public sector.

Part (b)

This part of the question required candidates to explain the fundamental public sector auditing principles that needed to be applied in the assignment in the scenario.

Candidates were expected to explain the general principles in ISSAI 100: Principles of public sector auditing which apply across all public sector audits conducted by the Supreme Audit Institutions.

The following observations were made:

- A majority of the candidates scored less than half the available marks because they only explained one or two auditing principles that should be applied in the planned audit. For 10 marks candidates were expected to explain at least 5 auditing principles to earn maximum marks.
- There were some candidates who simply stated some principles with no explanation as required and so only scored half the available marks.
- A large number of candidates explained the ethical fundamental principles that were not the question requirement. Candidates are reminded to ensure that they understand the question requirement before answering the questions.

Part (c)

This part of the question required candidates to provide guidance on the stages of a forensic audit. This is a knowledge based question using the theory and applying it to the case scenario.

Most of the candidates scored more than half the available marks. A few candidates defined forensic audit without providing an explanation of the stages that should be followed in conducting a forensic audit.

QUESTION FIVE

The general performance on this question was poor. Only 25 of the 72 candidates that attempted the question managed to obtain at least 10 marks out of a total of 20 available marks. A pass rate of 25% was recorded. The highest score was 20 out of 20 marks while the lowest was 3.

Part (a)

This part of the question required candidates to explain any 4 types of audits that could be conducted at the Zambia Development Agency and their relevance. Explaining the types of audits without explaining their relevance did not earn maximum marks. Considering the marks on offer there are 2 marks for each type one mark for explaining the type of audit and the other mark for explaining the relevance to stakeholders.

A majority of the candidates scored maximum marks in this part of the question. A few lost marks for simply stating the types of audits that may be conducted without any explanation as required by the question.

Part (b)

This part of the question required candidates to describe 4 general controls which may need to be reviewed at the Zambia Development Agency.

The performance in this part of the question was poor with a majority of the candidates scoring less than half the available marks.

Most candidates could not satisfactorily describe the general controls and there were others that mentioning internal controls which did not address the question requirement. There were candidates who explained controls not related to the IT system such as budgetary controls, procurement controls and stores controls for which no marks were awarded.

Overall performance of candidates

| | |
|-------------------------------------|-------|
| Highest mark obtained in this paper | 78% |
| Lowest mark obtained in this paper | 21% |
| Overall pass rate in this paper | 51.5% |

SUBJECT: CA 3.8: PUBLIC SECTOR FINANCIAL MANAGEMENT

QUESTION ONE

The general performance on this question was very good. 4 out of the 6 candidates that attempted the question achieved a pass (that is a score of at least 20 out of 40 marks), representing a pass rate on the question of 66.7%. The lowest score was 14, whilst the highest was 23 out of the available 40 marks.

Part(a) required candidates to discuss the impact auditors have on the financial strategy, types of reports and their impact on the achievement of value for money. The common mistakes included the inadequate explanation of the Public Audit Act of 2004 which outlines the requirements for the public sector in Zambia. Such an explanation would have resulted into easier responding to parts (i), (ii) and (ii) which required candidates to discuss the impact of auditors of public service organizations such as the Kitwe City Council as in the question.

Part (b) required the candidates to explain the responsibility of the Chief Financial Officer with regard to the evaluation of risks and returns before a decision to setup business ventures is made. Some of the candidates did not explain what is meant by "Risk" and "Returns". This should have been the basis to explain the basis on which the Chief Financial Officer was to make the decision to set-up the business venture of Kitwe City Council. Some candidates did not explain clearly how a risks assessment (within the Treasury Management Strategy) could assist the Chief Finance Officer's decision making process.

Part(c) required the candidates to indicate the activities for the Public Service Organisation (PSO) which are expected to be undertaken in order to assist the Finance Managers to suggest solutions for the PSO to become more sustainable with regard to Long-Term Service Agreements, Diversification of sources of income, pursuing profitable business opportunities and managing financial reserves.

Most responses for those that responded to this part of the question did not provide adequate suggestions. Instead, some of the answers merely defined the role and responsibilities of the Finance Managers and not relating these responsibilities to the question being asked. Some candidates failed to provide examples are required in the exam.

QUESTION TWO

The general performance on this question was excellent. All of the candidates that attempted the question managed to obtain at least 10 marks out of a total of 20 available marks. A pass rate of 100% was recorded. The highest score was 18 out of 20 marks while the lowest was 10.

Part (a) required candidates to discuss the main methods of financing available for national governments. Some of the candidates did not clearly state and subsequently discuss the four main available methods of financing available for national governments as was requested in the question. Most responses merely identified one source i.e. Banks leaving out the External, sale of Government Assets and Forfeited Assets and Taxes and Non-Tax Revenues collected from citizens.

Part (b) asked candidates to discuss the role of the debt management office in the public sector. For those candidates that responded to this part of the question, common mistakes were due to not clearly specifying the role that debt management office plays in the public sector. Candidates were expected to state the roles which included minimizing financing costs in order to minimize the cost of offsetting the Government's net cash flows, external debt negotiations and funding and transaction execution. These were not clearly stated by some of the candidates.

Part (c) asked candidates to explain the potential sources of borrowing available to a country and their benefits as well as drawbacks. The question was well attempted by the candidates.

QUESTION THREE

The general performance on this question was very good. 6 of the 5 candidates that attempted the question managed to obtain at least 10 marks out of a total of 20 available marks. A pass rate of 80% was recorded. The highest score was 14 out of 20 marks while the lowest was 7.

Part (a) required candidates to evaluate potential concerns raised by the citizens from the scenario given. The most common mistake was not to state the key aspects to be taken into account when addressing the potential concerns of customers. Candidates were not specific. Points raised were too general.

Part (b) required candidates to evaluate the long-term implications of adopting the PPP model. The most common mistake was lack of in-depth knowledge of the PPP. Benefits as well as risks did not come out well and clearly in most explanations of the PPP. Candidates did not demonstrate or deploy the multi-dimensional framework properly. Most of them failed to systematically analyse how successful the PPP can be with regard to arranging in revitalizing its transportation. Infrastructure.

Part (c) required candidates to evaluate the advantages and potential risks of PPPs. This part was well attempted.

QUESTION FOUR

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

The question tested candidates on budgeting. The common mistake was not to indicate the percentage in decrease of the budget to General Public Service from 2022 to 2024. Similarly, the candidate did not provide statistics from 2022- 2024 on the increase in the following sectors: Environmental protection, Defense and Health. The impact of the changes in domestic and foreign financing were not well explained by the candidate. The other common mistake was to inadequately explain the role of grants in the budget and suggesting ways to leverage them effectively for sustainable development.

QUESTION FIVE

The general performance on this question was very good. 4 of the 5 candidates that attempted the question managed to obtain at least 10 marks out of a total of 20 available marks. A pass rate of 80% was recorded. The highest score was 17 out of 20 marks while the lowest was 7.

Part (a) required candidates to explain the concept of public financial management. In most cases, the common mistakes were poor explanation of the concept of Public Financial Management.

Part (b) asked candidates to explain the institutions with the help of example that are deemed to be public sector organisation for the purpose of public financial management. Candidates were giving poor examples explaining the institutions that are deemed to be public sector organisations for the purposes of Public Financial Management. SOEs, statutory bodies should have been given as examples with better explanations.

Part (c) required candidates to discuss the key difference between public and private sector which lead to distinct characteristics of public sector financial management. One notable mistake is that candidates were not clearly able to distinguish between Public and Private Sector which clearly leads to distinct characteristics of public sector financial management.

Overall performance of candidates

| | |
|-------------------------------------|-----|
| Highest mark obtained in this paper | 70% |
| Lowest mark obtained in this paper | 40% |
| Overall pass rate in this paper | 83% |