



JUNE 2024 EXAMINATIONS

CHIEF EXAMINERS REPORTS

DIPLOMA IN ACCOUNTANCY

## **SUBJECT: DA 1: FINANCIAL ACCOUNTING**

### **QUESTION ONE**

The general performance on the question was poor. Of the 158 that attempted the question, only 59 managed to obtain at least 10 out of the available 20 marks. A pass rate of 37.3% was recorded. The highest score was 18 while the lowest was 0 out of 20.

### **QUESTION TWO**

The general performance on the question was very good. Of the 122 that attempted the question, 92 managed to obtain at least 10 out of the available 20 marks. A pass rate of 75.4% was recorded. The highest score was 20 while the lowest was 0 out of 20.

Candidates had challenges with the error of overcast for purchases and drawings in kind of adjusting the gross profit.

### **QUESTION THREE**

The general performance on the question was poor. Of the 117 that attempted the question, only 28 managed to obtain at least 10 out of the available 20 marks. A pass rate of 13.6% was recorded. The highest score was 15 while the lowest was 0 out of 20.

Candidates failed to pick the answer to part a, which were clearly given in the scenario.

In part (c) many candidates entered the figures on wrong sides of the ledger account

In part (e) candidates failed to deduct the opening balance from the required allowance.

### **QUESTION FOUR**

The general performance on the question was very good. Of the 148 that attempted the question, 122 managed to obtain at least 10 out of the available 20 marks. A pass rate of 82.4% was recorded. The highest score was 20 while the lowest was 0 out of 20.

Many candidates failed to deduct the prepared rent before apportioning the expense amount between manufacturing and profit or loss account.

### **QUESTION FIVE**

The general performance on the question was poor. Of the 148 that attempted the question, only 50 managed to obtain at least 10 out of the available 20 marks. A pass

rate of 33.8% was recorded. The highest score was 18.5 while the lowest was 1 out of 20.

Many candidates failed part 1 and in part 2, candidates failed to follow the given instruction to start with bank statement balance in part 2 (b).

### **QUESTION SIX**

The general performance on the question was good. Of the 93 that attempted the question, 54 managed to obtain at least 10 out of the available 20 marks. A pass rate of 58.1% was recorded. The highest score was 19.5 while the lowest was 0 out of 20.

In part (a) many candidates failed to include the opening cash at bank balance.

In part (b) (i), the opening and closing balances were entered on wrong sides.

### **Overall performance of candidates**

Highest mark obtained in this paper	93%
Lowest mark obtained in this paper	5%
Overall pass rate in this paper	53.1%

## **SUBJECT: DA2: QUANTITATIVE ANALYSIS**

### **QUESTION ONE**

The general performance on the question was poor. Of the 92 that attempted the question, only 16 managed to obtain at least 10 out of the available 20 marks. A pass rate of 17.4% was recorded. The highest score was 16 while the lowest was 2 out of 20.

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 compound interest, random values and probability distribution. The performance was very good as most candidates were able to provide correct solutions. For candidates who could not perform well, it was observed multiple choice questions that required calculations were the tougher questions. It is therefore suggested that candidates should familiarize themselves with short mathematical and statistical calculation in order to improve on performance in this section of the examination.

### **QUESTION TWO**

The general performance on the question was excellent. Of the 88 that attempted the question, 75 managed to obtain at least 10 out of the available 20 marks. A pass rate of 85.2% was recorded. The highest score was 20 while the lowest was 3 out of 20.

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

### **QUESTION THREE**

The general performance on the question was poor. Of the 88 that attempted the question, only 37 managed to obtain at least 10 out of the available 20 marks. A pass rate of 42% was recorded. The highest score was 20 while the lowest was 0 out of 20.

The first part of the question required candidates to use given data to find period of investment using the method of compound interest. It was noted that the performance was not good on this question mainly due to students' inability to appropriately use the natural logarithms to solve for the time component in the equation.

Part (b) was a question on grouped data requiring candidates to calculate the mean, standard deviation, mode and median. The majority of candidates were able to find

the mean correctly but had challenges in finding the mode and median due to improper replacement of values in the formula.

#### **QUESTION FOUR**

The general performance on the question was good. Of the 61 that attempted the question, 32 managed to obtain at least 10 out of the available 20 marks. A pass rate of 52.5% was recorded. The highest score was 20 while the lowest was 0 out of 20.

The first part of the question covered decision making by considering economic strategies and specified alternative. Candidates were required to use the Maximax criterion, Laplace method and Hurwicz. It was observed that less than 50% of candidates managed to score marks above 10. The main observed challenge was candidates selecting maximum or minimum values from columns rather than rows and vice-versa. This affected the final answer they would obtain hence resulted in loss of marks.

The second part of the question required candidates to define the terms ordinary annuity, annuity due, sinking fund and perpetuities. Most candidates lost marks due to wrong definition. It was further noted that the candidates demonstrated lack of knowledge in the required definitions hence are advised to not focus on solving problems but also understand concepts and definitions of terms.

#### **QUESTION FIVE**

The general performance on the question was poor. Of the 37 that attempted the question, only 3 managed to obtain at least 10 out of the available 20 marks. A pass rate of 8.1% was recorded. The highest score was 14 while the lowest was 0 out of 20.

The first part of the question required candidates to use the principle of compound interest to find the annuity of the loan. It was noted that majority of candidates failed this question due to use of wrong formula.

Part b of this question required candidates to use the normal distribution method to calculate probabilities. The performance on this part was moderately well except for observed errors in use of the z-tables to find final probability values. It was also observed that some candidates still struggle with probability concept as they were presenting solutions with probabilities greater than 1 which is wrong.

The last part of the question required use of the given nominal rate to find equal amounts needed to be made annually. Candidates could not correctly solve this question due to observed lack of understanding of the principle and use of wrong formula.

## **QUESTION SIX**

The general performance on the question was very good. Of the 86 that attempted the question, 65 managed to obtain at least 10 out of the available 20 marks. A pass rate of 75.6% was recorded. The highest score was 20 while the lowest was 0 out of 20.

The first part of the question required candidates to find the NPV of two investment and use the results to choose the best investment. The performance was very good on this part as candidates demonstrated knowledge of the subject and solved the question correctly.

The second question required candidates to use given data and apply time series method particularly the 4-quarter moving average to find the moving trend and seasonal variation. The performance was good on this question as majority of candidates applied the correct method of solving the question. Few who failed were having wrong totals leading to wrong moving averages.

### **Overall performance of candidates**

Highest mark obtained in this paper	86%
Lowest mark obtained in this paper	6%
Overall pass rate in this paper	51.1%

## **SUBJECT: DA3: BUSINESS ECONOMICS**

### **QUESTION ONE**

The general performance on the question was fair. Of the 87 that attempted the question, only 40 managed to obtain at least 10 out of the available 20 marks. A pass rate of 46% was recorded. The highest score was 20 while the lowest was 2 out of 20.

### **QUESTION TWO**

The general performance on the question was very good. Of the 82 that attempted the question, 69 managed to obtain at least 10 out of the available 20 marks. A pass rate of 84.1% was recorded. The highest score was 20 while the lowest was 4 out of 20.

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

- (a) Required candidates to explain the concepts of opportunity cost and choice. The overall performance was fair. The common mistake was that a good number of candidates only focused on opportunity cost hence could not get the full marks allocated for the question.
- (b) Required candidates to describe the conditions under which a movement from one point on the PPF to another is considered efficient. This was well answered. However, some candidates the PPF with demand curve.
- (c) Required candidates to state any three (3) differences between private and public limited companies. This again was well answered.
- (d) Required candidates to outline any Two (2) merits and any two (2) demerits of monopolies. Majority of the candidates were able to outline the demerits but could not do the same on the merits of state monopolies. Basically, the merits are the advantages of state monopolies.

### **QUESTION THREE**

The general performance on the question was poor. Of the 17 that attempted the question, only 2 managed to obtain at least 10 out of the available 20 marks. A pass rate of 11.8% was recorded. The highest score was 12 while 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) calculate accounting profit and economic profit from the given data. This was fairly done. Majority of the candidates correctly calculated accounting profit but not economic profit. The common error was failure to identify the implicit cost of K125,000; the foregone salary.

- (ii) to advise Manda based on calculations. This was poorly done by all those who failed to calculate economic loss, in this instance. Some were able to give the correct advice but could not be given credit because the answer was dependent on the calculated economic loss.
- (b) This part of the question was poorly done. Required candidates to:
- (i) calculate the equilibrium price and quantity. Few candidates were able to get this part correct. The common mistake was failure to understand the demand and supply functions given. The demand function is  $P = 100 - 4Q$  while the supply function is  $P = Q$ , hence at equilibrium, the two functions are equated. This gives  $100 - 4Q = Q$ ; the solving for  $Q$  gives 20 and substituting  $Q$  in either of the equations give  $P = 20$  as well.
  - (ii) This was poorly done.  $TR = PQ$ , hence 400.
  - (iii) Required candidates to determine the profit or loss. Again, performance was poor. Some candidates failed to note that  $\text{Profit} = TR - TC$ . This is  $\text{Profit} = 400 - (50 + 4Q + 2Q^2)$ . With  $Q$  already calculated in (i), all that was needed was to substitute the value of  $Q$  in the  $TC$  function.
- (c) Required candidates to explain why perfectly competitive firm may choose to operate at a loss in the short run. This was poorly done. Some candidates seemed not to understand the characteristics of a perfectly competitive firm. The answer required was that as long as the firm is able to cover its variable costs, it shall continue to operate. The question examined the "Shutdown Rule".

## QUESTION FOUR

The general performance on the question was poor. Of the 72 that attempted the question, only 16 managed to obtain at least 10 out of the available 20 marks. A pass rate of 22.2% was recorded. The highest score was 16 while the lowest was 0 out of 20.

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

- (a) Required candidates to use graphs to illustrate the effect on equilibrium price and quantity of Pizza. The common mistakes included poor graphs, no accompanying explanation of the graph, poor labelling, only single demand curves or supply curves drawn, wrong shifts. It is important to always understand that equilibrium occurs at the point where demand and supply curves intersect, and this should be the beginning point. Next is to look at the factor in question; does it shift the demand curve or the supply curve and what is the direction of the shift? These are the questions that must be answered always when carrying out equilibrium analysis.
- (i) Cheese shifts supply curve to the left as it is a raw material in Pizza making



- (ii) Bad publicity on chicken and chips shifts the demand curve for Pizza to the right
  - (iii) Reduction in the price of tomatoes shifts the supply curve to the right as it is a major ingredient.
- (b) This part of the question was fairly done. It required candidates to explain the demand curve that a monopolistic firm faces. Some candidates confused this with perfectly competitive firm and drew a horizontal demand curve. Other drew the right graph but did not explain as required hence lost some marks. Candidates are urged to thoroughly read the questions and address the specific requirements.

## QUESTION FIVE

The general performance on the question was good. Of the 60 that attempted the question, 30 managed to obtain at least 10 out of the available 20 marks. A pass rate of 50% was recorded. The highest score was 20 while 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 state what each the given letter stand for:
- (i) Y: Majority of the candidates indicated that this is Income. Other stated that it is disposable income while other could not even attempt it. Y stands for National Income
  - (ii) G: This was poorly done too. Many candidates stated that it stands for aggregate demand!
  - (iii) X-M: This was fairly done, though some candidates interchanged the exports – imports and wrote imports – exports!
- (b) This question was poorly done. Required candidates to:
- (i) calculate the equilibrium level of output using the given data. Majority of the candidates were able to get this part correct. The common mistake was failure to understand the equilibrium identity of  $Y = C + I + X$ , and then solving for Y
  - (ii) This was poorly done. Only those candidates who got (i) above correct were able to get this one correct too. This is because it simply required substituting the value of Y in the consumption function given.
- (c) Required candidates to explain why perfectly competitive firm may choose to operate at a loss in the short run. This was poorly done. Some candidates seemed not to understand the characteristics of a perfectly competitive firm. The answer required was that as long as the firm is able to cover its variable costs, it shall continue to operate. The question examined the "Shutdown Rule".

## QUESTION SIX

The general performance on the question was good. Of the 52 that attempted the question, 33 managed to obtain at least 10 out of the available 20 marks. A pass rate of 63.5% was recorded. The highest score was 20 while 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) Explain Absolute Advantage theory. This was correctly done by majority of candidates.
  - (ii) Explain Comparative Advantage Theory. Common error here was that some candidates couldn't bring out the concept of opportunity cost which is key in explaining this theory.
- (b) This part of the question was poorly done. Required candidates to:
  - (i) Outline three (3) methods for protectionism. Majority of candidates were able to outline the barriers to trade
  - (ii) State four advantages of protectionism. This was fairly answered though there were a lot of noneconomic reasons.
- (c) Required candidates to outline any two (2) benefits and any two (2) disadvantages of belonging to a regional trading bloc like COMESA. This was poorly done. This may indicate that some candidates ignored the topic when preparing for the examination.

## QUESTION SEVEN

The general performance on the question was poor. Of the 63 that attempted the question, only 23 managed to obtain at least 10 out of the available 20 marks. A pass rate of 36.5% was recorded. The highest score was 15 while the lowest was 0 out of 20.

The question was divided into three (3) parts namely (a) to (e) as follows:

- (a) Required candidates to:
  - (i) define labour force and calculate the labour force from the given data.
  - (ii) calculate the number of people not in labour force. Majority of the candidates failed to answer this one correctly. The correct answer depended on the correct answer to (i) above. Number of people not in labour force = adult population – labour force.
- (b) Required candidates to define the unemployment rate. This part of the question was poorly done.

- (c) Required candidates to calculate the unemployment rate using the given data. Some candidate got this wrong because they used the total population instead of the labour force for the denominator.
- (d) explain any four (4) costs associated with unemployment. This was fairly well answered
- (e) Outline the three (3) objectives of commercial banks. Majority of candidates failed this question because they confused objectives of commercial banks with their functions. Others, presented functions of the central bank

### **Overall performance of candidates**

Highest mark obtained in this paper	75%
Lowest mark obtained in this paper	15%
Overall pass rate in this paper	46%

## **SUBJECT: DA4: INFORMATION TECHNOLOGY AND COMMUNICATION**

### **QUESTION ONE**

The general performance on the question was excellent. Of the 103 that attempted the question, 91 managed to obtain at least 10 out of the available 20 marks. A pass rate of 88.4% was recorded. The highest score was 20 while the lowest was 4 out of 20.

### **QUESTION TWO**

The general performance on the question was fair. Of the 97 that attempted the question, 48 managed to obtain at least 10 out of the available 20 marks. A pass rate of 49.5% was recorded. The highest score was 17 while the lowest was 3 out of 20.

The question was about describing three characteristics of Local Area Networks, stating five advantages of using e-mail for communication, outlining two ways you can protect a sheet in excel and the five roles that databases would play in the role as a data analyst

The common mistakes were as follows:

- (a) Most students didn't explain disadvantages of using e-mail for communication so well, they gave general disadvantages for communication
- (b) Outlining ways to protect a sheet in excel wasn't well explained. The reason might be lacking practice on what they read or they don't try using MS-Excel as they study the topic
- (c) Some students didn't answer the roles that databased would play, instead they were giving advantages of using databases

### **QUESTION THREE**

The general performance on the question was good. Of the 78 that attempted the question, 40 managed to obtain at least 10 out of the available 20 marks. A pass rate of 51.3% was recorded. The highest score was 19 while the lowest was 2 out of 20.

The question was about explaining four ways a well-designed Accounting Information System can contribute to the organisation's value chain, describing three network topologies and stating the difference between intrusion detection and logical access controls

The following were the common mistakes noted in this question:

- (a) Most students were not explaining the contribution part correctly and was not coming out clearly. Some students were listing and not explaining.

- (b) Some students were explaining types of Information Systems instead of Accounting Information System
- (c) Some students were writing advantages and disadvantages of network topologies, that were not asked in the question. Some students were not explaining the topologies correctly
- (d) Most students could not state the correct difference between intrusion detection and logical access controls. Those students that attempted the question, struggled to explain or distinguish the two.

#### **QUESTION FOUR**

The general performance on the question was poor. Of the 29 that attempted the question, only 7 managed to obtain at least 10 out of the available 20 marks. A pass rate of 24.1% was recorded. The highest score was 13 while the lowest was 2 out of 20.

The question was about explaining types of threats to information systems, four things that a word processing application allows you to do, explaining three common causes of computer lock-ups and writing down some formulas in MS Excel

The following were the common mistakes noted in this question:

- (a) Some students answered the types of threats to information systems poorly. They could not explain Denial of Service and cracking correctly.
- (b) Some students had challenges in correctly explaining the common causes of computer lock-ups
- (c) Most students were not writing the correct formula for calculating the net salary and bonus that was being given to employees with 26 days in a month. Some students were writing their formulas mathematically and not how the formula would be written in using an excel formula.

#### **QUESTION FIVE**

The general performance on the question was good. Of the 69 that attempted the question, 47 managed to obtain at least 10 out of the available 20 marks. A pass rate of 68.1% was recorded. The highest score was 20 while the lowest was 4 out of 20.

The question was about identifying four differences between formal and informal meetings, explaining meeting terminologies and stating two duties of meeting officials.

The following were the common mistakes noted in this question:

- (a) Some candidates had repeated answers
  - Failure to bring out the correct distinction between formal and informal.
  - Mixing up answers– formal and informal meetings.

- Some candidates indicated duties of the secretary which was not supposed to be the case.
- Some candidates presented importance of formal meetings.
- Different types of meeting were presented other than what was provided in the question paper.
- Some candidates described lines of communications in the organization which was not supposed to be the case.

(b) Omitting this part of the question resulted in loss of marks

- Presenting more than the required answers which had wrong content too.
- Failure to explain meeting terminology especially the term ex-officio

## **QUESTION SIX**

The general performance on the question was excellent. Of the 69 that attempted the question, 59 managed to obtain at least 10 out of the available 20 marks. A pass rate of 85.5% was recorded. The highest score was 19 while the lowest was 4 out of 20.

The question was about writing a letter requesting for a salary advance and outlining three reasons why the manager suggested that you put the request in writing.

The following were the common mistakes noted in this question:

- wrong format or lay used in most cases was used.
- Wrong or poor subject line
- Some candidates wrote letters requesting for salary increments instead of for salary advance as required by the question
- Mismatching parts of a business letter.
- Omission of some important parts of a letter.
- Poor spellings and grammar in general
- Salutation not matching with the complementary close.

## **QUESTION SEVEN**

The general performance on the question was fair. Of the 68 that attempted the question, only 33 managed to obtain at least 10 out of the available 20 marks. A pass rate of 48.5% was recorded. The highest score was 18 while the lowest was 1 out of 20.

The question was about explaining any five factors to consider when writing a report and explaining parts of a report

The following were the common mistakes noted in this question:

- (a) Failure to explain factors to consider when writing a report.
- Repeated answers.
  - Irrelevant content

- Some candidates indicated essentials of a good report which was not supposed to be the case.
- (b) Appendices were mixed up with table of content.
- Appendices were also explained as recommendation.
  - Omission of this part of the question which led to loss of marks
  - Wrong content was provided.
  - Some candidates reproduced the question for part (a) as answers for part (b)
  - Some candidates presented other parts of a report other than what was provided in the question.

### **Overall performance of candidates**

Highest mark obtained in this paper	85%
Lowest mark obtained in this paper	20%
Overall pass rate in this paper	70.9%

## **SUBJECT: DA5 COST ACCOUNTING**

### **QUESTION ONE**

The general performance on the question was good. Of the 105 that attempted the question, 57 managed to obtain at least 10 out of the available 20 marks. A pass rate of 54.3% was recorded. The highest score was 18 while the lowest was 2 out of 20.

### **QUESTION TWO**

The general performance on the question was poor. Of the 53 that attempted the question, only 17 managed to obtain at least 10 out of the available 20 marks. A pass rate of 32.1% was recorded. The highest score was 18 while the lowest was 1 out of 20.

This question examined process costing and required candidates to prepare a schedule of equivalent units, calculate the full cost per unit and prepare Process 2 account.

The most common mistakes made by the candidates included:

- Failing to determine normal losses, abnormal gain or loss
- Failing to calculate equivalent units
- Wrong valuation of completed units and WIP units.
- Failing to construct Process 2 account.

### **QUESTION THREE**

The general performance on the question was poor. Of the 65 that attempted the question, only 14 managed to obtain at least 10 out of the available 20 marks. A pass rate of 21.5% was recorded. The highest score was 17 while the lowest was 0 out of 20.

This question examined full costing, Activity Based Costing and the functions of cost accounting in an organisation.

Part (a) required candidates to calculate the cost per unit for each product using the current method of allocating overheads.

Candidates did well on how to calculate material costs and labour costs per unit.

Part (b) required candidates to calculate the cost per unit of each product while part(c) required an explanation of the function of cost accounting systems in an organization.

The most common mistakes made by the candidates included:

- failing to calculate the correct overhead costs at 30% of material costs. The challenge is that they are used to calculating overheads per labour hour or machine hour.
- Candidates did not seem to understand how to calculate cost per unit for overheads which resulted in wrong costs per unit.



- Candidates had challenges explaining properly the function of cost accounting systems; instead, they explained control, planning and decision making functions.

#### **QUESTION FOUR**

The general performance on the question was poor. Of the 105 that attempted the question, only 42 managed to obtain at least 10 out of the available 20 marks. A pass rate of 40% was recorded. The highest score was 20 while the lowest was 1.5 out of 20.

This question examined materials costing and required candidates to:

- (a) calculate the closing inventory value using FIFO
- (b) mention advantages and disadvantages of FIFO, LIFO and AVCO.
- (c) define the Economic Order Quantity and state three assumptions.
- (d) calculate the EOQ

The most common mistakes made by the candidates included:

- Errors in calculating the closing inventory value.
- Guessing the advantages and disadvantages of FIFO, LIFO and AVCO methods.
- Failing to define the EOQ formula and the inherent assumptions
- Inability to calculate the EOQ because of not knowing the formula.

#### **QUESTION FIVE**

The general performance on the question was poor. Of the 83 that attempted the question, only 22 managed to obtain at least 10 out of the available 20 marks. A pass rate of 26.5% was recorded. The highest score was 18.5 while the lowest was 1 out of 20.

This question examined cost behaviour and integrated accounting systems and required candidates to:

- (a) explain what is meant by cost behaviour
- (b) describe cost behaviour items relating to total fixed, total variable, total stepped and total mixed costs as well as their respective costs per unit.
- (c) identifying accounting entries which should debited or credited for a number of given transactions.

The most common mistakes made by the candidates included:

- Failing to explain the behaviour of total fixed costs, total variable costs and total mixed costs per unit.
- Not knowing the double entry bookkeeping for Work in Progress account, Finished Goods account and Cost of Sales account.

## QUESTION SIX

The general performance on the question was fair. Of the 97 that attempted the question, 47 managed to obtain at least 10 out of the available 20 marks. A pass rate of 48.5% was recorded. The highest score was 19 while the lowest was 0 out of 20.

This question examined marginal and absorption costing and required candidates to:

- (a) state two reasons for differences in the profits reported by marginal and absorption costing systems
- (b) prepare profit or loss statements on marginal and absorption costing systems.

The most common mistakes made by the candidates included:

- Failing to explain factors that cause differences in profit such as the presence of fixed production overheads in the inventory valuation and changes in opening and closing inventories.
- Not following the marginal and absorption costing formats. Total contribution should always be reflected on the marginal costing format and all fixed costs should be deducted in full of the total contribution.
- Failing to include the closing inventory or wrongly valuing inventory on the statements.
- Failing to calculate the absorption cost per unit which was important for the absorption costing statement.

### Overall performance of candidates

Highest mark obtained in this paper	78%
Lowest mark obtained in this paper	14%
Overall pass rate in this paper	35.2%

## **SUBJECT: DA 6: BUSINESS LAW**

### **QUESTION ONE**

The general performance on the question was good. Of the 94 that attempted the question, 60 managed to obtain at least 10 out of the available 20 marks. A pass rate of 63.8% was recorded. The highest score was 18 while the lowest was 4 out of 20.

Students managed to pick out the correct answers and my view is that most of them followed to ZICA manual and examinations techniques which are readily available on ZICA website. Future students are encouraged to study all topics and appreciate the principles. They are further encouraged to use the elimination method as they deal with examination questions of this nature. A student must eliminate all possible answers and remain with the most probable answer.

### **QUESTION TWO**

The general performance on the question was poor. Of the 51 that attempted the question, only 15 managed to obtain at least 10 out of the available 20 marks. A pass rate of 29.4% was recorded. The highest score was 14 while the lowest was 0 out of 20.

This was a 2 part question and was only attempted by few students. The first part (a) was on the postal rule. Students performed poorly on this part, perhaps they did not revise this topic and were not ready for it. Future students should be helped to understand the postal rule and also the point at which rejection of an offer amounts to a breach of contract. The second part (b) was on capacity to contract; students under performed on this part also. Future students should be helped to fully understand the principle of capacity to contract and must make use of the Zica manual in full. In future, students should revise the whole manual and avoid selective study.

### **QUESTION THREE**

The general performance on the question was good. Of the 79 that attempted the question, 50 managed to obtain at least 10 out of the available 20 marks. A pass rate of 63.3% was recorded. The highest score was 20 while the lowest was 0 out of 20.

### **QUESTION FOUR**

The general performance on the question was very good. Of the 77 that attempted the question, 59 managed to obtain at least 10 out of the available 20 marks. A pass rate of 76.6% was recorded. The highest score was 20 while the lowest was 0 out of 20.

## **QUESTION FIVE**

The general performance on the question was excellent. Of the 89 that attempted the question, 83 managed to obtain at least 10 out of the available 20 marks. A pass rate of 93.3% was recorded. The highest score was 18 while the lowest was 0 out of 20.

This was a 3-part question on partnership. Students did well on the first to part which required them to define a partnership deed and explain 4 duties of a partnership relationship. However, they did not do well on the last part which was a scenario question requiring them to discuss the elements of a valid partnership. Future students should be helped in this area by revising the Zica manual. About 80% of the students got this question right. Future candidates are encouraged to read widely and revise this topic as it is highly examinable.

## **QUESTION SIX**

The general performance on the question was very good. Of the 78 that attempted the question, 59 managed to obtain at least 10 out of the available 20 marks. A pass rate of 75.6% was recorded. The highest score was 20 while the lowest was 0 out of 20.

The question had four parts:

- (a) Candidates were able to distinguish Civil Law from Criminal Law. The Zica manual is comprehensive on the said topic and students must read it in its entirety. About 80% of the students got this question right. Future candidates are encouraged to read widely and revise this topic as it is highly examinable.
- (b) Most of the Candidates showed an understanding of the Literal rule of statutory interpretation however, a good number struggled to explain the context rule of statutory interpretation. About 85 % of the candidates got the answers correctly.
- (c) Under this part, Candidates showed an understanding on tests of employment relationship. This shows that candidates understood their assignment as required by Zica. Future candidates are encouraged to read widely and revise this topic as it is highly examinable.

## **Overall performance of candidates**

Highest mark obtained in this paper	79%
Lowest mark obtained in this paper	6%
Overall pass rate in this paper	85.1%

## **SUBJECT: DA7: PRINCIPLES OF MANAGEMENT**

### **QUESTION ONE**

The general performance on the question was good. Of the 133 that attempted the question, 92 managed to obtain at least 10 out of the available 20 marks. A pass rate of 69.2% was recorded. The highest score was 18 while the lowest was 0 out of 20.

### **QUESTION TWO**

The general performance on the question was excellent. Of the 131 that attempted the question, 120 managed to obtain at least 10 out of the available 20 marks. A pass rate of 91.6% was recorded. The highest score was 20 while the lowest was 0 out of 20.

### **QUESTION THREE**

The general performance on the question was fair. Of the 52 that attempted the question, only 24 managed to obtain at least 10 out of the available 20 marks. A pass rate of 46.2% was recorded. The highest score was 19 while the lowest was 2 out of 20.

### **QUESTION FOUR**

The general performance on the question was good. Of the 130 that attempted the question, 95 managed to obtain at least 10 out of the available 20 marks. A pass rate of 73.1% was recorded. The highest score was 20 while the lowest was 0 out of 20.

The question was in two (2) parts.

Part (a): the question required candidates to explain job enlargement and job enrichment and how they can be motivating factors.

Comment: Most candidates were able to correctly explain job enlargement and job enrichment but could not explain how they can be motivating factors. However, it was disappointing that some candidates could not explain job enlargement and enrichment despite being based on common unit in management.

Part (b): on this part, candidates were required to identify and explain any four (4) managerial skills.

Comment: many candidates who attempted this question were able to identify correct managerial skills but had challenges in explaining leadership and technical skills. Social and conceptual skills were well explained.

## **QUESTION FIVE**

The general performance on the question was very good. Of the 109 that attempted the question, 82 managed to obtain at least 10 out of the available 20 marks. A pass rate of 75.2% was recorded. The highest score was 18 while the lowest was 1 out of 20.

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

Part (a): This question was fairly done though some candidates mixed up the theories asked with other concepts.

Part (b): Differentiation of leadership and management was not very clear by most candidates who based their answers more on defining either a leader or manager but failed to differentiate the two.

## **QUESTION SIX**

The general performance on the question was good. Of the 107 that attempted the question, 74 managed to obtain at least 10 out of the available 20 marks. A pass rate of 69.2% was recorded. The highest score was 20 while the lowest was 0 out of 20.

### **Overall performance of candidates**

Highest mark obtained in this paper	91%
Lowest mark obtained in this paper	17%
Overall pass rate in this paper	87.2%

## **SUBJECT: DA8 FINANCIAL REPORTING**

### **QUESTION ONE**

The general performance on this question was poor. Only 49 of the 147 candidates that attempted the question got 13 and above marks out of 25. A pass rate of 33.3% was recorded. The lowest mark recorded was 0 while the highest was 21.

This was a 25 marks compulsory question; the marks were split among two areas and candidates were required to: (a) calculate goodwill arising on acquisition and (b) prepare the consolidated statement of profit or loss.

The following were the most common mistakes which were made by the candidates:

- Candidates failed to multiply the 24,000,000 shares by 75 % to get the correct number of shares acquired (18,000,000).
- Incorrect calculations for deferred consideration affected the calculation of goodwill.
- Candidates did not share proportionately the charge for goodwill impairment, between the parent and the non-controlling interest (NCI).
- Further, candidates used the wrong ratio of 3/2 instead of 2/3 in computing consideration transferred.
- Some candidates deducted the K2,400 cost of impairment from the Goodwill computation on date of acquisition.
- Determined post period of 7 months instead of 8 months.
- Not attempting the question, despite being a compulsory question.
- Candidates failed to produce the correct consolidated statement of profit or loss for the year and total figures were used without showing workings.
- Some candidates wrongly used the earnings brought forward of K70,000, as pre retained earnings in computation of goodwill at acquisition.

### **QUESTION TWO**

The general performance on this question was poor. Only 57 of the 148 candidates that attempted the question got 13 and above marks out of 25. A pass rate of 38.5% was recorded. The lowest mark recorded was 0.5 while the highest was 23.

This was a 25 marks compulsory published question with two sub-questions:

Part (a) required candidates to prepare the statement of profit or loss and other comprehensive income. While as, part (b), required candidates to prepare the statement of financial position.

The following were the most common mistakes which were made by the candidates:

- Calculating provision for unrealized profit on the total sales K6,000, instead of on the value of goods returned K2,000.
- Applying the fraction of 25/125 to calculate the unrealized profit when the ratio was described as profit margin. A straight percentage (profit margin, 25%) should have been used on the value of the credit note that was already at sales value.
- Failing to deduct issues costs from the loan proceeds before amortising it. The amount of effective interest calculated was incorrect as a result.
- Reporting provision for legal costs as an accrual in the statement of financial position without charging the corresponding amount as an expense in the statement of profit or loss and other comprehensive income, and vice versa. This is evidence that candidates did not understand the adjustment in terms of double entry.
- Some candidates failed to correctly calculate the adjustment to closing inventory. Instead, they used the cost to sell used in calculating net realizable value, and the eventual adjusted inventory was incorrect.
- Candidates merely guessed where to put brackets when calculating income tax expense using the logical method. Those who used the T-accounts got the amount of the income tax expense correct.

On positive side, a good number of candidates calculated the depreciation and surplus on revaluation correctly. The write off of irrecoverable debts was also correctly deducted from trade receivables and charged as an expense in the statement of profit or loss.

### **QUESTION THREE**

The general performance on this question was poor. Only 45 of the 135 candidates that attempted the question got 13 and above marks out of 25. A pass rate of 33.3% was recorded. The lowest mark recorded was 0 while the highest was 19.

This was a 25 marks optional question with two sub-questions:

Part (a) required candidates to prepare the statement of cash flow. While as, part (b), required candidates to explain how the direct method differs from the indirect method of preparing statement of cash flow and why the indirect method may be more useful than the direct method.

The following were the most common mistakes which were made by the candidates:

- The calculation of the finance cost to be brought in the cash flow was a challenge for most of the candidates, they failed to remove interest on decommissioning costs of K450,000.
- Most candidates were adding back the profit on disposal, instead of subtracting.
- Treatment of the amortization of the government grant was a challenge of most of the candidates.



- Calculation of the disposal proceeds for PPE proved to be a challenge of most of the candidates.
- Some candidates showed lack of knowledge of the profit figure to be used in the cash flow statement.
- Most candidates were not able to differentiate between the direct and indirect method of preparation.

The candidates that performed well in this question demonstrated the ability to calculate the government grant received and to bring in figures that did not require any adjustments. In addition, the correct adjustments for property, plant and equipment were made.

#### **QUESTION FOUR**

The general performance on this question was poor. None of the 24 candidates that attempted the question got 13 and above marks out of 25. A pass rate of 0% was recorded. The lowest mark recorded was 0 while the highest was 7.

This was a 25 marks optional question with three transactions. The question required candidates to explain the appropriate accounting treatment of the three transactions.

The following were the most common mistakes which were made by the candidates:

- Some candidates failed to relate the figures given with the subsequent treatments.
- For Transaction one, some candidates failed to compute the figures and the respective accounting treatment. Some candidates were wrongly adding the legal fees of K55,000 to the value of the division taking it to K878,000.
- Transaction two, some candidates failed to interpret the adjusting events and non-adjusting events. They also failed to give the correct treatment of the K30m awarded by the Courts by recommending a write off and recommending the credit of K3m owed by the company in bankruptcy to the profit or loss statement. Others were debiting and crediting payables and receivables with the same amount of K3m. Others only stated that the K30 million should be recorded in the financial statements.
- Transaction three, some candidates were simply stating that the 7 % interest be added to the initial cost of the lease without computing the figure. Others only stated that the interest should be paid at the end of the year together with the depreciation charged to the accounts without mentioning the accounts involved.

#### **QUESTION FIVE**

The general performance on this question was poor. Only 10 of the 127 candidates that attempted the question got 13 and above marks out of 25. A pass rate of 7.9% was recorded. The lowest mark recorded was 0 while the highest was 18.

This was a 25 marks optional question with three sub-questions. Part (a) required candidates to briefly explain the need for regulation of financial reporting, clearly stating the sources of this regulation. Part, (b) also required candidates to briefly explain the terms 'measurement', 'recognition' and 'de-recognition' of elements of financial statements, detailing methods of measuring elements, recognition criteria and de-recognition criteria as provided for in the conceptual framework for financial reporting. Finally, part (c) required candidates to discuss the meaning of faithful representation, relevance and comparability as qualitative characteristics of financial statements that should be inherent if the financial statements are to be useful to users.

The following were the most common mistakes which were made by the candidates:

- (a) Most students were only explaining the need for regulation in terms of having standards in place and not the need for regulation and not stating the sources of this regulation. It appeared; most candidates did not understand the question requirement.
- (b) Most candidates showed lack of knowledge of 'measurement', 'recognition' and 'de-recognition' of elements of financial statements. They were not able to explain in detail what the terms meant in terms of financial statements but kept repeating the same items in their explanations.
- (c) Part (c) of the question was fairly answered by most of the candidates.

### **Overall performance of candidates**

Highest mark obtained in this paper	69%
Lowest mark obtained in this paper	5%
Overall pass rate in this paper	21.7%

## **SUBJECT: DA9: MANAGEMENT ACCOUNTING**

### **QUESTION ONE**

The general performance on this question was poor. Only 53 of the 146 candidates that attempted the question got 13 and above marks out of 25. A pass rate of 36.3% was recorded. The lowest mark recorded was 0 while the highest was 23.

This question examined variances and required candidates to:

- (a) calculate the basic variances of sales price, material price and usage, and labour rate and efficiency.
- (b) calculate the planning and operating variances for sales price, labour rate and material price.
- (c) explain the difference between planning and operating variances.

The most common mistakes made by the candidates included:

- Failing to calculate planning and operating variances. Planning variances are calculated by comparing revised standards with original standards while operating variances compare revised standards with actual results.
- Failing to differentiate between planning and operating variances. Planning variances are due to faulty standards or planning errors and are uncontrollable by junior managers. Operating variances are due to operating above optimum standards achievable; or operating below optimum standards achievable. They are controllable by junior managers.

### **QUESTION TWO**

The general performance on this question was poor. Only 63 of the 146 candidates that attempted the question got 13 and above marks out of 25. A pass rate of 43.2% was recorded. The lowest mark recorded was 1 while the highest was 24.

This question examined budgeting (part (a)), principal budgeting factor (part (b)) and objectives of budgeting (part (c)).

The most common mistakes made by the candidates included:

- Failing to deal with the 25% reduction in finished goods inventories when constructing the production budget.
- Failing to deal with the 75% labour productivity; meaning 25% was non-productive labour.

- Poorer candidates could not explain the meaning of 'principal budget factor'; and gave wrong examples of the assumed budget factor in part (a). A good number explained the 'principal budget' rather than the 'principal budget factor'.  
The principal budget factor in the question was sales demand.

### **QUESTION THREE**

The general performance on this question was poor. Only 27 of the 73 candidates that attempted the question got 13 and above marks out of 25. A pass rate of 37% was recorded. The lowest mark recorded was 3 while the highest was 24.

The question examined inventories and life cycle costing.

Part (a) required candidates to calculate the economic order quantity, the re-order level, the maximum level and the four categories of inventories in manufacturing businesses.

Part (b) required candidates to calculate the life cycle of the product and to state five reasons why a product might go into decline.

The most common mistakes made by the candidates included:

Part (a) was well attempted, and candidates were able to obtain good marks. However, a good number of candidates had problems remembering the correct formula for EOQ and other inventory level formulae. The other parts were fairly answered well.

In part (b), Life cycle costing (LCC) was poorly answered.

Some candidates did not know how to total up all the expenses and divide them by the number of production units to come up with the cost per unit

Few candidates were able to obtain full marks for this apart.

For the reasons why a company may go into decline, most candidates obtained good marks.

But most candidates could not explain LCC correctly and simply explained life cycle processes.

### **QUESTION FOUR**

The general performance on this question was poor. Only 17 of the 84 candidates that attempted the question got 13 and above marks out of 25. A pass rate of 20.2% was recorded. The lowest mark recorded was 1 while the highest was 19.

This question examined throughput accounting (TA) and receivables factoring and required candidates to:

- calculate using TA, the optimal plan, Throughput Accounting Ratio(TAR) and to state five ways of improving TAR.

- (ii) explain factoring and outline benefits of factoring receivables.

The most common mistakes made by the candidates included:

- Candidates had challenges calculating the optimum profit and throughput ratio. Others came up with absorption costing calculations as they did not know which figures were to be used for the calculation.
- On improving the TAR, this was fairly well answered. However, some candidates gave wrong answers.
- In part (b), while a good number of candidates obtained good marks, poorer candidates could not explain what factoring is and could not outline the benefits of factoring.

## **QUESTION FIVE**

The general performance on this question was fair. 65 of the 127 candidates that attempted the question got 13 and above marks out of 25. A pass rate of 51.2% was recorded. The lowest mark recorded was 2 while the highest was 18.5.

This question examined the relevant costs of a job to manufacture or not manufacture a shaft for a mine (part (a)), calculating the extra profit or loss to be earned by accepting to complete the job (part (b) and to explain the differences between management accounting and financial accounting(part(c)).

The most common mistakes made by the candidates included:

- Common mistakes were few – hence a good pass rate on this question.
- Poor candidates mixed up relevant and irrelevant costs. They could also not give reasons why a cost is relevant or irrelevant in spite of the question directly asking candidates to do so.
- Part (b) was not very well answered; particularly for those did not do well in part (a). Common mistake: including irrelevant costs in arriving at the extra profit or loss.
- Part (c) was very well attempted: most candidates got all the eight marks thereby redeeming their shortfalls on parts (a) and (b).

## **Overall performance of candidates**

Highest mark obtained in this paper	83%
Lowest mark obtained in this paper	11%
Overall pass rate in this paper	42.5%

## **SUBJECT: DA10: TAXATION**

### **QUESTION ONE**

The general performance on this question was poor. Only 18 of the 87 candidates that attempted the question got 13 and above marks out of 25. A pass rate of 20.7% was recorded. The lowest mark recorded was 0 while the highest was 16.

This question was on the taxation aspects of Lusaka Securities Exchange listed company involved in manufacturing which offered some of its shares to indigenous Zambians and had three parts.

In these parts, candidates were variously required to calculate the total capital allowances claimable in the charge year 2024 on buildings, implements, plant and machinery, the tax adjusted business profits for the tax year 2024 and the company income tax payable by a given NegaNega Plc for the tax year 2024.

The most common mistakes made by the candidates on the question:

In part (a) most candidates had challenges with calculating capital allowances. The common mistakes included:

- Using VAT exclusive costs to calculate CA for pool cars and personal to holder cars.
- Using VAT inclusive costs to calculate CA for general plant and manufacturing equipment.

Since the input VAT on cars is irrecoverable, we use the VAT inclusive cost to calculate CA.

Since the input VAT on Plant and equipment is recoverable, we use the VAT exclusive cost to calculate CA.

### **QUESTION TWO**

The general performance on this question was poor. Only 30 of the 85 candidates that attempted the question got 13 and above marks out of 25. A pass rate of 35.3% was recorded. The lowest mark recorded was 0 while the highest was 18.

This question sought to examine candidates on the taxation aspects of employment and investment income for individuals and had three parts (a) to (c).

In parts (a) and (b), candidates were required to calculate the amount of withholding tax paid by a given Kayayi Maluvu on each item of investment income he received during the year ended 31 December 2024, the amount of income tax payable by Kayayi for the tax year 2024.

In part (c), candidates were required to explain the tax treatment of any three (3) benefits payable on termination of employment due to death.

The most common mistakes made by the candidates on the question:

- In part (a) some candidates had challenges calculating the WHT on royalties, dividends and GRZ bonds. Instead of using the fraction of 15/85 since these are net amounts of investment income, some candidates were using the fraction of 15/100 to calculate WHT.
- In part (b) some candidates could not restrict the CA on the personal to holder car to business use. This was required because the vehicle had a percentage of private use.
- In part (b) some candidates failed to allow a proportion of the cost of repairs related to business use on the personal to holder vehicle. This was required because the whole amount was deducted from emoluments of the employee.

### **QUESTION THREE**

The general performance on this question was poor. Only 23 of the 53 candidates that attempted the question got 13 and above marks out of 25. A pass rate of 43.4% was recorded. The lowest mark recorded was 3 while the highest was 21.

This question was on the tax aspects of sole traders who are involved in both farming and non-farming operations and had three parts (a) to (c).

In all these parts candidates were required to variously calculate the amount of provisional income tax paid for the tax year 2024 and show the due date(s) on which the provisional income tax was paid, the final taxable profit from farming after capital allowances for the year ended 31 December 2024 and the amount of income tax payable by Joan for the tax year 2024 and state the due date, when it should be paid.

The most common mistakes made by the candidates on the question:

- In part (a) some candidates demonstrated insufficient knowledge on the nature and operation of the provisional income tax system. They could not provide the relevant due dates for payment of the provisional income tax for each quarter. This is the 10th of April, July, October and January.
- In part (b) some candidates failed to restrict the relevant cost of farm dwellings to K100,000 each when calculating capital allowances.
- In part (c) some candidates could not apply the tax bands to non-farming income first. This is required where there is a combination of farming and non-farming income, the tax bands are first applied to the non-farming before applying them to the farming income.

### **QUESTION FOUR**

The general performance on this question was poor. Only 8 of the 37 candidates that attempted the question got 13 and above marks out of 25. A pass rate of 21.6% was recorded. The lowest mark recorded was 2 while the highest was 18.

This question sought to examine candidates on VAT and tax guidance related to tax evasion as opposed to tax avoidance and was divided into two parts (a) and (b).

In parts (a)(i) and (a)(ii), candidates were required to explain the difference between tax avoidance and tax evasion and three (3) consequences of tax evasion on the economy.

In part (a) (iii) candidates were required to List any four (4) examples of practices that may constitute tax evasion.

And in part (c), candidates were required to explain or state the persons who are required to register for VAT, the date when a given Chilufya was required to register for VAT, the consequences of registering for VAT late and any five (5) conditions that needed to be met for Chilufya to be able to recover any input VAT on her expenditure.

The most common mistakes made by the candidates on the question:

- In part (a) (iii) some candidates had challenges in providing sufficient examples of tax evasion. In order to obtain full marks candidates were required to provide four (4) examples of tax evasion.
- In part (c)
  - (i) most candidates could not explain the consequences of registering for VAT late.
  - (ii) candidates could not provide sufficient conditions for recovery of input VAT.

## **QUESTION FIVE**

The general performance on this question was good. 47 of the 82 candidates that attempted the question got 13 and above marks out of 25. A pass rate of 57.3% was recorded. The lowest mark recorded was 1 while the highest was 23.

This question covered three taxation aspects of import taxes, canons of taxation and property transfer tax and had three parts (a) to (c).

In part (a), candidates were required to calculate the value for duty purposes and the total import taxes paid on the importation of the Nissan Bus and to explain the procedure to complete the customs clearance of a motor vehicle.

In part (b), candidates were required to explain seven (7) qualities of a good tax system.

And in part(c), candidates were required to calculate, giving reasons, the amount of any property transfer tax arising on each of the transactions which were given for the tax year 2024.

The most common mistakes made by the candidates on the question:



- (i) In part (a) (ii) most candidates had challenges explaining the procedures for completion of the customs clearance of a motor vehicle due to insufficient knowledge on the subject.
- (ii) In Part (b) some candidates provided general responses to the qualities of a good tax system. This made them lose marks.

### **Overall performance of candidates**

Highest mark obtained in this paper	66%
Lowest mark obtained in this paper	8%
Overall pass rate in this paper	43.7%

## **SUBJECT: DA11: PRINCIPLES OF AUDITING**

### **QUESTION ONE:**

The general performance on this question was poor. Only 21 of the 103 candidates that attempted the question got 13 and above marks out of 25. A pass rate of 20.4% was recorded. The lowest mark recorded was 0 while the highest was 18.

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

This part of the question required candidates to explain audit risk with its components. Candidates should have observed that there are two aspects to this question with the first being an explanation of audit risk with the second part explaining the three components of audit risk. A majority of the candidates scored more than half of the marks in this part.

The following observations were made:

- (i) There were candidates who defined audit risk correctly but did not explain the three components of audit risk as per question requirements. They lost the marks allocated to doing so.
- (ii) There was evidence that some candidates simply did not know audit risk such as in the following answers:
  - “Audit risk refers to situations or environment that can lead to misstatement of financial position” and
  - “Audit risk is an assessment of a company’s financial statements.”
- (iii) There were candidates who could not satisfactorily explain inherent risk.

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

This part of the question required an identification of 5 audit risks and the suggestion of responses to the audit risks identified using information in the scenario. Candidates should note that risk identification takes place at the planning stage of the audit and this helps in deciding on the nature and extent of further audit procedures to be conducted.

The following observations were made:

- (i) There were candidates that could not identify all 5 audit risks in the question and marks were awarded in proportion to the correct risks explained.
- (ii) It was disappointing to note that there were candidates that only explained audit risks without giving suitable responses and so lost the marks allocated for doing so.
- (iii) Some candidates correctly identified the audit risks but failed to explain the related assertions which could be misstated as a result of the risk. Candidates are

reminded that it is not sufficient to identify audit risk without explaining what could go wrong in the financial statements.

- (iv) A sizeable number of candidates explained business risks suggesting that they do not understand the difference between them.
- (v) There were candidates who mistook audit risks for weaknesses in the system and gave recommendations to remedy the perceived weaknesses which did not answer the question requirements.

#### Part (c)

This was a knowledge-based question requiring candidates to explain three matters that should be included in the audit strategy document for the audit of the financial statements of Tall Tree Beverages Ltd. A majority of candidates scored poorly in this part of the question.

The following observations were made:

- (i) A large number of candidates explained matters that should be included in the engagement letter whose contents are different from those contained in the audit strategy.
- (ii) A sizeable number of candidates discussed matters that should be considered before accepting nomination as auditors.
- (iii) There were candidates who explained the audit strategy without explaining the matters that should be included in the audit strategy document.
- (iv) There were candidates that discussed matters such as tests of controls and substantive audit procedures that are included in the audit plan and not the audit strategy document.

#### Part (d)

This part of the question required candidates to explain the difference between an interim audit and a final audit. From the answers it is clear that a majority of candidates are familiar with the final audit than the interim audit. It should be understood that work at the interim audit stage will have a bearing on the final audit.

The following observations were made:

- (i) A good number of candidates did not try to attempt answering this part of the question.
- (ii) There were clearly wrong answers showing lack of knowledge of the interim audit for example:

“Interim audit is the process to engage client before financial year.” And

“Interim audit is the type of audit that is done each time the auditor visits a client.”

#### Part (e)

This was a multi requirement question requiring candidates to explain 3 tasks that the auditors could perform at the interim audit stage and in the second part to explain

how the work done at the interim audit stage impacts the work that is conducted at the final audit.

It is important for candidates to note that the statutory audit is with respect the annual financial statements at the period work. Any work performed during the interim audit should be relevant to the annual financial statements at the period end. Most of the work on statement of financial position can only be done at the final audit stage. For example, an inventory count conducted and attended by the auditors at the interim audit date will not give evidence of the inventory at the period end which will be in the financial statements. Some work could be done at the interim audit for say additions to tangible non-current assets bought before the date of the interim financial statements subject to the interim audit.

Most of the work that can be done at the interim audit stage is with reference to planning work such as risk assessment and work on transactions contained in the profit or loss account to the date of the interim audit.

Arising from not knowing the interim audit, the performance in this part was only average.

The following observations were made:

- (i) Some candidates explained tasks that can and should only be performed at the final audit stage showing lack of understanding of the work around planning of an audit which should be done at the interim audit stage. For example, there were candidates who suggested that counting of inventory should be done at the interim audit stage which will not be relevant for the year end audit as this will not give evidence of inventory that will exist at the period end contained in the financial statements.
- (ii) A large majority of the candidates answered the first part of the question and left out the part that required an explanation of the impact of interim audit work to the final audit work.
- (iii) There were candidates that explained audit risks which were required in part (b) of the question.
- (iv) There were candidates who discussed matters related to forming an opinion at the interim audit stage a matter that can only be considered at the final audit stage.

## **QUESTION TWO**

The general performance on this question was fair. Only 46 of the 102 candidates that attempted the question got 13 and above marks out of 25. A pass rate of 45.1% was recorded. The lowest mark recorded was 0 while the highest was 22.

Part (a)/Part (b)

This part of the question required candidates to identify 5 deficiencies in the inventory count instructions of KMS Ltd in part (a) and to suggest ways of reducing the impact of the weaknesses identified.

Candidates should note that the two parts could be answered at the same time or in columnar form which save valuable examination time. The performance in this part of the question was generally good with most candidates scoring more than half the available marks.

The following observations were made:

- (i) A majority of the candidates answered the two parts separately and in some instances the suggestions to remedy the weaknesses not in the same order as the weaknesses in (a) making it difficult for the marking team to relate the two.
- (ii) There were candidates who have general answers with no reference to the information in the scenario.
- (iii) There were candidates who did not align the safeguards in (b) to the deficiencies in (a) making it difficult for the marking team to relate the two.
- (iv) There were candidates who discussed suggestions to mitigate weaknesses not discussed in part (a). Presentation of answers in this type of question is important and as previously explained these two parts could be best answered together for each weakness and recommendation explained and made.

Part (c)

- (i) This part of the question required candidates to explain the three possible approaches that a company may take in conducting the inventory at the period end. Candidates should remember that the inventory value in the financial statements at the period end should be a measure of the inventory on hand at the period end. a company may conduct inventory count at any of the three periods below:
  - At the period end date before commencement of the following accounting period. For example, for a company whose yearend is 31 December, the inventory count could be conducted on 31 December of the financial year.
  - A few days before the period end say On 25 December of the period end and
  - A few days after the period end say 3 January of the following accounting period.

It should be noted that for the last two methods, adjustments in inventory quantities should be made for transitions before or after the period end to ensure that the quantities used to determine inventory value are those as at the period end.

The following observations were made:

- Most candidates explained the inventory count instructions for auditors which was not the question requirement. Candidates should ensure that they understand the question requirements before attempting to answer a question.

- There were candidates who explained how inventory count should be conducted. This is despite the leading information in the question which described the different types of inventory counts namely periodical, before and after the year end and perpetual inventory count.
  - There were candidates who simply listed the three methods without explaining as expected. Despite the information in the scenario mentioning inventory counts being done before or after the period end very few candidates explained this method satisfactorily.
  - There were candidates who explained inventory count instructions which was not answering the question requirement.
- (ii) This part of the question required candidates to distinguish tests of controls from substantive audit procedures. Candidates should note that the same procedures may be undertaken for each of tests of controls and substantive audit procedures. The major difference between the two is with regards the objective of the procedures.

The reason why auditors may perform tests of controls is to decide whether or not to rely on the internal controls when performing further audit procedures to test for misstatements of figures in the financial statements. It is important for candidates that auditors cannot conclude an audit through performing only tests of controls. Substantive procedures designed to test for any material misstatements should be conducted for all material amounts contained in the financial statements.

The following observations were made:

- There were candidates that sapped the explanation of tests of controls and substantive audit procedures and no marks were awarded.
- The question required examples in explaining these procedures, but most candidates simply explained without giving examples as required. Marks allocated for examples were lost.
- There were candidates who explained components of internal controls in answering this part which was not addressing the question requirement.
- There were those that clearly did not know these two important procedures performed by auditors.

For example, one candidate stated thus:

“Tests of controls are controls put up to check transactions or procedures if they have been happening following the stipulated, while substantive procedures are arithmetical procedures put up to check or recalculate certain transactions.”

- (iii) For 1 mark this part of the question required candidates to state the reason why auditors consider internal controls important to the audit. The performance was good with most of the candidates scoring maximum marks. There were a

few that did not know the use of internal controls by auditors which simply is to test the controls in a client company and depending on the results of the tests may wish to place reliance on the controls in determining the nature and extent of further audit procedures to be conducted.

The following observations were made:

- A few candidates simply defined internal controls without discussing their relevance to the statutory audit and no marks were awarded as this was not the question requirement.
- Other simply did not know the relevance and gave answers that were clearly wrong for example a candidate stating that "Internal controls make auditors work easier to follow through."
- There were answers suggesting for example that when internal controls are weak, the auditors need to strengthen them which is incorrect without suggesting that the auditors will increase the extent of substantive audit procedures as a result of the internal control weaknesses.

Part (d)

Candidates were required to briefly comment on the reliability of the following sources of evidence. This was a knowledge-based question, and candidates needed to bring to bear their knowledge on the generalizations on the quality of the different sources of evidence for the auditors.

- (i) Evidence from internal sources:
- (ii) Evidence from third parties:
- (iii) Evidence from management of the company:

A majority of the candidates scored maximum marks in the three parts above and explained clearly on the reliability of the different sources of audit evidence.

The following observations were made:

- A few candidates gave examples of each of the sources of audit evidence without explaining the reliability of the sources as per question requirement.

### **QUESTION THREE**

The general performance on this question was poor. Only 16 of the 156 candidates that attempted the question got 13 and above marks out of 25. A pass rate of 16.5% was recorded. The lowest mark recorded was 0 while the highest was 17.5.

Part (a)

- (i) This part of the question required candidates to explain the five elements of an assurance engagement. This was an easy knowledge-based question, and candidates should have scored all the available marks. It was disappointing to note that a number of candidates could not recall and explain the elements of

an assurance engagement a topic that has been examined in a similar manner in the past.

The following observations were made:

- Some candidates focused on explaining the meaning of assurance engagements without clearly explaining the elements of the assurance engagement as required by the question.
- There were candidates that simply listed the elements without any explanation as per question requirement. Candidates should consider the verb in the question when answering question in this case the verb was 'explain' and as a result candidates scored half the available marks.
- Disappointingly, there were candidates that discussed the five fundamental principles for accountants which were not the question requirement, and no marks were awarded for doing so.

- (ii) This part of the question required candidates to explain the term assurance for one mark. A majority of the candidates ably explained this and scored maximum marks.

The following observations were made:

- A few candidates explained the assurance report in answering this question.
- A few discussed the assurance engagement involving the auditors and the client company.

#### Part (b)

- (i) This part of the question required candidates to describe 4 drawbacks/disadvantages of an audit committee of the board. A significant number of candidates simply did not attempt to answer this knowledge-based question thereby losing all the available marks. There were some who scored maximum marks.

The following observations were made:

- There were some who discussed benefits of the audit committee instead of drawbacks as per question requirement.
- A few candidates discussed problems and challenges in LPC Ltd with no reference to the audit committee.

- (ii) This part of the question required candidates to state 6 disadvantages of outsourcing the internal audit services. To satisfactorily answer this question candidates needed to know the meaning of outsourcing which simply means letting outsiders do work that would otherwise could have been done in-house in this case audit services for a fee. The performance in this question was average.

The following observations were made:



- A few candidates explained benefits of the audit committee contrary to the question requirement that required disadvantages of outsourcing internal audit services.
  - Others compared internal audit services with external audit services which was not the question requirement.
  - There were many candidates who could not give the required number of disadvantages of outsourcing thereby losing marks for not doing so.
- (iii) This part of the question required candidates to explain 4 responsibilities of directors in relation to internal controls.

The following observations were made:

- There were candidates that explained less than the 4 responsibilities of directors for internal controls.
- A majority of the candidates discussed the role of internal controls in the company and no marks were awarded for doing so.
- There were candidates who explained this from the point of view of the external auditors.

#### Part (c)

- (i) This part of the question required candidates to identify and explain 2 ethical threats in the scenario and to suggest suitable safeguards that must be applied. A majority of the candidates who attempted this question got it right and scored maximum marks.

The following observations were made:

- There were a few that discussed general threats to the auditor independence such as self-interest, self-review etc. without dealing with the information in the scenario and explaining the threat they could cause.
- Others discussed corporate governance issues and weaknesses in the scenario.
- There were a few that identified and explained the ethical threats but did not suggest suitable safeguards that must be applied.

- (ii) This part of the question required candidates to state 6 elements of an internal audit report. The performance in this part of the question was poor with a majority not scoring any marks.

Internal audit reports are issued by the internal audit department and the elements of the resultant report are different from those of the statutory audit report.

The following observations were made:

- A sizeable number of candidates simply did not attempt to answer this part of the question.
- There were candidates who explained the components of internal controls.

- There were a few who explained the elements of a standard unmodified audit report of the external auditors.

#### Part (d)

This part of the question required candidates to define the term business risk for 1 mark. A majority of the candidates scored maximum marks in this part of the question.

The following observations were made:

- There were a few candidates who explained business risk as if it were an audit risk.
- Others clearly did not know what business risks were and there were answers such as:  
 "Business risks are risks that prevent the auditors from carrying out their work."  
 And  
 "Business risks are risks detected in the business as a whole."

### **QUESTION FOUR**

The general performance on this question was poor. Only 11 of the 80 candidates that attempted the question got 13 and above marks out of 25. A pass rate of 13.8% was recorded. The lowest mark recorded was 0 while the highest was 23.

#### Part (a)

This question aimed at testing candidates on their knowledge of financial statement assertions and their use by the auditor in designing audit procedures in audits. The two parts below could have been answered simultaneously and not separately in order to save valuable examination time preferably in columnar form.

- (i) This part of the question required candidates to explain 4 financial statement assertions that are relevant to classes of transactions and events for the year under review. Candidates need to understand the two main types of assertions namely those that relate to transactions and disclosures in the profit or loss account and those that relate to the balances in the statement of financial position. There are assertions that apply to both transactions and balances such as completeness and classifications while others relate to one category only such as existence is in relation to balances only. Tangible non-current assets exist at the period end representing the balance in the statement of financial position while rent or wages and salaries do not really exist at the period end.

The following observations were made:

- Many candidates failed to distinguish assertions related to classes of transactions and explained assertions related to account balances such as existence signifying their lack of understanding.

- There were candidates who simply listed assertions without any explanations as required by the question.
- (ii) This part of the question required candidates to suggest a suitable audit procedure for the figure of revenue considering the each of the assertions explained in (i) above. As a result of poor performance in (i) many candidates had challenges suggesting suitable audit procedures for the suggested assertions. As previously explained in past examination comments candidates have difficulties suggesting audit procedures. This is a core area of the syllabus and audit procedures will feature in future examinations.

The following observations were made:

- There were many candidates that did not attempt to answer this part of the question.
- There were candidates that simply listed methods of obtaining evidence without using them to design suitable audit procedures. For example, 're-calculate' or 're-perform.' The audit procedure is an explanation of how the methods can be used to perform procedures that will help identify any misstatement in the said assertions. For example, 'For a sample of invoices recalculate the computations to confirm arithmetic accuracy.'
- There were common instances where audit procedures suggested are not in line with the assertions being tested.

#### Part (b)

This was a question requiring candidates to suggest suitable audit procedures that should be performed in relation to specific items in the scenario. Audit procedures are the core area in auditing and candidates should ensure they are able to design requested audit procedures.

The performance in this part was poor and candidates are reminded that audit procedures will feature in future Principles of Auditing examinations.

For the four items in the question at least 4 audit procedures were required to score maximum marks.

The following observations were made:

- A majority of the candidates simply did not try to answer this part of the question.
- There were candidates that gave wrong audit procedures for some of the items due to lack of understanding of the relationship between financial statements assertions and audit procedures.
- There were candidates that simply repeated stating and explaining methods of obtaining audit evidence without suggesting how this would be done through audit procedures.

## QUESTION FIVE

The general performance on this question was poor. None of the 10 candidates that attempted the question got 13 and above marks out of 25. A pass rate of 0% was recorded. The lowest mark recorded was 0 while the highest was 4.

Part (a)

- (i) This part of the question required a critical appraisal of the draft audit report of Velapi Co. in the scenario prepared by the Audit Senior. To answer this question satisfactorily the candidates needed to show an understanding on provisions of the reporting auditing standards. The examiner aimed at establishing whether candidates understood the matters included in the draft report but ironically and surprisingly candidates discuss matters that are not in the draft report in the scenario when there are easy matters that were presented. The marking team awarded full marks for discussing relevant matters not included in the draft report.

Candidates are advised to use the information in the scenario in answering questions. To a large extent this information is meant to make answering questions easier and also test the ability of candidates to apply the theory to given situations.

There were wrong answers suggested by candidates such as the following:

- There is no subject matter that has led to the preparation of the report instead opinion is given.
- The evidence gathered was not given – evidence gathered is not included in the audit report.
- Basis of opinion is verified opinion because management gave restrictions to the work of the auditors.

The above show lack of understanding of the important topic of audit reports which will feature in future examinations.

- (ii) This part of the question required candidates to explain 5 options that should be considered in view of management's limitation on the work of the auditor. It is important to note that the auditors had already been appointed to do the work and as such declining appointment would not be an option but rather considering resignation and this should always be taken as a last resort after all other options have failed.

The following are examples of answers given by candidates:

- Whether to go ahead with the audit and yet the audit is in progress.
- To contact the organization's previous auditor just to find out about their client attitude! This is not common, and the client is no longer of the previous auditors.

#### Part (b)

This was a simple knowledge-based question requiring candidates to explain 5 elements of an unmodified report. Candidates needed to know the difference between an unmodified report and an unmodified opinion two different matters. What makes a report to be modified is the inclusion of an emphasis of matter or other matter paragraph. So suggesting that the emphasis of matter or other matter paragraphs are part of the elements of an unmodified report would be incorrect.

There was evidence of not knowing the elements of an unmodified report and the following are examples of some of the answers:

- That the financial statements are true and fair.
- Material and not pervasive.

#### Part (c)

This part of the question required candidates to explain the three stages in an audit when analytical procedures could be used. Detailed explanation of the meaning of analytical procedures will not earn candidates any marks as this will not be answering the question requirement which simply requires an explanation of when they could be used.

There were incorrect answers signifying lack of understanding in the use of the use of analytical procedures which are used at the planning stage of the audit during risk assessment, during the substantive audit stage and at the review stage. The following are examples of the answers given by candidates:

- When the business being audited seems to be of great risk
- When they seem to be or when the report are materially misstated and
- When the test of control does not match what is said to be in the report.

Very difficult to make out what was being meant by the above answers. Further, a sizeable number of candidates simply did not answer this part of the question.

#### Part (d)

This part of the question required candidates to state and explain 6 items that should be included in every working paper prepared by the audit team in an audit. Simply stating without explaining earned candidates half the available marks.

There were clearly wrong answers given by candidates with regards items that should be included in a typical working paper such as the following:

- Legal documents
- How the Human Resource department recruits new employee
- The bank and other financial providers
- The engagement letter
- Financial statement and audit report copies

Candidates confused current audit paper files with a typical audit working paper. The different working papers are maintained in the audit files and the above examples of answers show that candidates were giving contents of the current audit file which was not the question requirement.

**Overall performance of candidates**

Highest mark obtained in this paper	68%
Lowest mark obtained in this paper	5%
Overall pass rate in this paper	17.5%

## **SUBJECT: DA12 GOVERNANCE AND COMPANY LAW**

### **QUESTION ONE**

The general performance on this question was very good. 45 of the 55 candidates that attempted the question got 13 and above marks out of 25. A pass rate of 81.8% was recorded. The lowest mark recorded was 8 while the highest was 24.

### **QUESTION TWO**

The general performance on this question was fair. 28 of the 55 candidates that attempted the question got 13 and above marks out of 25. A pass rate of 50.9% was recorded. The lowest mark recorded was 1 while the highest was 25.

The question had two parts.

- (a) (i) Candidates understood the pros and cons of both the Sole trader and a Company. The pass rate was fairly high. Future candidates are encouraged to revise the topic in Full as provided for in the ZICA manual About 85 % of the candidates passed this question. Those who failed mixed up concepts and are encouraged to revise the ZICA manual in full.
- (ii) This question was answered well by candidates and about 90% of the candidates got the question right.
- (b) The question was based on Corporate Governance. Approximately 90 percent of the candidates answered the question on attributes of an incorporated limited company very well because question 4 of the same paper gave the answers to this question. The pass rate was fairly high. Future candidates are encouraged to revise the topic in Full as provided for in the ZICA manual. They are further called upon to make use of the past papers which are readily accessible at ZICA library and website.

### **QUESTION THREE**

The general performance on this question was excellent. 43 of the 49 candidates that attempted the question got 13 and above marks out of 25. A pass rate of 87.8% was recorded. The lowest mark recorded was 8 while the highest was 22.

This question had five parts dealing with voluntary winding up, grounds for winding up by the court, ordinary shares, reduction in share capital and the roles of an audit committee in a company. Candidates did very well with all the parts except reduction in share capital where they did not seem to understand the procedure and the implications of the reduction in the share capital on creditors. In future, candidates should read widely.

#### **QUESTION FOUR**

The general performance on this question was poor. Only 12 of the 29 candidates that attempted the question got 13 and above marks out of 25. A pass rate of 41.4% was recorded. The lowest mark recorded was 2 while the highest was 21.

#### **QUESTION FIVE**

The general performance on this question was very good. 25 of the 32 candidates that attempted the question got 13 and above marks out of 25. A pass rate of 78.1% was recorded. The lowest mark recorded was 7 while the highest was 22.

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

Highest mark obtained in this paper	84%
Lowest mark obtained in this paper	31%
Overall pass rate in this paper	81.8%