



CA ZAMBIA

SEPTEMBER 2024 EXAMINATIONS

CHIEF EXAMINER REPORTS

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## *CA Knowledge*

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

#### **QUESTION ONE**

The general performance on this question was poor. Only 38 out of the 109 candidates that attempted the question passed (got at least 10 out of the total 20 marks available). The pass rate recorded was 34.9%. The highest mark scored on this question was 18 out of 20 and the lowest was 0 out of 20.

#### **QUESTION TWO**

The general performance on this question was very poor. Only 28 out of the 102 candidates that attempted the question passed (got at least 10 out of the total 20 marks available). The pass rate recorded was 27.5%. The highest mark scored on this question was 19 out of 20 and the lowest was 0 out of 20.

Part (a) required candidates to prepare a statement of cash flows using the indirect method. Candidates failed to calculate most of the required values for the statement.

Part (b) required candidates to explain three (3) advantages of cash flow accounting to various users of accounting information. This part was well done.

#### **QUESTION THREE**

The general performance on this question was poor. Only 31 out of the 97 candidates that attempted the question passed (got at least 10 out of the total 20 marks available). The pass rate recorded was 32%. The highest mark scored on this question was 20 out of 20 and the lowest was 0 out of 20.

Part (a) required candidates to explain with examples five characteristics of information. Candidates gave very poor explanations with no examples.

Part (b) (i) required candidates to prepare profit or loss appropriation account on partnerships. This part was done well. Part (ii) required candidates to prepare the partners current accounts. The common error was including the capital balances in current accounts.

#### **QUESTION FOUR**

The general performance on this question was very good. 74 out of the 98 candidates that attempted the question passed (got at least 10 out of the total 20 marks available). The pass rate recorded was 75.5%. The highest mark scored on this question was 20 out of 20 and the lowest was 0 out of 20.

Part (a) required candidates to prepare a corrected trial balance. A good number of candidates got full marks on this part.

Part (b) required candidates to prepare a statement of profit or loss for the year ended 31 December, 2023. No common error identified.

### **QUESTION FIVE**

The general performance on this question was poor. Only 13 out of the 38 candidates that attempted the question passed (got at least 10 out of the total 20 marks available). The pass rate recorded was 34.2%. The highest mark scored on this question was 20 out of 20 and the lowest was 0 out of 20.

Part (a) required candidates to calculate the amounts of depreciation to be charged to the statement of profit or loss in each given year. Candidates failed badly because they did not follow the proportional to the number of months of ownership.

Part (b) required candidates to prepare the motor vehicles account for each year. This was answered well.

Part (c) required candidates to prepare the motor vehicles allowance for depreciation account for each year. The candidates benefited from the follow through principle.

Part (d) required candidates to prepare the disposal and part exchange accounts. The part exchange allowance presented a challenge both in motor vehicles account and the disposal account i.e. debit motor vehicle account and credit the disposal account with K800

### **QUESTION SIX**

The general performance on this question was very poor. Only 16 out of the 76 candidates that attempted the question passed (got at least 10 out of the total 20 marks available). The pass rate recorded was 21.1%. The highest mark scored on this question was 18.5 out of 20 and the lowest was 0 out of 20.

Part (a) required candidates to prepare a statement of profit or loss for the year ended 31st March, 2024. The Insurance Expense and Electricity Expense items presented a challenge to candidates.

Part (b) required candidates to prepare a statement of financial position as at 31 March, 2024. This part was reasonably answered well.

## **Overall performance of candidates**

Highest mark obtained in this paper	80%
Lowest mark obtained in this paper	4%
Overall pass rate in this paper	33.6%

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

### **QUESTION ONE**

The general performance on this question was very good. 50 out of the 63 candidates that attempted the question passed (got at least 10 out of the total 20 marks available). The pass rate recorded was 79.4%. The highest mark scored on this question was 18 out of 20 and the lowest was 0 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 regression, random values and probability distribution. The performance was not very good as most candidates failed on parts that required calculation. It is therefore suggested that candidates should familiarize themselves with short statistical calculations in order to improve on performance in this section of the examination

### **QUESTION TWO**

The general performance on this question was fair. 35 out of the 60 candidates that attempted the question passed (got at least 10 out of the total 20 marks available). The pass rate recorded was 58.3%. The highest mark scored on this question was 16 out of 20 and the lowest was 2 out of 20.

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

### **QUESTION THREE**

The general performance on this question was very good. 36 out of the 48 candidates that attempted the question passed (got at least 10 out of the total 20 marks available). The pass rate recorded was 75%. The highest mark scored on this question was 20 out of 20 and the lowest was 4 out of 20.

The first part of the question required candidates to use the concept of grouped data to calculate the mean, standard deviation, mode and median. The general performance on this part was good. Candidates who failed were observed to have been choosing wrong

class of data in calculation of mode and median. Others failed due to computation errors of required totals needed for mean and standard deviation.

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

#### **QUESTION FOUR**

The general performance on this question was very good. 44 out of the 61 candidates that attempted the question passed (got at least 10 out of the total 20 marks available). The pass rate recorded was 72.1%. The highest mark scored on this question was 20 out of 20 and the lowest was 2 out of 20.

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

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

#### **QUESTION FIVE**

The general performance on this question was fair. 30 out of the 60 candidates that attempted the question passed (got at least 10 out of the total 20 marks available). The pass rate recorded was 50%. The highest mark scored on this question was 20 out of 20 and the lowest was 0 out of 20.

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

## **QUESTION SIX**

The general performance on this question was very poor. Only 3 out of the 17 candidates that attempted the question passed (got at least 10 out of the total 20 marks available). The pass rate recorded was 17.6%. The highest mark scored on this question was 15 out of 20 and the lowest was 0 out of 20.

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

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

### **Overall performance of candidates**

Highest mark obtained in this paper	93%
Lowest mark obtained in this paper	22%
Overall pass rate in this paper	65.1%



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

### **QUESTION ONE**

The general performance on this question was good. 45 out of the 66 candidates that attempted the question passed (got at least 10 out of the total 20 marks available). The pass rate recorded was 68.2%. The highest mark scored on this question was 18 out of 20 and the lowest was 2 out of 20.

### **QUESTION TWO**

The general performance on this question was good. 40 out of the 66 candidates that attempted the question passed (got at least 10 out of the total 20 marks available). The pass rate recorded was 60.6%. The highest mark scored on this question was 20 out of 20 and the lowest was 0 out of 20.

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

- (a) Required candidates to outline any five (5) factors that influence or affect the demand for goods and services in general. This question was well answered with some candidates scoring all the allocated marks. However, the common mistakes by some candidates included merely listing factors instead of outlining, and presenting factors which affects supply and not demand. Candidates are urged to understand the command words for each question.
  
- (b) Required candidates to draw the graph showing equilibrium point and quantity. This was well answered by majority of candidates. But the perennial mistake of poor unlabeled graphs has continued. Other candidates presented shifts in the curves when what was really required was showing the intersection of the demand and the supply curve. Further, all graphs are supposed to be explained.
  
- (c) From the given equations, candidates were required to:
  - (i) Calculate the equilibrium price and quantity. Though overall performance was good, some candidates only calculated equilibrium price! Further others were completely lost. What was needed was simply to equate the demand and supply functions and solving for P. Once the value for P is found substitution can be done to any for the functions above to find Q.
  - (ii) This was fairly done. The effect of the tax is to increase the selling price hence demand decreases (leftward shift in the demand curve). Some candidates attempted to perform some calculations, however this was not required.

### **QUESTION THREE**

The general performance on this question was good. 30 out of the 49 candidates that attempted the question passed (got at least 10 out of the total 20 marks available). The pass rate recorded was 61.2%. The highest mark scored on this question was 20 out of 20 and the lowest was 3 out of 20.

This was an optional question which was attempted by 49 candidates. The pass rate was above average at 61%. The highest mark scored was 20 and the lowest was 3 marks out of 20. The question was divided into five (5) parts namely (a), (b), (c), (d) and (e) as follows:

- (a) Required candidates to define (i) explicit costs and (ii) implicit costs. Majority of the candidates got this question right with only a few struggling to define implicit cost.
- (b) This part of the question required candidates to calculate economic profit from the given information. This was well answered by majority of the students who attempted the question. Only a few failed to note that economic profit = total revenue minus explicit and implicit costs
- (c) Required candidates to calculate accounting profit. Some candidates failed to appreciate that the question referred to accounting profit.
- (d) Candidates were asked to explain the cause of the difference between economic profit and accounting profit. This was fairly answered by those who got both economic profit and accounting profit correct.
- (e) Candidates were required to explain what to happen to the named business if total revenue reduced to K110,000 from K120,000. This was poorly done. Some candidates left this part of the question blank. The question simply required the recalculation of economic profit. And since at that revenue economic profit is negative, the business must decide to discontinue its operations.

### **QUESTION FOUR**

The general performance on this question was poor. Only 17 out of the 52 candidates that attempted the question passed (got at least 10 out of the total 20 marks available). The pass rate recorded was 32.7%. The highest mark scored on this question was 18 out of 20 and the lowest was 0 out of 20.

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

- (a) Required candidates to explain the motives for holding. This part of the question was answered correctly by majority of candidates. However, some were totally lost. They presented none economic answers!

- (b) Required candidates to outline any two (2) factors that may cause changes in the demand for money. This was fairly done though there was too much generalization in terms of factors.
- (c) Candidates were required to outline any three (3) functions of the central bank other than monetary policy. This was well answered by many though some confused with functions of commercial banks instead of the central bank as required.
- (d) Candidates were given money supply and money demand functions and were required to:
  - (i) Calculate the equilibrium interest rate in the given economy. This again was fairly done. It required equating the two functions and solving for  $r$ .
  - (ii) Illustrate using a diagram or graph the effect of an increase in money supply by the central bank. Majority of the students fared badly on this part of the question. Graphs were wrong let alone the explanation. It is important to note that the supply curve for money is a vertical straight-line while the demand for money is downward sloping to the right. An increase in money supply shifts the curve to the right while the demand curve remain unchanged.

## **QUESTION FIVE**

The general performance on this question was very good. 35 out of the 50 candidates that attempted the question passed (got at least 10 out of the total 20 marks available). The pass rate recorded was 70%. The highest mark scored on this question was 20 out of 20 and the lowest was 2 out of 20.

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

- (a) Required candidates to define price elasticity of demand. This was well answered with varying correctness of the definitions.
- (b) Required candidates to calculate the price elasticity of demand using the point method. Candidates fared but some candidates decided to use a different method from the point method which was required by the question. Candidates are strongly urged to read and understand the question clearly.
- (c) Required candidates to interpret the calculated elasticity value in terms of total revenue. Surprisingly, some of the candidates who got the calculation correct were not able to interpret the meaning of the value they calculated in terms of total revenue
- (d) Candidates were required to calculate total revenue at both the old and the new prices to determine the effect of the price change. This was not well answered. It required candidates to calculate total revenue at the old and new prices and compare them. This was aimed at confirming the elasticity value obtained in (b) which was unitary elasticity hence no change in total revenue.

(e) Required candidates to outline any four (4) factors that influence the price elasticity of demand. This was the best answered part of this question. Majority of the candidates got the full marks allocated.

## **QUESTION SIX**

The general performance on this question was poor. Only 19 out of the 47 candidates that attempted the question passed (got at least 10 out of the total 20 marks available). The pass rate recorded was 40.4%. The highest mark scored on this question was 19 out of 20 and the lowest was 0 out of 20.

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

- (a) Candidates were required to explain the concept of globalization. This was fairly done though explanations were largely poor.
- (b) Candidates were required to outline any four (4) drivers of globalization. This was poorly done. Majority of the candidates presented benefits of globalization instead of the drivers of globalization as required.
- (c) Required candidates to outline any three (3) support services IMF gives to its member countries. This was fairly done.
- (d) Required candidates to state any three (3) values or principles of the WTO. This was largely poorly done. Candidates seem to neglect this part of the syllabus.

### **Overall performance of candidates**

Highest mark obtained in this paper	86%
Lowest mark obtained in this paper	14%
Overall pass rate in this paper	62.1%

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

### **QUESTION ONE**

The general performance on this question was excellent. 97 out of the 110 candidates that attempted the question passed (got at least 10 out of the total 20 marks available). The pass rate recorded was 88.2%. The highest mark scored on this question was 20 out of 20 and the lowest was 6 out of 20.

### **QUESTION TWO**

The general performance on this question was very poor. Only 27 out of the 109 candidates that attempted the question passed (got at least 10 out of the total 20 marks available). The pass rate recorded was 24.8%. The highest mark scored on this question was 18 out of 20 and the lowest was 0 out of 20.

Question Two was also a compulsory question. All candidates attempted this question. The question had two parts, (a) and (b). Part (a) was based on the Law of Contract. It required candidates to have sufficient knowledge on the law of contract, particularly, on offer and acceptance supported by decided cases. Unfortunately, only about 10 candidates out of the total number of candidates managed to score 10 and above. The rest scored below 10 which is a clear indication that they did not study the topic in sufficient detail. Going forward, candidates are encouraged to study the law of contract in details and also study the cases that support the various principles of law of contract.

Under part (b), the question was based on consequences of incorporating a company under company law. The performance here was equally very poor. Very few candidates were able to cite the case of Salomon v Salomon in principle and then discussing the attributes of incorporation. Hence most of the candidates were scoring below 5 marks which is very surprising as this is one of the most enjoyable topics in this courses. Going forwards, candidates are advised to take their studies seriously and dedicate sufficient time to studying topics such as this one, which form an integral part of the syllabus.

### **QUESTION THREE**

The general performance on this question was excellent. 84 out of the 100 candidates that attempted the question passed (got at least 10 out of the total 20 marks available). The pass rate recorded was 84%. The highest mark scored on this question was 17 out of 20 and the lowest was 3 out of 20.

This was a two-part question. The first part (a) required the students to explain the various rules governing meetings and the different types of resolutions that are put at

meetings. Students fairly answered this question. The second part (b) required students to explain the difference between a partnership and a Limited Company; students also did well on this part.

Going forwards, candidates are advised to take their studies seriously and dedicate sufficient time to studying topics such as this one, which form an integral part of the syllabus.

#### **QUESTION FOUR**

The general performance on this question was very poor. Only 15 out of the 57 candidates that attempted the question passed (got at least 10 out of the total 20 marks available). The pass rate recorded was 26.3%. The highest mark scored on this question was 20 out of 20 and the lowest was 2 out of 20.

The question had three parts:

- (a) Candidates struggled to answer this question; from the answers it was evident that many may not have adequately learnt the exceptions to the nemo dat rule.
- (b) Candidates fared very well in this question.
- (c) Many candidates showed a failure to distinguish between Damage which the question asked and damages. Many defined damages which is a common mistake that candidates seem to make. Lecturers should teach the distinction between the two during lessons. The question was attempted by 90% of the candidates and nearly everyone got above 50%. In future, candidates must start the module adequately.

#### **QUESTION FIVE**

The general performance on this question was excellent. 99 out of the 108 candidates that attempted the question passed (got at least 10 out of the total 20 marks available). The pass rate recorded was 91.7%. The highest mark scored on this question was 20 out of 20 and the lowest was 4 out of 20.

The question was made up of four parts unlimited companies and companies limited by guarantee, sole proprietorship and partnership, partner by estoppel and general partner, nominal capital and issued share capital. Candidates answered the question adequately except in Part A which was looking at the unlimited companies, where most candidates could explain the distinction with those limited by shares. In future, candidates must study the module adequately.

## **QUESTION SIX**

The general performance on this question was good. 43 out of the 63 candidates that attempted the question passed (got at least 10 out of the total 20 marks available). The pass rate recorded was 68.3%. The highest mark scored on this question was 20 out of 20 and the lowest was 0 out of 20.

This question was on companies limited by guarantee, limited by shares, and types of resolutions a company can make. The only problem was on the types of resolutions. In future, candidates should study the module more and understand everything in detail.

### **Overall performance of candidates**

Highest mark obtained in this paper	85%
Lowest mark obtained in this paper	22%
Overall pass rate in this paper	86.4%

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

### **QUESTION ONE**

The general performance on this question was very good. 27 out of the 36 candidates that attempted the question passed (got at least 10 out of the total 20 marks available). The pass rate recorded was 75%. The highest mark scored on this question was 18 out of 20 and the lowest was 4 out of 20.

This question examined the whole syllabus, however, the outcome of the performance in this question clearly indicated that some candidates did not complete their syllabus when preparing for the examinations. The question was divided into Ten (10) multiple choice questions of two marks each.

### **QUESTION TWO**

The general performance on this question was poor. Only 14 out of the 36 candidates that attempted the question passed (got at least 10 out of the total 20 marks available). The pass rate recorded was 38.9%. The highest mark scored on this question was 20 out of 20 and the lowest was 0 out of 20.

The question had three (3) parts; part (a) required candidates to identify and explain two main objectives of management discussed in the scenario. Majority of the candidates failed to identify the objectives from the scenario and therefore lost marks.

Part (b) required candidates to state any two values which the company wanted to communicate. Many candidates stated the objectives instead of the values.

Part (c) required candidates to explain any three (3) disadvantages of a Private limited company over a Public limited company. Many candidates again failed to explain the disadvantages of a Private limited company.

### **QUESTION THREE**

The general performance on this question was poor. Only 12 out of the 31 candidates that attempted the question passed (got at least 10 out of the total 20 marks available). The pass rate recorded was 38.7%. The highest mark scored on this question was 20 out of 20 and the lowest was 0 out of 20.

This question had two parts; part (a) required candidates to explain five key leadership skills and part (b) required candidates to state any five theories of motivation and the respective proponents.



In part (a), the majority of candidates had difficulties. They were explaining the functions of management while others were stating the managerial roles instead of the objectives required.

In part (b), candidates were able to state the motivation theories but some had difficulties in mentioning the pioneers of such theories. In some cases they were mixing them up.

#### **QUESTION FOUR**

The general performance on this question was good. 10 out of the 16 candidates that attempted the question passed (got at least 10 out of the total 20 marks available). The pass rate recorded was 62.5%. The highest mark scored on this question was 18 out of 20 and the lowest was 2 out of 20.

This question had three parts; part (a), part (b) and part (c). In part (a), candidates were expected to state long-term and short-term decisions in production-oriented organizations. Many candidates failed to distinguish between short-term and long-term decisions instead they were explaining the general management functions of planning, organizing, directing and controlling.

Part (b) of this question was well answered by most candidates. They were able to explain the aspects of marketing activities correctly.

Part (c) of this question was also well answered candidates explained activities involved in the management of finances.

#### **QUESTION FIVE**

The general performance on this question was very poor. Only 4 out of the 25 candidates that attempted the question passed (got at least 10 out of the total 20 marks available). The pass rate recorded was 16%. The highest mark scored on this question was 14 out of 20 and the lowest was 0 out of 20.

This question was divided into three (3) parts; part (a), part (b) and part (c).

Part (a) required candidates to explain the meaning of ethics. Majority of candidates were not able to explain the meaning of ethics.

In part (b), Some candidates managed to describe five (5) situations which could cause conflict and threaten compliance. Many had difficulties.

In part (c), majority candidates were not able to identify the four (4) main board committees in an organization.

## **QUESTION SIX**

The general performance on this question was fair. 16 out of the 32 candidates that attempted the question passed (got at least 10 out of the total 20 marks available). The pass rate recorded was 50%. The highest mark scored on this question was 19 out of 20 and the lowest was 1 out of 20.

This question had five parts; part (a), part (b), part (c), part (d) and part (e).

Part (a) was poorly answered many candidates failed to differentiate between financial management and management of finances.

Part (b) the functions of Treasury management were not well answered. Many candidates explained the general functions of management.

In part (c), the objectives of Human resource management were well answered by most candidates.

Part (d) of this question was well answered except most candidates were giving short answers. There is need to provide more information to give context to the answers.

Part (e) of this question was not well answered. Majority of the discussed the PESTEL factors instead of factors influencing Centralization and Decentralization.

### **Overall performance of candidates**

Highest mark obtained in this paper	73%
Lowest mark obtained in this paper	9%
Overall pass rate in this paper	36.1%

## **SUBJECT: CA 1.6: BUSINESS COMMUNICATION**

### **QUESTION ONE**

The general performance on this question was excellent. 88 out of the 90 candidates that attempted the question passed (got at least 10 out of the total 20 marks available). The pass rate recorded was 97.8%. The highest mark scored on this question was 20 out of 20 and the lowest was 0 out of 20.

### **QUESTION TWO**

The general performance on this question was very poor. Only 17 out of the 89 candidates that attempted the question passed (got at least 10 out of the total 20 marks available). The pass rate recorded was 19.1%. The highest mark scored on this question was 16 out of 20 and the lowest was 0 out of 20.

The question was about outlining five disadvantages of using accounting packages in an organization, stating how an organization can implement IT application controls to ensure the identification and completeness of data within its information systems and listing five uses of passwords in the organization's computerized system.

The common mistakes were as follows:

- i. Most students were outlining advantages instead of disadvantages of using accounting packages in an organization
- ii. Some students could not explain well on how IT application controls could be implemented to ensure the identification and completeness of data is within its information system. They were explaining system controls in general.
- iii. Some students did not understand the question, instead of listing five uses of passwords in the organization's computerize system, they were giving the purpose or reason for passwords.

### **QUESTION THREE**

The general performance on this question was very poor. Only 8 out of the 36 candidates that attempted the question passed (got at least 10 out of the total 20 marks available). The pass rate recorded was 22.2%. The highest mark scored on this question was 14 out of 20 and the lowest was 2 out of 20.

The question was about stating six items a good computer security policy may contain and describing two facilities of editing and spell and grammar checking for the word processing software.

The following were the common mistakes noted in this question:

- i. Most students did not understand the word policy and were instead writing about security threats.
- ii. Some students were did not know the difference between editing and formatting documents.

#### **QUESTION FOUR**

The general performance on this question was very poor. Only 13 out of the 59 candidates that attempted the question passed (got at least 10 out of the total 20 marks available). The pass rate recorded was 22%. The highest mark scored on this question was 17 out of 20 and the lowest was 0 out of 20.

The question was about describing the five basic skills involved in using the internet, emphasizing their importance in accessing and sharing related information and explaining five differences between RAM and ROM

The following were the common mistakes noted in this question:

- i. Some students answered the basic skills involved in using the internet well but did not emphasis on their importance in accessing and sharing related information.
- ii. Some students had challenges in correctly explaining the difference between RAM and ROM, they were swapping the two in terms of use.

#### **QUESTION FIVE**

The general performance on this question was very good. 69 out of the 89 candidates that attempted the question passed (got at least 10 out of the total 20 marks available). The pass rate recorded was 77.5%. The highest mark scored on this question was 18 out of 20 and the lowest was 0 out of 20.

The question was about explaining terms like Dear Sir/Madam, REF, Yours faithfully, Yours sincerely, pp, explaining the functions of the following paragraphs of the letter – opening paragraph and closing paragraph. Explaining three disadvantages which a letter has over oral communication.

The following were the common mistakes noted in this question:

- i. Wrong content, the use of Ref was mixed up with the use the subject line in a document omitting the sub questions which resulted into loss of marks.
- ii. Mixing up of answers on for yours faithfully and yours sincerely.
- iii. Mixing up of answers for opening and closing paragraph was common and had wrong content that was provided.

- iv. Some candidates presented advantages of oral or visual communication instead of advantages of letters as required by the question.

### **QUESTION SIX**

The general performance on this question was excellent. 70 out of the 86 candidates that attempted the question passed (got at least 10 out of the total 20 marks available). The pass rate recorded was 81.4%. The highest mark scored on this question was 17 out of 20 and the lowest was 5 out of 20.

The question was about stating four advantages for using emails for internal customer communication, writing an email to the chairperson of the meeting informing him/her about the delayed minutes and request for a postponement of the meeting to next week. Stating four duties of a chairperson of a meeting.

The following were the common mistakes noted in this question:

- i. Presented advantages of using emails as an important source of information which was not supposed to be the case  
Some candidates presented advantages of emails as just general purpose of business communication which was not correct.
- ii. Some students used a wrong layout for example letter elements such as salutation, sender's address and wrong complementary close were included in the email  
Some students did not include a specific rescheduled date of the meeting that was postponed  
The main body had incomplete information.  
The content presented in the answers was not well linked to the scenario that was provided in the question.
- iii. Repeated answers  
Mixed up duties of the chairperson with those of a secretary or a committee member.

### **Overall performance of candidates**

Highest mark obtained in this paper	70%
Lowest mark obtained in this paper	16%
Overall pass rate in this paper	73.3%

## *CA Application*

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

#### **QUESTION ONE**

The general performance on this question was fair. 46 out of the 88 candidates that attempted the question achieved a pass (that is a score of at least 20 out of 40 marks), representing a pass rate on the question of 52.3%. The lowest score was 2.5, whilst the highest was 33 out of the available 40 marks.

The question required candidates to prepare a consolidated statement of financial position for a group of companies including a parent, subsidiary and an associate. Candidates were to calculate goodwill, reconcile investment amount to determine the residue financial asset, calculate and adjust for unrealized profits and reverse intercompany balances. They were also to calculate the carrying amounts for non-controlling interest and investment in associate besides that for non-current assets and equity.

The most common mistakes made by the candidates:

Candidates scored above average as they were able to do obvious things like adding assets and liabilities on a line-by-line basis. Common mistakes included:

- i. Failure to calculate correctly the share-for-share exchange purchase consideration and crediting the same to the parent's ordinary share capital and share premium accounts. Consequently, the emerging amount of goodwill was incorrect though the impairment was correctly deducted.
- ii. The present value of the cost of restoring the mine to its original state and the corresponding provision were not included in the calculation of net assets on acquisition. This did not affect the amount of goodwill to be calculated as it was in and out.
- iii. Candidates shared the post-acquisition profits of the subsidiary before deducting depreciation of the cost of restoring the mine, and the unwinding of interest on the corresponding provision.
- iv. The fair value gain on the financial asset (Other investments) was wrongly calculated by majority of candidates.
- v. Candidates mixed up amounts to add and amounts to subtract when adjusting the PPE figures to find the carrying amounts. This was evidence that candidates do not learn adjustments and amounts to debit or amounts to credit on alternate accounts corresponding accounts.

## QUESTION TWO

The general performance on this question was excellent. 64 of the 75 candidates that attempted the question managed to obtain at least 10 marks out of a total of 20 available marks. A pass rate of 85.3% was recorded. The highest score was 20 out of 20 marks while the lowest was 3.5.

The question was on a listed company and required candidates to prepare:

- (a) A statement of profit or loss and other comprehensive income;
- (b) A statement of changes in equity; and
- (c) A statement of financial position.

The question had accompanying notes on various IFRSs that needed to be adjusted for. Generally, most candidates performed well in this question, though few candidates were not able to deal with some adjustments very well.

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

- i. Expensed ordinary dividends paid in the statement of profit or loss. Ordinary dividends paid is an appropriation item, therefore should be charged directly to equity (retained earnings).
- ii. Omitted under-provision of income tax for the previous year, when determined the tax expense for the year. Furthermore, deductible temporary difference of K400, 000 was treated as a deferred tax asset. For future examinations you are reminded that, deferred tax is a tax on temporary difference (i.e. temporary difference must be multiplied by the income tax rate). Therefore, deferred tax asset should have been computed as follows;  $K400,000 \times 35\% = K140,000$ .
- iii. Failure to compute the correct value for bonus issue, the correct amount should have been K160,000 (200,000 shares  $\times$  K0.8 par value of equity shares).
- iv. Interest on loan note was not time apportioned. The correct amount should have been K135,000 ( $20\% \times K900,000 \times 9/12$ ).
- v. Reported revaluation gain as other income in the statement of profit or loss, instead of reporting the gain in other comprehensive income.

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

## QUESTION THREE

The general performance on this question was very poor. Only 2 of the 43 candidates that attempted the question managed to obtain at least 10 marks out of a total of 20

available marks. A pass rate of 4.7% was recorded. The highest score was 10 out of 20 marks while the lowest was 1.

The question had two requirements as follows:

Part (a) required candidates to briefly explain the accounting requirements for lessors in accordance with IFRS 16 Leases for 6 Marks.

Part (b) required candidates to advise the directors of Chibeza Limited on the accounting treatment of the transactions in the scenario above, showing amounts that must be reported in the company's financial statements for the year ended 31 December 2024 for 14 Marks.

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

Part (a) was well answered by most students, with some getting full 6 marks.

Most candidates found part (b) to be challenging, although some followed the steps, most failed to calculate the correct amounts for the following;

- Initial lease liability at 1.1.2024
- Finance cost to charge in PL for y/e 31.12.2024
- Current liability portion
- Financial asset (receivable) in respect of the refundable deposit
- ROUA
- Fittings incorporated into the building
- Decommissioning provision

#### **QUESTION FOUR**

The general performance on this question was excellent. 75 of the 82 candidates that attempted the question managed to obtain at least 10 marks out of a total of 20 available marks. A pass rate of 91.5% was recorded. The highest score was 20 out of 20 marks while the lowest was 1.

The question required candidates to compute a given set of ratios and to provide a brief commentary on those ratios.

The question was attempted by nearly all candidates and the approach to the analysis of the financial performance and comparison of NPZ and CMZ suppliers of mining equipment was satisfactory and candidates did well with some getting full allocated 20 marks.



## QUESTION FIVE

The general performance on this question was very poor. 6 of the 30 candidates that attempted the question managed to obtain at least 10 marks out of a total of 20 available marks. A pass rate of 20% was recorded. The highest score was 14 out of 20 marks while the lowest was 0.

The question required candidates to explain to the directors of Twashuka Ltd the appropriate accounting treatments of three transactions outlined below:

- (a) Twashuka sold debts to a bank and derecognized them. Candidates were to determine whether the sales of receivables balances (Debt factoring) had commercial substance or not in line with the Conceptual Framework and other accounting standards.
- (b) Twashuka spend money on research and development during the year. Candidates were to determine the appropriate accounting for R & D spread over periods when it was not clear whether the expenditure would yield returns or not. Application of IAS38 was called for.
- (c) Twashuka were to account for income taxes in line with IAS 12 where there was an under-provision in the preceding year, an estimate of tax on current year profits and a deferred tax liability calculated on a reversible timing difference of revaluation surplus arising on non-current assets.

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

Advice on the first transaction -Debt Factoring

Candidates failed to apply the principles of faithful representation to determine that the substance of the transaction was that of a loan secured on debts. It did not have the substance of a sale as prescribed under IFRS15. As a result they could not state the correct action of re-instating the debts which had been de-recognized, recognizing the loan and the associated interest on it. Some candidates mentioned the interest cost but based the amount on the difference between K20m and 18m.

Advice on the second transaction -Research and Development expenditure

A number of candidates correctly stated that research expenditure would have to be expenses whereas development expenditure would have to be capitalized subject to meeting the PILATE criteria mentioned in IAS38. A small number of candidates correctly calculated the amount to be capitalized (from the date when the criteria was met) and but could not scales down to two months for the amount of amortization.

Advice on the third transaction -Accounting for Income tax

Most of the candidates stated the amounts to expense in the profit and loss, and amounts to report as a current liability or non-current liability on the statement of financial position. However, they failed to treat the under-provision correctly as they were subtracting it from the current year tax expense. Candidates calculated the deferred tax amount and stated that it would be reported in the statement of profit and loss, instead of specifying that it would be reported under Other Comprehensive Income and subtracted from the amount of revaluation surplus

### **Overall performance of candidates**

Highest mark obtained in this paper	76%
Lowest mark obtained in this paper	14%
Overall pass rate in this paper	56.2%

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

### **QUESTION ONE**

The general performance on this question was poor. Only 25 out of the 74 candidates that attempted the question achieved a pass (that is a score of at least 20 out of 40 marks), representing a pass rate on the question of 33.8%. The lowest score was 1, whilst the highest was 30 out of the available 40 marks.

This question required candidates to:

(a) explain the role of management accounting in meeting the needs of stakeholders , particularly about sustainability and to explain three ways in which sustainability can impact an organization.

This part was well answered.

- (b) (i) Explain three disadvantages of using absorption costing. This part was poorly answered.
- (ii) Calculate the budgeted full cost per unit of each product using the Activity Based Costing (ABC) method. This part was poorly answered.
- (iii) Calculate selling price for each product for products A1,B2 and C3.

Common mistakes made by the candidates included:

- i. Failure to explain role of management accounting in the context of sustainability and marks were lost because of the general answers which most candidates provided. Instead management accounting role was explained general terms such as planning, control and decision making.
- ii. Very few candidates could explain three ways how sustainability could impact an organization.
- iii. Explaining the advantages and yet the question was asking for disadvantages.
- iv. Failure to calculate the correct ABC figures and just duplicating pool costs without apportioning them according to the given data.
- v. Most of the candidates did not attempt part (c) and those who attempted it did not know how to calculate selling price for each product.

### **QUESTION TWO**

The general performance on this question was very poor. Only 3 of the 29 candidates that attempted the question managed to obtain at least 10 marks out of a total of 20 available marks. A pass rate of 10.3% was recorded. The highest score was 10.5 out of 20 marks while the lowest was 1.

Question Two required candidates to:

- (a) calculate the total profit for the year
- (b) calculate the minimum amount of green leaf and the yield per hectare
- (c) calculate the minimum amount of green leaf and the yield per hectare
- (d) calculate the total profit if planned yield was estimated at 3,900 kg for the year

Common mistakes made by the candidates included:

- i. Some candidates failed to calculate the green leaf yield for 700 hectares.
- ii. Further, candidates failed to calculate the amount of made tea produced thereby failing to calculate the amount of revenue to be able to calculate the contribution.
- iii. The majority of candidates failed to calculate the minimum amount (breakeven) as they seemed not to know that the minimum amount is the breakeven amount.
- iv. Candidates had problems calculating the revised variable cost; hence the contribution per kg.
- v. No candidate managed to calculate the yield per hectare
- vi. Candidates had difficulties explaining the importance of determining the minimum amount which was actually the breakeven amount.
- vii. Since candidates failed to deal with the calculations in part (b), they failed to answer part (d).
- viii. No candidate had the correct answers.

### **QUESTION THREE**

The general performance on this question was fair. 33 of the 72 candidates that attempted the question managed to obtain at least 10 marks out of a total of 20 available marks. A pass rate of 45.8% was recorded. The highest score was 18 out of 20 marks while the lowest was 1.

This question required candidates to:

- (a) Explain why factors such as competition, economic environment, increased advertising, past sales trends and patterns, and market research should be taken into account when forecasting sales.
- (b) Calculate the budgeted production cost per bottle
- (c) Prepare the budgeted statement of profit or loss

Common mistakes made by the candidates included:

- i. Nearly all the candidates did not bring out the impact of these factors in forecasting sales.
- ii. Some candidates failed to adjust the material and labour costs as required in the question.

- iii. Some candidates calculated the material and labour costs in total, but did not convert them into unit costs.
- iv. Some candidates had problems calculating the cost of sales especially direct material and direct labour.
- v. Others had challenges increasing fixed administration and selling expenses by a factor of 8%.

#### **QUESTION FOUR**

The general performance on this question was very poor. Only 3 of the 38 candidates that attempted the question managed to obtain at least 10 marks out of a total of 20 available marks. A pass rate of 7.9% was recorded. The highest score was 16 out of 20 marks while the lowest was 0.

This question examined limiting factors part (a); formulating a linear programming model part (b) and solve a linear programming problem in part (c).

The common mistakes made by the candidates included:

- i. Part (a) was not well answered. Candidates could not compute the restaurant hours as balancing hours. They showed lack of understanding of what to do and marks were lost.
- ii. Part (b) was equally not well answered. Many candidates left this part blank and those who attempted it did not know what to do and marks were lost by all the candidates.
- iii. Part (c) was not attempted at all by all the candidates because of not answering part (b).

#### **QUESTION FIVE**

The general performance on this question was very poor. Only 18 of the 68 candidates that attempted the question managed to obtain at least 10 marks out of a total of 20 available marks. A pass rate of 25% was recorded. The highest score was 12.5 out of 20 marks while the lowest was 0.5.

This question required candidates to explain the overall objective of inventory control and three types of holding costs part (a); explain how non-quantifiable factors (customers, competitors, political pressures and legal constraints) would influence decision making part (b); explain differences in the way variances are calculated in marginal costing and absorption costing part (c); and explain any four functions of a system of budgeting part (d).

Common mistakes made by the candidates included:

- i. Candidates failed to clearly bring out the fact that minimization of inventory costs is the main objective of inventory control.
- ii. Some candidates were able to identify the holding costs but failed to explain them.
- iii. Some candidates could hardly calculate the OAR.
- iv. Candidates had problems bringing out the impact of non-quantifiable factors in decision making. Otherwise it was fairly answered.
- v. The majority of candidates just explained the differences between absorption costing and marginal costing without relating to variance analysis.
- vi. Some candidates were only able to identify the functions but gave no explanations.

### **Overall performance of candidates**

Highest mark obtained in this paper	60%
Lowest mark obtained in this paper	10%
Overall pass rate in this paper	31.1%

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

### **QUESTION ONE**

The general performance on this question was very poor. Only 6 out of the 140 candidates that attempted the question achieved a pass (that is a score of at least 20 out of 40 marks), representing a pass rate on the question of 4.3%. The lowest score was 0, whilst the highest was 24 out of the available 40 marks.

Part (a) required candidates to describe audit procedures on the disposal of motor vehicles stating the financial statement assertion being tested by each audit procedure. The performance in this part of the question was poor. Audit procedures are a core area of the syllabus and will be examined at every examination. It is clear from the answers given that a majority of the candidates do not understand the accounting for tangible non-current assets the related internal control such as the tangible non-current asset register.

The following observations were made:

- Many candidates explained methods of obtaining audit evidence such as physical inspection without using these to describe the necessary audit procedure that should be performed.
- There were candidates that discussed procedures as if the vehicle had not been disposed of. There were procedures such as physically inspecting the vehicle which had been disposed of and confirming the ownership of the vehicle which had been disposed of.
- Many candidates discussed procedures without stating the related financial statement assertion as per question requirement. The examiners intended to test candidates on their understanding of the relationship between financial statements assertions and audit procedures to be performed.

Part (b)

- (i) This part of the question required candidates to describe the other information contained in the financial statements of Luangwa Plc. Candidates needed to know the provisions of ISA 720 *The auditor's responsibility in relation to other information documents containing audited financial statements*.

For 2 marks candidates simply needed to identify and explain the other information in the scenario.

The information in the scenario referred to the Report of the directors which was contained in the documents containing financial statements and this is what

candidates should have referred to. The performance in this part was poor with most of the candidates losing all the available marks showing lack of knowledge of the topic on other information and the provisions of ISA 720 The auditor's responsibility in relation to other information in documents containing audited financial statements which knowledge is necessary to answer part (ii) of this question.

The following observations were made:

- There were candidates that discussed materiality which was not the question requirement and no marks were awarded.
- A sizeable number of candidates discussed the events 1 to 3 in the scenario which are relevant to answering part (c) of the question.
- Disappointingly others discussed the disposal of the motor vehicle in answering this question on other information.

- (ii) Describe the audit procedures that should be performed on the audit of other information and also suggest action that should be taken in view of the inconsistency. Candidates needed to address both aspects of the question to score maximum marks. A majority of candidates lost all the available marks and seemed not to know the other information contained in the scenario. The question clearly referred to the report of the directors contained in the documents containing the financial statements and this is what should have been referred to.

The following observations were made:

- A majority of the candidates lost all the available marks in view of the fact that they could not answer part (i).
- There were candidates who discussed items 1 to 3 on accounting treatment and the issue of uncorrected misstatements. Candidates should read and understand the question requirements before attempting to answer questions.

### **Part (c)**

This part of the question required candidates to evaluate events 1 to 3 in the scenario and to suggest suitable action for each of the events. It is clear from the information in the scenario that these were subsequent events. To satisfactorily answer this part of the question candidates needed to know the provisions of IAS 10 *Events after the reporting period and the guidance given in the auditing standard ISA 560 Subsequent events*.

A majority of the candidates lost marks because they clearly did not know and understand the issues relating to IAS 10 on adjusting and non-adjusting events. Each of the three items should have been evaluated separately clearly explaining the action that should be taken by the audit team.



The following observations were made:

- Most candidates explained the need to discuss with management the issues without evaluating and concluding whether or not they were adjusting events.
- A few candidates explained the meaning of adjusting and non-adjusting events without considering the information in the scenario for which no marks were awarded.
- Disappointingly enough there were candidates that repeated the matters in the scenario for which no marks were awarded.

### **Part (d)**

- (i) This part of the question required candidates to suggest with justification a suitable opinion based on the fact that sufficient appropriate evidence was obtained and considering the extent of uncorrected misstatements.

In answering this question candidates should have considered the materiality and pervasiveness of the matter of concern to decide on the appropriate audit opinion. The performance in this important area of the syllabus was poor with a majority of the candidates scoring less than half the available marks.

Candidates seem to only know the three forms of modification of the audit opinion without knowing how to decide on the form of modification. In this first part the auditors were able to obtain sufficient appropriate audit evidence which means the issue of a disclaimer of opinion does not apply. To support their suggested opinion candidates should have considered the matters of materiality and pervasiveness of the matter of concern which is the uncorrected misstatements. If the candidate assumed that the matter was below the materiality level and hence not material, then an unmodified opinion will be appropriate.

Considering that the uncorrected misstatements were marginally below the materiality figure, candidates could have argued that the amount is material as it could exceed the materiality figure considering the whole financial statements in which case consideration of pervasiveness should have been made.

The following observations were made:

- Some candidates explained the uncorrected misstatements without using this in determining the form of opinion to issue.
- A significant number of candidates suggested opinions with no justification as required by the question and lost marks as a result.
  - There were many candidates that gave wrong opinions for the justification that was given. For example, the matter is considered material and pervasive and a qualified opinion instead of an adverse opinion is suggested.

Despite the fact that part (d) makes specific reference to uncorrected misstatements some candidates took it upon themselves to use information in notes 1 to 4 in suggesting an appropriate opinion.

For example a candidate had this to say in relation to item 3 in the question in attempting to answer this question

“Request management to make a provision in financial statements and indicate it in the audit report under the emphasis of matter paragraph as this therefore the company is a going concern.”

The above an indication of lack of preparedness and understanding of the matter being discussed.

- (ii) This part of the of the question required candidates to suggest a suitable opinion assuming there was a limitation of scope. Candidates should have observed that there are two possible opinions in this case to choose from as follows:
- If the matter is material and pervasive then a qualified opinion will be appropriate.
  - If on the other hand the matter is considered material and pervasive then a disclaimer of opinion will be appropriate.
  - Under no circumstance would an adverse opinion be appropriate when there was a limitation of scope.

The performance in this part of the question was poor with a majority of the candidates scoring less than half the available marks. Candidates are reminded of the need to fully understand the provisions of the auditing standards on auditing related to reporting namely *ISA 700 Forming an opinion and reporting on financial statements and ISA 705 Modifications to the independent auditor's report.*

The following observations were made:

- Many candidates did not realize that in this case there was a limitation of scope and the possible opinions with justification were the qualified and limitation of scope.
    - Surprisingly there were candidates that reproduced the unmodified report which was not required and extracts of the report were required in answering part (iii) of the question.
- (iii) This part of the question required candidates to draft suitable extracts of the opinion paragraphs for the suggested opinions in (i) when sufficient appropriate evidence was obtained and in (ii) where there was a limitation of scope. Candidates needed to know that in bot situations the opinions were modified and this has an effect on the title of the opinion and basis of opinion paragraphs. Further,

candidates were expected to use appropriate wording for the opinion suggested such as 'Except for...' in the case of a qualified opinion.

It should be noted that marks were awarded for correct headings and wording in this part even if the wrong opinion was suggested in (i) and (ii).

The performance was poor with a majority of candidates scoring less than half the available marks. There were two extracts that were required for the two opinions in (i) and (ii) respectively.

The following observations were made:

- Many candidates did not seem to understand the implication of modifying the opinion on the elements of the audit report. For example if the suggested opinion was a qualified opinion the opinion paragraph should have been titled Qualified opinion and not Opinion.
- Many candidates showed lack of knowledge of the main working in each of the three forms of opinion namely, 'except for' in the case of a qualified opinion, 'Do not show a true and fair view' in the case of an adverse opinion and 'we are unable to form an opinion, in the case of a disclaimer of opinion.
- There were candidates who reproduced the unmodified report with all the elements disregarding the main requirements in the context of the question.
- There were candidates who used a different opinion in the extracts from the opinions suggested in (i) and (ii) which the candidates should have done. In doing so candidates did not score maximum marks.

## **QUESTION TWO**

The general performance on this question was poor. Only 47 of the 130 candidates that attempted the question managed to obtain at least 10 marks out of a total of 20 available marks. A pass rate of 36.2% was recorded. The highest score was 18 out of 20 marks while the lowest was 0.

### **Part (a)**

This part of the question required candidates to explain ethical matters in the audit of the financial statements of Road Contractors Ltd and to suggest a suitable safeguard for each matter. Presentation in this type of question is important and a columnar format is most appropriate and saves time.

It was disappointing that a sizeable number of candidates lost easy marks in this topical and easy part of the subject which has been examined in this manner many times in the past.

The following observations were made:

- There was a significant number of candidates that struggled to identify the five ethical matters using the five general threats to the independence of the auditors of self-interest, self-review, familiarity, intimidation and advocacy. Candidates needed to simply identify the ethical matters using the information in the scenario and conclude with the type of threat they pose.
- There were candidates that discussed the ethical guidance on advertising professional services which was not in the information in the scenario and no marks were given for doing so. The answers given show that candidates do not practice with previous examination questions in preparing for the examination.
- Surprisingly a number of candidates suggested that assigning staff to more than one audit was an ethical issue. There is nothing wrong with having auditors assigned to different assignments the ethical dilemma will only arise when one is assigned to the same client for a long time resulting in a familiarity threat.
- There were candidates that ably identified and explained the ethical matters but could not give suitable safeguards to apply and so lost easy marks for not doing so.
- For example a candidate identified the threat that could arise if the Finance Manager joined the firm and is later assigned to the same client that they worked for, the safeguard suggested was that "The Finance Manager should refrain from joining the firm and look for a different person" when the appropriate response should have been that the Finance Manager should not be assigned to the audit of the financial statements of the company they previously worked for.

### **Part (b)**

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

The following observations were made:

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

### **Part (c)**

- (i) This part of the question required candidates to explain the response in accepting appointment as auditor in the event that risk is assessed as high based on preliminary information available.

Candidates should have noted that at this stage the firm is not auditor of the client company but is considering acceptance after being nominated to be auditor. This

was a knowledge based question requiring to use the theory to the information in the scenario. The ultimate decision if risk cannot be reduced to acceptable levels is to decline appointment but before doing so the auditor may take steps to reduce risk and go ahead and accept appointment. Candidates should be aware of the component of audit risk that the auditors can reduce which is detection risk.

The following observations were made:

- Candidates that lacked knowledge in this part discussed matters dealt with in (a) and provided responses to them for which no marks were awarded.
- A large number of candidates simply stated that the auditors should decline appointment without any arguments. Further, candidates should understand that decline may be the last resort if there are no means of reducing the risk and any such means including reducing detection risk should have been discussed. Candidates should be guided by. The marks on offer to decide the extent of their answers.
- There were candidates who discussed why risk was considered high without addressing the question on the response in view of the high risk.
- There were answers that were clearly incorrect for example the following:
  - "Previous auditor – study the previous auditor and why they separated."
  - "Audit fee – the fee should be efficient, economical and effective."

- (ii) This part of the questions required candidates to explain the matters that should be considered in considering to bid for the offer of audit services to Road Contractors Ltd. This again was a knowledge based question which candidates could have answered with little reference to the information in the scenario. Audit firms are expected to consider certain matters in deciding whether or not to bid for the offer of audit services in response to an invitation for the offer of audit services by a prospective client. Matters that should have been discussed include having experience in auditing a company in the particular industry and also issues relating to resources including human, financial and time to undertake the audit.

It was disappointing to note that a majority of candidates could not score maximum marks in this knowledge based question. Many candidates discussed matters that should be considered after nomination.

The following observations were made:

- There were candidates that discussed ethical matters in answering this question.
- There were candidates that discussed the preconditions that must be present to undertake an audit which is not relevant at the point of deciding to bid for audit services and no marks were awarded for doing so.

- Other candidates discussed materiality and the effectiveness of internal controls as issues that should be considered at this stage. It is important that the firm will have little knowledge of internal controls in the prospective client at this stage where the firm is simply considering bidding for the offer of audit services.

### **QUESTION THREE**

The general performance on this question was very poor. Only 16 of the 93 candidates that attempted the question managed to obtain at least 10 marks out of a total of 20 available marks. A pass rate of 17.2% was recorded. The highest score was 16 out of 20 marks while the lowest was 0.

The question comprised questions on professional skepticism, changes to the engagement letter and internal controls all of which have been examined frequently in past examinations. All parts of this question could have been answered easily using the information in the scenario as each one of them required use of information in the scenario. Candidates should practice with past examination questions and be able to apply the theory to simple scenarios such as that of Lukanga Plc.

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

This part of the question required candidates to explain areas in which professional skepticism should be applied in the audit of the financial statements of Lukanga Plc. Candidates were expected to explain specific areas in the scenario and not give general answers and bring out matters not contained in the scenario.

The performance in this question was poor with a majority of the candidates failing to score half of the available marks. Candidates are expected to know the meaning of professional skepticism in an audit and the areas where professional skepticism should be applied. The information in the scenario should have helped candidates to simply identify the areas in the scenario and expand on them. Candidates needed to be alert and skeptical of the information in the scenario to answer this question.

The following observations were made:

- There were candidates that gave less than the 4 areas required and so scored marks in proportion to the correct answers given.
- There were candidates that gave general text book areas without relating to the information in the scenario and this did not attract maximum marks.
- There were candidates that explained the meaning of professional skepticism in answering this part. This was not the question requirement and no marks were awarded for correctly explaining the meaning of professional skepticism.

## **Part (b)**

This was an application question requiring candidates to evaluate and come up with relevant arguments necessitating a revision of the engagement letter. General answers did not attract any marks as candidates were expected to use information in the scenario. The answers to this question were contained in the information in the scenario and candidates should have used the hints in the question to explain the reasons that would necessitate a revision of the engagement letter. Failure to identify these shows lack of understanding of the topic because candidates could be required to explain any matters that would necessitate a revision of the engagement letter without using any information in the question.

The following observations were made:

- Candidates gave general answers with some that did not relate to the information in the scenario. Candidates were not awarded full marks as the question requirement was for specific reasons contained in the scenario.
- There were candidates that gave less than the expected points for 4 marks.
- A sizeable number of candidates simply did not bother to attempt answering this part of the question.

## **Part (c)(i)(ii)(iii)**

This part of the question had three related sections requiring candidates to suggest (i) suitable control activities for the purchasing system stating the (ii) tests of controls and (iii) control objective that must be performed.

A columnar form of presentation is most appropriate in answering this type of questions. In the past questions on this topic required candidates to identify internal controls in a given scenario and to explain the control objectives and also suggest suitable tests of controls that should be performed. In this question candidates were given information about the purchasing system of Lukanga Plc and they were required to suggest suitable controls activities, explain the control objective and the suitable test of control for each control activity. It was disappointing that a majority of the candidates performed poorly in this topic with the majority failing to score half of the total 12 marks. The three parts were connected and should not have been answered in isolation of each other. Presentation of the answer is important and the columnar format should have been used to save time and also score maximum marks.

Candidates were given information about the purchasing and stores system of Lukanga Plc. and were required to suggest suitable control activities and for each to explain the control objective and suggest a suitable test of control. Candidates are required and expected to understand business cycles and the related documentation including that of

stores and purchases. It is important to consider the different ways in which the same topic could be examined.

The following observations were made:

- A large majority of candidates could not suggest control activities using the information in the scenario with a number not attempting to answer this part which comprised a total of 12 marks.
- Candidates that failed to suggest suitable controls could not get any marks related to the control objective and the tests of controls.
- Most candidates could not provide the control objectives for the controls suggested.
- Similarly a large number of candidates could not suggest suitable tests of controls required for the control activities provided.

#### **QUESTION FOUR**

The general performance on this question was poor. Only 27 of the 62 candidates that attempted the question managed to obtain at least 10 marks out of a total of 20 available marks. A pass rate of 43.5% was recorded. The highest score was 17 out of 20 marks while the lowest was 2.

This was the least attempted question but one with the highest average score signifying that the performance in this question was generally better than that in other questions. Candidates should carefully evaluate the optional question not to answer and ensure they don't answer the question that they are likely to score the lowest marks considering all parts of each question and the allocated marks.

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

This part of the question required candidates to explain audit risks at the planning stage of the audit of Crocodile Plc and to suggest a suitable response for each risk. The performance in this question was below expectation with only 26 candidates of the 61 that attempted this question scoring half or more of the available marks.

The following observations were made:

- A number of candidates explained audit risks but could not give appropriate audit responses for the risks explained. In most cases the responses were from the point of view of management instead of the auditor's point of view.
- A significant number of candidates could not relate audit risks discussed to the figures in the financial statements. Candidates are reminded that what makes a risk an audit risk is the impact that it has on the assertion contained in the financial



statements and candidates are expected to explain the assertion affected by the risk discussed.

### **Part (b)**

- (i) This part of the question required candidates to explain the financial statement assertions and the audit procedures designed by the auditors as part of substantive audit procedures. Auditors design audit procedures with a view to confirm the validity of the assertions contained in the figures in the financial statements. The assertion will determine the audit procedures that will be undertaken by the auditors. The performance in this question was below expectation. Most of the candidates explained the meaning of assertions and audit procedures without explaining the relationship as per question requirement. A large number of candidates did not attempt to answer this part of the question. It is a bad strategy not to attempt questions in the examination.
- (ii) This part of the question required candidates to explain substantive audit procedures that should be performed in the audit of inventory in the financial statements of Crocodile Plc. A majority of the candidates scored more than half the available marks except for a few candidates who explained audit procedures not related to inventory.
- (iii) This part of the question required candidates to explain audit procedures in the audit of the figure for loans in the financial statements of Crocodile Plc. Some candidates could not give the required number of audit procedures. There were also candidates who explained methods of obtaining audit evidence such as simply saying recalculate without describing the actual audit procedure that should be undertaken.

### **QUESTION FIVE**

The general performance on this question was very poor. Only 32 of the 132 candidates that attempted the question managed to obtain at least 10 marks out of a total of 20 available marks. A pass rate of 24.2% was recorded. The highest score was 16 out of 20 marks while the lowest was 0.

### **Part (a)**

This part of the question required candidates to explain the concept of audit and assurance in the context of the information in the scenario. This involves a partnership with active and passive partners and the candidates were expected to answer this part in the context of the partnership using the information in the scenario. Most of the

candidates simply defined what an audit is without explaining the need for an audit and assurance using the information in the scenario and particularly the interests of the partners that are not involved in the day to day running of the business.

### **Part (b)**

This part of the question required candidates to explain the matters that must be considered by Bronze Ltd before accepting appointment as auditor of Bronze Ltd. Candidates had problems in explaining the matters to consider some of which are contained in the scenario.

### **Part (c)**

This part of the question required candidates to explain the ethical matters that must be considered in the audit of the financial statements of Bronze Ltd and to suggest suitable safeguards for each ethical matter. This is a topical issue and candidate should have scored maximum marks but it was disappointing that candidates scored low marks.

There were candidates that could not identify the 5 ethical issues as required and scored marks in proportion to the correct matters identified and explained. Other candidates could not give satisfactory safeguards to the ethical matters identified and lost easy marks.

It should be observed that audit firms are in business like any other business enterprise and rejecting jobs should be the last resort after other possible safeguards have failed. Ideal safeguards in this case could include having stringent quality control reviews, having independent staff who were not involved in the audit to review the audit working papers or to take action to reduce over dependency on the client involved. For example for a firm that is growing, increasing the client base is likely to reduce dependency on one client.

### **Overall performance of candidates**

Highest mark obtained in this paper	52%
Lowest mark obtained in this paper	2%
Overall pass rate in this paper	7%

## **SUBJECT: CA 2.4 TAXATION**

### **QUESTION ONE**

The general performance on this question was fair. 90 out of the 172 candidates that attempted the question achieved a pass (that is a score of at least 20 out of 40 marks), representing a pass rate on the question of 52.3%. The lowest score was 2, whilst the highest was 37 out of the available 40 marks.

The question examined taxation of partnerships and was made up of five parts.

In part (a) candidates were asked to calculate the maximum amount of losses brought forward available for relief for each partner as at the beginning of the year. Most candidates failed to allocate the tax losses correctly in accordance with the profit-sharing ratio of the partners.

In part (b) candidates were required to calculate the amount of capital allowances claimable by the partnership for the tax year. The most common weakness demonstrated by candidates included:

- i. Using the wrong rates to compute capital allowances on construction equipment and administration offices.
- ii. Claiming capital allowances on the partner's personal private motor vehicles when computing the tax adjusted partnerships profits.

In part (c) candidates were required to compute the tax adjusted business profits for the partnership for the year. The most common mistakes made by some candidates included:

- i. Failure to disallow the profit on goods withdrawn for personal and family use.
- ii. Failure to disallow the excess cost of gifts of diaries to customers. The cost of each diary was K300. Only K100 should have been allowed. K200 should be disallowed on each diary.
- iii. Failure to disallow employee loans written off.

In part (d) candidates were required to prepare a computation showing the allocation of the tax adjusted profits to each partner and calculate the final taxable income for each partner for the year. The most common mistakes made by some candidates included:

- i. Failure to correctly time apportion the profits before and after the admission of a partner.

- ii. Failure to subtract capital allowances on partners' private motor vehicles from the total allocated profits for each partner.
- iii. Failure to restrict the capital allowances allocated to the proportion of business use.

In part (e) candidates were required to compute the income tax payable by each partner for the tax year. Some candidates used of the income tax rates for 2023, whilst others applied the company income tax rate of 30% instead of the personal income tax rates for individuals

## **QUESTION TWO**

The general performance on this question was poor. Only 61 of the 145 candidates that attempted the question managed to obtain at least 10 marks out of a total of 20 available marks. A pass rate of 42.1% was recorded. The highest score was 20 out of 20 marks while the lowest was 0.

The question examined taxation of employment income and comprised three parts. Part (a) which required candidates to compute the amount of gratuity received by an employee on the expiry of his contract of employment and to explain its tax treatment was generally answered well. Only a few candidates failed to compute the correct amount of gratuity.

In part (b) candidates were required to compute the personal income tax payable by the employee. The most common mistakes made by candidates included:

- i. Failure to determine correctly the number of months worked by the employee up to the expiry of the contract.
- ii. Failure to restrict the basic salary received by the employee to 8 months in line with the duration of the employment.
- iii. Including exempt benefits received on expiry of the contract in the computation of taxable income.
- iv. Not grossing up the consultancy fees and royalties before including the items in the computation of taxable income.

Part (c) asked candidates to state the due date for the payment of the income tax deducted from emoluments under the PAYE system and the consequences of paying the tax late. Some candidates demonstrated a lack of knowledge of the relevant due date and consequences and therefore failed to provide the required answers.

### **QUESTION THREE**

The general performance on this question was fair. 64 of the 131 candidates that attempted the question managed to obtain at least 10 marks out of a total of 20 available marks. A pass rate of 48.9% was recorded. The highest score was 20 out of 20 marks while the lowest was 0.

This question examined the taxation of a company engaged in farming and manufacturing.

In part (a) candidates were required to calculate the final taxable profits after capital allowances for the company for the year from manufacturing and farming operations. The most common mistakes made by some candidates included:

- i. Not restricting the disposal proceeds arising from the sale of irrigation equipment to original cost when calculate the balancing charge given that the proceeds exceeded the original cost of the equipment.
- ii. Failure to restrict the cost qualifying for capital allowances on farm dwellings to K100,000 each.-Failure to determine the amount of the expenditure on the building qualifying as an industrial building.
- iii. Claiming the initial and investment allowances on the industrial building, which were not supposed to be claimed given that the building was not a brand-new structure.
- iv. Using the wrong rates to compute capital allowances on commercial buildings.

In part (b) candidates were required to compute the amount of company income tax payable by the company. The following were the most common mistakes made by candidates:

- i. Including dividends received from Zambia resident companies in the computation of taxable income.
- ii. Not grossing up the GRZ bond interest before inclusion in the tax computation.
- iii. Deducting the wrong amount of withholding tax on the GRZ bonds from the tax liability when computing the final amount of tax payable.

### **QUESTION FOUR**

The general performance on this question was fair. 45 of the 97 candidates that attempted the question managed to obtain at least 10 marks out of a total of 20 available marks. A pass rate of 46.4% was recorded. The highest score was 18 out of 20 marks while the lowest was 0.

The question examined VAT and customs and excise duties.

Part (a) which required candidates were required to state three advantages of the cash accounting scheme was poorly answered as most candidates demonstrated a lack of knowledge of the advantages and therefore failed to provide the required explanations.

In part (b) candidates were required to calculate the amount of VAT payable by the company for the month of June. The most common challenges faced by candidates included:

- i. Not restricting the output VAT on sales to the cash actually collected during the month amounting to of 60% of total sales.
- ii. Failure to restrict input VAT on advertising and marketing and general overheads to the actual amount of cash actually paid for during the month which was 70% of the total expenditure.
- iii. Claiming input VAT on items on which VAT is irrecoverable which included the Toyota Land Cruiser, petrol, entertaining customers and telephone expenses.
- iv. Failure to calculate the correct amount input VAT on items which were stated at their VAT inclusive values.

In part (c) candidates were asked to calculate the value for duty purposes of an imported new car and the total import taxes arising on its importation.

The most common challenges faced by candidates included:

- i. Including even costs incurred after within Zambia, when determining the VDP for customs purposes.
- ii. Using the wrong exchange rate to convert the CIF into Zambian Kwacha.
- iii. Using the customs and excise duties for a new vehicle on the in determining the import taxes arising.

## **QUESTION FIVE**

The general performance on this question was good. 76 of the 122 candidates that attempted the question managed to obtain at least 10 marks out of a total of 20 available marks. A pass rate of 62.3% was recorded. The highest score was 19 out of 20 marks while the lowest was 0.

In part (a) candidates were required to explain the importance of professional ethics and explain how the fundamental ethical principles apply to the provision of tax services. Some candidates were explaining the meaning of professional ethics rather than explaining why professional ethics are important for tax practitioners, whilst other candidates demonstrated a lack of knowledge of the fundamental ethical principles and failed to provide the required answers.

In part (b) candidates were required to explain the property transfer tax implications arising from the transfer of various assets.

The most common mistakes made by candidates included:

- i. Computing PTT on sale of a farm tractor, which is an exempt transfer for PTT purposes.
- ii. Failure to determine the correct realized value on the transfer of property to the taxpayer's niece which was wrongly taken to be transfer an immediate family member, when this was not the case
- iii. Failure to determine the realized value on the transfer to the immediate family member which was wrongly taken to nil instead of the actual consideration received.

### **Overall performance of candidates**

Highest mark obtained in this paper	93%
Lowest mark obtained in this paper	4%
Overall pass rate in this paper	51.7%

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

### **QUESTION ONE**

The general performance on this question was poor. Only 55 out of the 138 candidates that attempted the question achieved a pass (that is a score of at least 20 out of 40 marks), representing a pass rate on the question of 39.9%. The lowest score was 2, whilst the highest was 29 out of the available 40 marks.

Part (a) required candidates to calculate the weighted average cost of capital. Many candidates failed to get the cost of equity, cost of preference share, and cost of debt. Failure to get these right resulted in many of them not getting the maximum credit. Surprisingly, some candidates failed to get the correct market values. Since the market values were not correctly calculated the weighted average cost of capital was also obviously wrongly calculated.

Part (b) required the candidates to evaluate the proposed investment using the NPV method. Most candidates did not get right a forecasting of variable for the next five years. Candidates did not calculate correctly the selling price, variable cost, fixed operating cost and annual demand for periods of 1 to 5 years. Because of getting wrong figures, sales, variable cost, and contribution figures were all wrong. This wrong forecasting also resulted in computing wrong figures for the annual demand. Most candidates got these figures wrong.

Part (c) required candidates to evaluate the proposed investment using IRR method. Participants who did not use interpolation formula properly ended up not getting the IRR correctly. Net Cash flows were for years 1-5 were not correctly calculated. If well calculated, the IRR should have been 22%. The conclusion with most candidates was wrong. It should have been that the project is financially viable because the IRR calculated is more than the cost of capital i.e  $22\% > 8\%$ .

Part (d) required candidates to explain the advantages and disadvantages of using the NPV method. The performance was fair.

### **QUESTION TWO**

The general performance on this question was very poor. Only 20 of the 114 candidates that attempted the question managed to obtain at least 10 marks out of a total of 20 available marks. A pass rate of 17.5% was recorded. The highest score was 14 out of 20 marks while the lowest was 0.

Part (a) required candidates to calculate the weighted average cost of capital for GILB Ltd. In order to find the weighted average cost of capital (WACC) as required by the



examiner in responding to this part of the question, the candidates needed to determine the cost of equity. The growth rate (g) was also to be calculated. Most candidates did not use the given figure share price of K28 and the dividend of 26.24 ngwee for the five (5) years and also the 15 ngwee per share just paid in calculating the growth rate(g). As a consequence of the wrong (g), the cost of capital was also not correct and hence the incorrect Weighted Cost of Capital (WACC).

Part (b) of the question required the candidates to determine the value per share of GILB Ltd. The candidate required to discount the free cash flows from year 1 to year 5 given in the question at a discount rate of 14% and obtain the present value for each of these yearly free cash flows and then add them in order to get the total Present value. Common mistakes arose out of the wrong discount rate used and also the inability to use the given free cash flows given in the question.

### **QUESTION THREE**

The general performance on this question was very poor. Only 20 of the 93 candidates that attempted the question managed to obtain at least 10 marks out of a total of 20 available marks. A pass rate of 21.5% was recorded. The highest score was 15 out of 20 marks while the lowest was 0.

Part (a) of the question required the candidate to analyze the current level of earnings per share and the operating income of Sweetaid Ltd. In order to do this the candidate needed to use market share and the Price Earnings (P/E) Ratio of 8.4 and 6 respectively given in the question. The calculation therefore required the dividing of the Market share price by the P/E ratio in order to arrive at the Earnings Per Share (EPS). Some candidates instead calculated the product of Market Price and the P/E Ratio and used the resultant figure to calculate the operating income. The operating income was therefore not current because of the wrong EPS.

Part (b) of the question required the candidates to compute the expected earnings per share [EPS] in the rights issue and the theoretical ex-rights price. The candidates needed to use K10 Million figure of the shares issues in Alternative A of the question and divide by the K6.25 price per share in order to obtain the number of shares. The number of shares obtained would be used to Theoretical EX-rights price as required in the question. Most candidates did not correctly calculate the number of shares as they used K5 which was given as the par value instead of the K6.25 which was given as the management's preference of the fair price per share. This resulted into an incorrect number of shares and thus the wrong theoretical ex-rights price.

Part (c) of the question required the candidates to calculate the expected EPS for both Alternative A & B. In obtaining the Earnings per share, the candidates needed to calculate

the Operating Income and Profit after tax. For Alternative B, interest of at charged at 12% on operating income was to be calculated in order to obtain the Net Profit before taxes. For both alternatives, a tax rate of 30% was to be charged on the Net Profit before Taxes. Common errors for candidates that attempted this part of the question was as a result of not applying the correct interest rate of 12% for alternative B and also for both Alternative A and B, the applied Tax rate was not incorrect. In some instances, a 15% was used.

Part (d) required candidates to comment on the observations made by the managing director. Some candidates did not answer this part of the question which required them to comment of the observation made by the managing director that encouraged the use of debt as opposed to equity by Sweetaid Ltd.

Part (e) required candidates to state three (3) factors that could influence the dividend policy of Sweetaid. Some candidates only identified one factor, while some did not explain any.

#### **QUESTION FOUR**

The general performance on this question was very poor. Only 3 of the 76 candidates that attempted the question managed to obtain at least 10 marks out of a total of 20 available marks. A pass rate of 3.9% was recorded. The highest score was 12 out of 20 marks while the lowest was 0.

Part (a) asked candidates to evaluate the total annual cost to the company of selling investments each time. Common Mistakes for most candidates that attempted this part of the question was there inability in to calculate order costs and interest forfeited on the investments as a consequence of disposing some of the company's (PAS Ltd) investments. This resulted into an incorrect earned interest on the bank balance.

Some of the candidates applied a different a 10.5% interest rate instead of the correct 6.1% in calculating the interest realized on the bank balance.

Part (b) required candidates to evaluate the optimal economic quantity. Most candidates who attempted this part of the question were unable to use correctly the Economic Order Quantity (EOQ) formula in order to evaluate the annual cost to PAS Ltd for disposing of investments. When calculating the interest lost on investment, instead of using 10.5 %, a different percentage of 15% was used.

Part (c) asked candidates to calculate the annual total cost to the company of selling investments each time based on the EOQ. In determining the Total costs based on EOQ, most some candidates, when calculating the interest lost on investment, instead of using 10.5 %, a different percentage was used and in some instances of 15%.

Part (d) asked candidates to discuss the problems related to using the P/E ratios of quoted companies to value unquoted companies. For those candidates that attempted this part of the question, they were unable to discuss the problems related to using Price Earning (P/E) Ratios of quoted companies to value unquoted companies.

## **QUESTION FIVE**

The general performance on this question was very poor. Only 18 of the 89 candidates that attempted the question managed to obtain at least 10 marks out of a total of 20 available marks. A pass rate of 20.2% was recorded. The highest score was 18 out of 20 marks while the lowest was 0.

Part (a) of the question required the candidates to calculate the bank overdraft of LCM Ltd in the 2024 financial year given Targets in receivable turnover days, payables turnover days, cash operating cycle and current ratio. Candidates that attempted this section of the question, failed to calculate the current liabilities (by using the current ratio) and trade payables.

In part (b), some of the candidates that attempted this question failed to calculate the Net Working Capital. This was to be calculated by deducting current liabilities from the current assets. The mistakes were largely due to the failure to calculate both the current assets and current liabilities figures.

In part (c), the candidates were required to evaluate the working capital financing policy that LCM Ltd was to use. The candidates required the determination of the cost of Short-term finance, cost of long-term financing and the cost of financing working capital (which was to be obtained by subtracting the cost of long-term financing from the cost of Short-term financing).

Part (d) required candidates to explain the working capital financing policy employed by PLC Ltd. The candidates were expected to identify and explain the various financing policies being the conservative, aggressive and the maturity matching policies. Those that did attempt this section of the question didn't and as a result were unable to identify the LCM Ltd employed in the working capital policy

### **Overall performance of candidates**

Highest mark obtained in this paper	58%
Lowest mark obtained in this paper	2%
Overall pass rate in this paper	15.8%

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

### **QUESTION ONE**

The general performance on this question was very poor. Only 12 out of the 125 candidates that attempted the question achieved a pass (that is a score of at least 20 out of 40 marks), representing a pass rate on the question of 9.6%. The lowest score was 2, whilst the highest was 36 out of the available 40 marks.

This question is a compulsory question based on a case of an organization. The question had four parts; part (a), part (b), part (c) and part (d).

Part (a) of the question required candidates to use an appropriate business analysis model to analyze the strategic position of Java Foods Limited. The appropriate model that was required is the SWOT Analysis Model. Most candidates answered this part of the question wrongly. The models that many candidates used were;

- The Ansoff Growth Matrix Model
- PESTEL Analysis framework
- The BCG Matrix
- Porter's Diamond Analysis
- Porter's Five Forces Model

This part of the question had a weight of 20 Marks and many candidates completely missed out on this one. Candidates are used to questions where a model or framework is mentioned and then candidates are asked to apply that model.

Part (b), this part of the question required candidates to demonstrate their understanding on the purpose of the SWOT in strategy formulation. Most candidates answered this part of the question well.

Part (c), this part of the question required candidates discuss the generic competitive strategy JAVA Foods Limited adopted. The correct strategy is Differentiation. Many candidates discussed all the three generic strategies. Candidates did not have difficulties generally on this part.

Part (d), this part was well answered by many candidates. They were able to explain the import model JAVA Foods Limited initially pursued.

### **QUESTION TWO**

The general performance on this question was very poor. Only 8 of the 30 candidates that attempted the question managed to obtain at least 10 marks out of a total of 20 available marks. A pass rate of 26.7% was recorded. The highest score was 20 out of 20 marks while the lowest was 0.

This question had three parts; part (a), part (b) and part (c).

In part (a) very few candidates managed to provide advise to the Shareholders at Chapamo Corporation on three (3) ways of how the alignment of interests and the agency problem may be dealt with.

Part (b) required candidates to analyze the six (6) categories of capital as suggested by the IR framework. Majority of the candidates failed to identify and analyze the six categories of capital.

Part (c) required candidates to mention two areas to be considered in conducting an effective appraisal of the board. Few candidates gave the correct answers while some candidates just decided to ignore this part of the question.

### **QUESTION THREE**

The general performance on this question was fair. 65 of the 117 candidates that attempted the question managed to obtain at least 10 marks out of a total of 20 available marks. A pass rate of 55.6% was recorded. The highest score was 20 out of 20 marks while the lowest was 0.

This part had three parts; part (a), part (b) and part (c).

Part (a) required candidates to recommend two functions of a risk register that KCM should maintain. Majority of the candidates simply defined a risk register and did not make recommendation with regard to the functions of a risk register.

Part (b) many candidates gave correct answers on the evaluation of the TARA model.

Part (c) many candidates failed to use the proposition of Michael Porter's generic forces model to evaluate the advantageous impact of using the cost leadership strategy. Some candidates were simply defining the cost leadership strategy with no reference to each of the five forces.

### **QUESTION FOUR**

The general performance on this question was very good. 94 of the 122 candidates that attempted the question managed to obtain at least 10 marks out of a total of 20 available marks. A pass rate of 77% was recorded. The highest score was 20 out of 20 marks while the lowest was 0.

This question had three parts:

Part (a), this part demanded an identification of limiting factors in the scenario given. The candidates who attempted this question were able to identify the limiting factors and gave good explanation.

Part (b), this part of the question was very clear as it required candidates to suggest three ways that would have brought cost efficiency in the organization. This part of the question was less demanding and candidates came up with good suggestions. The question was well answered.

Part (c), this part was assessing candidates to demonstrate the ability to explain the three generic strategies how they would be used to improve business performance. Candidates who understood the question well gave good answers.

This question was attempted by most candidates and about 80% of those who attempted scored above 50%.

## **QUESTION FIVE**

The general performance on this question was very poor. Only 19 of the 100 candidates that attempted the question managed to obtain at least 10 marks out of a total of 20 available marks. A pass rate of 19% was recorded. The highest score was 18 out of 20 marks while the lowest was 0.

This question was in three parts a, b and c.

Part (a) many candidates had difficulties relating to the case at the Ministry. They only explained common ethical problems but failed to fish out these problems from the case. This indicates inability to apply concepts learnt in class to real life situation.

Part (b) on this part of the question again candidates just identified stakeholders to an organization. The question required candidates to explain ethical objectives the Ministry is pursuing.

Part (c), most candidates managed to describe the ethical safeguards to Accountant's jobs.

### **Overall performance of candidates**

Highest mark obtained in this paper	73%
Lowest mark obtained in this paper	6%
Overall pass rate in this paper	42.4%

## *CA Application*

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

#### **QUESTION ONE**

The general performance on this question was very good. 117 out of the 153 candidates that attempted the question achieved a pass (that is a score of at least 20 out of 40 marks), representing a pass rate on the question of 76.5%. The lowest score was 2, whilst the highest was 40 out of the available 40 marks.

This question was a 40-mark question and required candidates to prepare the consolidated statement of financial position as at 30th September 2024. The question had one parent entity and two subsidiaries.

The most common mistakes made by the candidates:

- i. Not showing all the workings. Some candidates simply showed consolidated figures for property, plant and equipment and other items of the statement of financial position without showing how they were arrived at. Marks were lost especially where their consolidated figures were incorrect.
- ii. Including subsidiary's share capital in consolidated statement of financial position. Candidates should bear in mind that only parent's share capital is part of consolidated statement of financial position.
- iii. Some candidates failed to correctly account for deferred tax due to fair value adjustments.
- iv. The information for the computation of Goodwill was straight forward yet most candidates could not do it.
- v. Improper treatment of the fair value adjustments for property plant and equipment was observed in most scripts.
- vi. Failure to reclassify investment property (from IAS 40 to IAS 16) which was occupied by the subsidiary. In addition, candidates were expected to reverse the fair value gain on investment property and charge depreciation based on the principles of IAS16.

#### **QUESTION TWO**

The general performance on this question was very poor. Only 5 of the 123 candidates that attempted the question managed to obtain at least 10 marks out of a total of 20 available marks. A pass rate of 4.1% was recorded. The highest score was 13 out of 20 marks while the lowest was 0.

The question required application of provisions of IFRS 16 Leases and IAS 40 Investment Properties in accounting for a number of transactions. Specifically, the question was composed of three transactions as follows:

Transaction One: The transaction involved a sale and lease back where the seller/lessee retained substantially all economic benefits relating to the asset and hence whose substance was a financing arrangement.

Transaction Two: The transaction involved accounting by the lessee for a lease contract with aspects including refundable deposits and decommissioning.

Transaction Three: The transaction involved subletting part of a leased property (property leased in transaction two above).

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

Transaction One: Most candidates did not conclude that the sale and lease back did not have commercial substance as a sale (in accordance with IFRS 15) and hence that it was a financing arrangement. Very few candidates explained that the seller must continue accounting for ownership of the asset and account for the disposal proceeds as a loan. Even fewer candidates bothered to show the amounts to report in financial statements.

Transaction Two: Most candidates lacked the ability to apply the basic lessee accounting requirements in IFRS 16. Very few candidates correctly treated the refundable deposit and decommissioning costs.

Transaction Three: Almost all candidates who attempted the question failed to identify that the sub lease was an operating lease and therefore subject to the accounting requirements of IFRS 16 (lessor accounting for operating leases) and IAS 40 (part of the ROUA was an investment property).

### **QUESTION THREE**

The general performance on this question was very poor. Only 10 of the 93 candidates that attempted the question managed to obtain at least 10 marks out of a total of 20 available marks. A pass rate of 10.8% was recorded. The highest score was 14.5 out of 20 marks while the lowest was 0.

The question required candidates to explain to the directors of Twatasha Ltd the appropriate accounting treatments of three transactions outlined below:

(a) This part of the question required candidates to advise the directors of Twatasha on how the pension scheme would be treated in the financial statements for the year to 31 December 2024.



(b) This part of the question required candidates to account for a financial investment in purchased bonds which initially were considered to be low risk, but subsequently the risk increased.

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

Part (a)

Most of the candidates identified the pension scheme as a defined benefit plan and gave correct reasons for this classification. Candidates in their presentation of the pension in the financial statements mixed up entries made when Plan Asset account and the Plan Obligation Account are combined, and not presented separately. Consequently, the actuarial loss and gain arising on the separate accounts were wrongly calculated. Most candidates remembered correctly that past service costs and current service costs would be charged as an expense to the SP/L but failed to state that the benefits paid would reduce both the plan asset account and the Pension Obligation account.

Part b)

Majority of the candidates did not prepare a solution to this part of the question. Some of those who did, wrongly identified it as a liability instead of a financial asset. Common mistakes included wrong calculations of the cashflow loss. The amounts calculated using the expected credit loss percentage for each period were taken as the amounts to expense to the profit or loss, instead of the difference between the calculated amount and the K10,000 that had initially been recognized. A number of candidates correctly calculated the carrying amount of the bond by adding the interest and subtracting the coupon rate applied on the principal amount of the bond.

#### **QUESTION FOUR**

The general performance on this question was very poor. Only 9 of the 81 candidates that attempted the question managed to obtain at least 10 marks out of a total of 20 available marks. A pass rate of 11.1% was recorded. The highest score was 16.5 out of 20 marks while the lowest was 0.

This question on selected accounting standards (IFRS) was a difficult question for most candidates. It was generally not well answered though the questions were straight forward.

Specifically, the question required application of IFRS 9, IAS 28, IAS 32 and IAS 12.

Candidates performed poorly in this question with few scoring average marks. Some candidates did not attempt this question at all. It seems most candidates were not familiar with IFRS provisions on financial instruments, particularly the issues regarding preference shares. Deferred tax arising from carry-forward of unused tax losses was also a problem

to most candidates. Most candidates just defined deferred tax but were not able to speak to the issues raised in the question. In addition, investment in Sashi PLC (12%), was wrongly treated as a financial asset under IFRS 9, instead of IAS 28. In general, the performance was below average.

## **QUESTION FIVE**

The general performance on this question was fair. 54 of the 113 candidates that attempted the question managed to obtain at least 10 marks out of a total of 20 available marks. A pass rate of 47.8% was recorded. The highest score was 16 out of 20 marks while the lowest was 2.

The question required candidates to prepare a report on the business and financial position of a company, Bonitech, setting out financial and operational implications of actions directors of the company had taken.

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

Solutions prepared to this question scored just about average marks. Marks were awarded for relevant ratios calculated as valid comments made based on those ratios. The comments, however, hardly explained the implications of the various actions management had taken. Candidates did not discuss the following matters:

- i. The financial implication of the company had borrowing K40m from 20 different micro finance institutions which were owned by one bank which in turn held 25% of shares in Bonitech.
- ii. The invoicing of services toward the year end and reversing the sales once financial statements had been submitted for publishing.
- iii. The financial implications of the working capital falling below 1,3 on the issued redeemable bond.
- iv. The revaluation of non-current assets by a professionally unqualified director, the decline in the number of employees and the deterioration in the number of days it took to publish financial statements
- v. The publishing of interim financial statements
- vi. This question challenged candidates against rote learning because it required candidates not only to comment on basic ratios but also on the liquidity and solvency of the company incidental to directors actions. It challenged the validity of the going concern assumption as applied to the company under review.

## **Overall performance of candidates**

Highest mark obtained in this paper	77%
Lowest mark obtained in this paper	3%
Overall pass rate in this paper	39.9%

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

### **QUESTION ONE**

The general performance on this question was very poor. Only 66 out of the 225 candidates that attempted the question achieved a pass (that is a score of at least 20 out of 40 marks), representing a pass rate on the question of 29.3%. The lowest score was 1.5, whilst the highest was 35 out of the available 40 marks.

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

This part of the question required candidates to discuss 4 ethical issues that should be considered at the planning stage of the audit of the financial statements of Supaloaf Plc and to suggest a suitable response for each issue.

The following matters were observed:

- i. There were candidates that explained the fundamental ethical principles without making reference to the information in the question scenario as required. Candidates at the advisory level should demonstrate the ability to apply the theory to information given in the question.
- ii. There were candidates that discussed quality control matters as ethical issues for which no marks were awarded.
- iii. Some candidates identified the ethical issues but could not explain why they are ethical issues.
- iv. Surprisingly, there were candidates who decided to explain the five ethical fundamental principles with no reference to the information in the scenario and this clearly did not answer the question requirement.
- v. A sizeable number discussed ethical matters but could not provide suitable safeguards to address the ethical matters thereby losing easy marks. Some candidates suggested that Chris should resign from employment on account of receiving significant personal income from the audit of Superloaf Plc. Surely there are other safeguards that can reduce the threat such as not being assigned to this audit or quality control reviews against the suggested resignation.

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

This part of the question required candidates to evaluate the quality control systems in Chris & Mike Chartered Accountants and where necessary to make recommendations.

To answer this question satisfactorily, candidates needed to understand the provisions of the quality control standards namely ISQC 1 and ISA 220. It was observed that a majority of the candidates lacked the necessary knowledge of these standards.

The following observations were made:

- i. A majority of the candidates discussed quality control matters without making reference to the information in the scenario which dealt with specific quality control matters.
- ii. A sizeable number of candidates simply repeated the information in the question without evaluating that with the provisions of the relevant auditing standards on quality control and no marks were awarded for doing this.
- iii. A large number of candidates identified the quality control issues but did not bother to suggest improvements as required losing the marks allocated to doing so.
- iv. Some candidates did not observe that the question was in relation to quality control at the firm level as guided by ISQC 1 and discussed matters relating to quality control at the individual level as guided by ISA 220.
- v. It was obvious from the information in the scenario that what was being discussed and expected to be evaluated is quality control at the firm level. A few candidates discussed matters related to quality control at the individual audit level such as conducting of hot and cold reviews which were not contained in the information in the scenario.

### **Part (c)**

- (i) This part of the question required candidates to explain the use of the materiality figure computed at the planning stage of the audit of the financial statements of Supaloaf Plc. in the audit of the financial statements. Candidates showed lack of understanding that materiality is computed at the planning stage and that it can be revised if necessary. Further, the materiality figure calculated has use during the audit process and candidates were expected to explain at least two uses of the materiality figure.

The following observations were made:

- i. A sizeable number of candidates explained the meaning of materiality which was not addressing the question requirements and no marks were awarded for doing so. Even when this was the case the explanations were in most cases incorrect for example the following was an explanation of materiality by three candidates.
- ii. "Materiality is the risk that the financial statements contain errors due to errors or fraud. When auditors are conducting an audit they are required to set a materiality figure which can be used as a benchmark to which they can detect risk." – The candidate possibly meant that it is used as a benchmark against which the materiality of errors can be measured.

- iii. "The materiality figure in the audit planning stage is a performance materiality which will determine the misstatement variance." – Clearly the candidate demonstrated that they do not understand materiality and its use.
- iv. "Materiality is not kept final. The auditor should be on the lookout for circumstances that may lead to re-calculate and adjusting of materiality." – This clearly does not answer the question requirement on the use of the calculated materiality figures.
- v. Candidates are reminded to ensure they understand the question requirements and deal with them in the answer. Answering correctly a question that has not been asked does not earn any marks at all.
- vi. Many candidates discussed materiality benchmarks used in determine the materiality figure without mentioning the use of the figure computed. No marks were awarded for explaining how the materiality figure is computed.
- vii. Candidates discussed materiality for the financial statements as a whole and performance materiality which clearly did not address the question requirement and no marks were awarded for doing so.
- viii. Some candidates stated that materiality will guide the auditors on the areas to focus which is incorrect. Risk is what guides auditors on which areas to focus their audit effort.

- (ii) This part of the question required candidates to explain the response of the audit team to the comment by the Audit Senior that the internal controls during the audit were not operating as expected compared to when they were evaluated at the planning stage and considered operational for the determination of the materiality figure.

Candidates should have considered that the fact that internal controls were found to be ineffective would require the use of a substantive audit approach and not to place any reliance on internal controls when designing further audit procedures to be conducted. Furthermore, the materiality levels set at the planning stage would require to be amended to a lower figure on account of internal control weaknesses.

Only a few candidates scored marks in this part of the question and in answering it candidates should have referred and considered what the Audit Senior said. The Audit Senior was concerned with the ineffectiveness of the internal control systems compared to the assessment at the planning stage and he suggested that a different approach to the audit should be taken and this comment should have helped candidates in answering this question. The audit team should consider changing the materiality figure downwards and also use substantive audit

approach and not the combined approach. This will necessitate the performance of increased substantive audit procedure.

The following observations were made:

- i. Some candidates suggested that the materiality figure should be changed upwards on account of ineffective internal controls. To the contrary the materiality figures computed at the planning stage of the audit should be revised downwards due to the increased risk of fraud and error not being detected.
- ii. Some candidates defined materiality in this part of the question and no marks were awarded for doing so.
- iii. Some candidates discussed materiality and pervasiveness of the matter of concern which was not the question requirement.

#### **Part (d)**

- (i) This part of the question required candidates to discuss matters that should be considered in planning the audit of held for sale non-current assets. Candidates needed to know the provisions of IFRS 5 Non-current Assets Held for Sale and discontinued Operations in order to answer this question correctly. It was clear from the poor answers and low marks obtained that candidates did not have knowledge of this standard. The matters that should be considered are basically whether or not the assets concerned meet the requirements of IFRS to be considered assets held for sale and also whether disclosures in the financial statements are adequate and in line with the provisions of the standard.

The following observations were made:

- Many candidates did not answer this part of the question suggesting lack of understanding of the accounting for held for sale non-current assets.
- There were candidates that explained audit procedures which were a requirement for part (ii).

Candidates should be able to discuss matters to consider in each audit area in order to enable them design suitable audit procedures to undertake.

- (ii) This part of the question required candidates to suggest four substantive audit procedures to perform on held for sale non-current assets in the financial statements of Supaloaf Plc. It was disappointing that a majority of the candidates could not suggest appropriate audit procedures. It is clear that a majority of the candidates do not know the accounting for held for sale non-current assets which knowledge is necessary to be able to describe the audit procedures that must be performed. It has been observed in the past that candidates have difficulties in

designing audit procedures. This is a key syllabus area and will be examined in future examinations and candidates are implored to ensure that they understand the accounting for the specific areas covered in this syllabus.

The following observations were made:

- There were candidates that explained methods of obtaining audit evidence such as recalculation without using them to design appropriate audit procedures.
  - Some candidates stated that the audit team should perform audit procedures to confirm for example that the held for sale non-current assets existed without explaining how this will be done and the audit procedures that should be conducted.
  - Some candidates focused on discussing how to establish the value of the assets without describing procedures to test the assertion contained in the figures in the financial statements.
  - A large number of candidates discussed general audit procedures related to tangible non-current assets with no reference to assets held for sale.
- (iii) This part of the question required candidates to suggest a suitable opinion considering the matters discussed in the exit meeting with management. A majority of the candidates lost marks because they simply stated a suggested opinion without any justification.

Candidates needed to consider each of the matters discussed and conclude whether or not it impacts the audit opinion. Items 1 and 2 will not result in the modification of the opinion and basically matters of disclosure which require to be explained in part (iii) of the question. Candidates should have considered these matters too since they were part of the discussions in the exit meeting and state the impact if any on the audit opinion.

Candidates needed to discuss the matter of disagreement on the treatment of the repairs and argue whether they consider the amount to be material and pervasive to the financial statements. The matter could impact the reported profit and result in an overstatement. The opinion reached will depend on the materiality and pervasiveness of the matter and candidates needed to use correct arguments to justify the recommended opinion.

There are two possible recommendation of a suitable opinion in this case as follows:

- o The matter could be considered material and because the matter is not pervasive to the financial statements, a qualified opinion will be appropriate or



- The matter is not considered material and not pervasive in which case an unmodified opinion will be the recommended opinion.

The following observations were made:

- Many candidates suggested opinions for each of the 4 matters and yet only one audit opinion should be given notwithstanding the matters of concern.
  - Most of the candidates simply suggested an opinion with no explanation of how this was arrived at.
  - Many candidates suggested that a modified opinion will be appropriate without explaining the form of modification. It is not sufficient to suggest so because there are three forms of modification and candidates should using the available information suggest which of the three forms of modification should be made.
- (iv) This part of the question required candidates to draft extracts of the audit report using the opinion in (iii) and any other information contained in the scenario including matters discussed in the exit meeting. It should be noted that even where the suggested opinion in (iii) was incorrect, full marks were awarded in using the wrong opinion to draft appropriately the extracts of the audit report. Candidates should have noted that among the matters discussed were the following and which will impact the report as follows:
- i. Matter one is matter that should be included in the emphasis of matter paragraph and this should be one of the elements in the draft audit report.
  - ii. Matter two is a matter that should be described in a paragraph specifically for material uncertainty. This should be one of the elements in the draft report.
  - iii. Matter three is the one that impacts the opinion and should be evaluated in terms of materiality and pervasiveness.
  - iv. Matter four is a matter of disclosure in the Key Audit Matters paragraph which is a requirement for listed companies and should be part of the draft audit report.

It was disappointing that candidates performed poorly in this question signifying lack of knowledge of the audit report and the elements contained therein.

The following observations were made:

- There were candidates that included matters that were not in the scenario such as the responsibilities of management and the auditors. The scenario contains sufficient information of matters that should have been included in the extract required.
- There is evidence that candidates do not know the impact of modifying the opinion on the elements of the audit report. For example, is a qualified opinion

- was suggested in (iii), the opinion paragraph changes to qualified opinion or adverse opinion for an adverse opinion suggested.
- In the majority of cases, candidates did not know the appropriate wording for a qualified or adverse opinion.
  - A number of candidates correctly described the elements but could not correctly explain the correct wording.

## **QUESTION TWO**

The general performance on this question was very poor. Only 47 of the 170 candidates that attempted the question managed to obtain at least 10 marks out of a total of 20 available marks. A pass rate of 27.6% was recorded. The highest score was 15 out of 20 marks while the lowest was 0.

### **Part (a)**

This part of the question required candidates to describe the matters that should be included in the audit report considering the information in the scenario. The candidates needed to use the information in the scenario and explain the need for inclusion in the audit report and where the matters will be included in the audit report. The verb 'Describe' is demanding and candidates are expected to support their arguments. Discussing any three matters adequately in answering this part earned maximum marks.

Candidates were expected to describe all the matters that would be included in the audit report with an explanation of how these matters will be reported in the audit report.

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

- A majority of the candidates simply repeated the matters in the scenario without explaining how they would be reported in the audit report.
- There were candidates that reproduced the whole report to include matters not in the scenario. The question did not require candidates to produce the audit report including the matters in the question. Marks were awarded for correct inclusion of matters in the scenario.

Candidates should endeavor to follow instructions in answering examination questions. The requirement here clearly stated that consideration of matters in the scenario should be made in answering the question. The examiner intended to test the understanding of candidates to deal with specific matters and this cannot be avoided by bringing in matters not in the scenario.

- Some candidates labored to suggest a suitable opinion considering the matter in the scenario which was not the question requirement. Candidates should read the question requirements carefully and address these in the answer.
- There were cases of not understanding how to deal with some of the matters that should be considered and in the audit report.
- A number of candidates suggested that the matter concerning the legal case and a provision recognized should be included in the audit report under the Material Uncertainty Related to Going Concern paragraph. This paragraph is used when there is material uncertainty with regards the ability of the company as a going concern. The matter which has been correctly accounted for and recognized in the financial statements and included in the notes to the accounts can be included in the Emphasis of matter paragraph in the audit report.

### **Part (b)**

- (i) This part of the question required candidates to describe 4 audit risks that should be considered at the planning stage of the audit of the financial statements of Intimpi Agriculture Ltd and to suggest suitable response. A majority of the candidates scored maximum marks.

To be able to score maximum marks in risk questions related to specific accounting issues, candidates should have full knowledge of the accounting for the specific areas such as agriculture in this case. The audit risk should be considered as what could go wrong in the financial statements and this can only be correctly explained by candidates who understand the provisions of the relevant accounting standards.

Disappointingly, a majority of the candidates scored less than half the available marks in this question. This signifies a lack of understanding of the accounting for agriculture and the related accounting standard. It is unlikely that candidates will describe audit risks for specific accounting areas unless they understand the accounting and the related financial statement assertions.

The following observations were made:

- There were candidates that explained the three elements of audit risk namely inherent risk, control risk and detection risk without any reference to the information in the scenario. The audit risks that should have been explained are those contained in the information in the scenario.
- There were candidates that discussed the risk regarding diversification into a new industry which is a business risk and not an audit risk and no marks were awarded for doing so.
- There were many candidates that tried to explain the audit risks but without explaining the assertions in the financial statements that will be impacted by

the explained audit risks. What makes a risk an audit risk is the impact that it will have on the financial statements and candidates are required to explain this in answering questions.

- A majority of the candidates identified and explained audit risks in the scenario but failed to suggest suitable responses by the auditor. Most of the candidates have responses from the point of view of the management which is incorrect.
- There were some clearly wrong answers to this question on risk identification which has been examined in this way many times in the past.

The above answers shows lack of practice with exam standard questions. The above matters are not in the scenario and the question requirement requires a description of audit risks in the audit of Intimpi Agriculture Ltd suggesting the need to use the given information. There are technical errors in the above answers even if they do not address the question requirement. Communication with previous or outgoing auditors is done at the client acceptance stage and not at the risk assessment stage of the audit.

- (ii) This part of the question required candidates to describe audit procedures for bearer plants and processed fruit juice in the audit of the financial statements of Intimpi Agriculture Ltd. The question is very clear three procedures each should be described for each of the two. Candidates were expected to clearly present the 3 procedures for bearer plants and the 3 for processed fruit juice. A majority of the candidates did not care to do this and simply listed audit procedures without specifying the related figures. Although the marking team awarded full marks for correct audit procedures, candidates at this level are reminded to present their answers in a manner that is expected.

The performance in this part was poor as in previous questions on audit procedures. Candidates that did not know the provisions of IAS 41 Agriculture could not provide appropriate answers.

The following observations were made:

- A majority of the candidates discussed general audit procedures with no reference to bearer plants and processed fruits.
- Many candidates described and explained methods of obtaining audit evidence that did not address the question requirement to describe audit procedures.
- Many candidates gave clearly wrong answers as audit procedures showing lack of understanding of audit procedures. For example a candidate stating that checking board minutes and checking bank statements which have no relevance in the audit of bearer plans and processed fruits.

### **QUESTION THREE**

The general performance on this question was very poor. Only 7 of the 163 candidates that attempted the question managed to obtain at least 10 marks out of a total of 20 available marks. A pass rate of 4.3% was recorded. The highest score was 16.5 out of 20 marks while the lowest was 0.

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

This part of the question required candidates to describe audit procedures to be conducted on the impairment review of tangible non-current assets to be conducted by management.

To answer this question satisfactorily candidates needed to know the accounting for impairment and what is taken into account by management in carrying out an impairment review.

The performance in this part was below expectation with a majority of the candidates scoring less than half the available marks. This is evidence that candidates do not know the accounting for specific areas because audit procedures are designed considering the assertion in the figures in the financial statement. Provisions of IAS 36 Impairment of Assts is necessary to be able to describe appropriate audit procedures. Further, candidates need to realize that there are accounting estimates in conducting an impairment review and so knowledge of accounting estimates and the provisions of ISA 540 *Auditing accounting estimates, including fair value accounting estimates, and related disclosures is required.*

The following observations were made:

- A large number of candidates simply did not attempt to answer this part. Of those who attempted the question a majority scored less than half the available marks.
- Many candidates explained methods of obtaining evidence instead of using these to describe audit procedures that should be performed.
- Many candidates discussed procedures not related to the impairment conducted such as checking the supporting documents to confirm ownership.
- There was a significant number of candidates who only management to suggest one or two audit procedures against the four required by the question.

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

This was a knowledge-based question requiring candidates to describe the action that should be taken by the audit team in view of suspected non-compliance with laws and regulations by Liquid Communications Plc. Candidates should have noted that this was mere suspicion of non-compliance. Discussions should have been centered at establishing

whether indeed there has been non-compliance with the relevant laws and regulations which will be done through discussing with management and those charged with governance and the legal officer of the company if there is one.

To be able to answer this question satisfactorily, candidates need to know the provisions of ISA 250 *Consideration of laws and regulations in an audit of financial statements*.

The following observations were made:

- Most candidates suggested reporting to the regulatory authority responsible. It should be noted that it would be inappropriate for the auditor to report a suspicion before establishing whether indeed there is a non-compliance with laws and regulation. It will be appropriate for the auditors to seek legal advice if not sure of the action that should be taken.
- A sizeable number of candidates simply did not attempt to answer this part of the question losing all the available marks.
- There were answers that showed lack of understanding of the topic by candidates for example below is an extract of an answer from by a candidate:
- "Advise the audit client to disclose their non-compliance to laws and regulations and put a reason for non-compliance with the regulations. If they don't disclose report the audit client to the regulators because auditors work is to serve public interest."
- The candidates expressly stated non-compliance in the above answer the question states suspected non-compliance and the two should be treated differently.

### **Part (c)**

- (i) This part of the question required candidates to discuss the objective of providing assurance on the risk assessment processes of Liquid Communications Plc. This kind of engagement is one of the other assurance engagements provided by the auditors and consideration should have been made to the interests of stakeholders including the shareholders and others intending to invest in the company.

The topic examined here is part of the other assurance engagements undertaken by the auditors. In this case shareholder may want assurance that the risk assessment systems of the company are robust and operating as expected. This will normally be done as a separate engagement from the assurance engagement on the audit of financial statements.

Many candidates simply did not attempt to answer this part of the question and many of those that attempted did not understand the question.

- (ii) This part of the question required candidates to advise the action that should be taken by the audit team in view of the disagreement with management on the proposed audit opinion. Candidates needed to provide various causes of action

that should be taken under such circumstance. A majority of the candidates scored less than half the available marks because they gave less than the expected causes of action in some cases simply saying the audit firm should resign from the engagement. Resignation is normally a last resort and candidates should have ended by suggesting that the auditors should go ahead and issue an appropriate audit opinion regardless of the consequences of doing so.

In this type of questions candidates should take a logical approach of discussing the matter of concern with management and if not satisfied the matter could be discussed with those charged with governance through the audit committee. If the matter cannot be resolved with those charged with governance then the auditors will have no option but to give the modification required according with the evidence obtained. In so doing the auditors will reconsider the integrity of management and may consider resigning from the engagement.

The following observations were made:

- Many candidates simply concluded that the auditors should resign from the engagement without any arguments to support that conclusion. Candidates should be guided by the available marks to decide how much to write.

#### **QUESTION FOUR**

The general performance on this question was poor. Only 56 of the 163 candidates that attempted the question managed to obtain at least 10 marks out of a total of 20 available marks. A pass rate of 34.4% was recorded. The highest score was 17.5 out of 20 marks while the lowest was 0.

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

This part of the question required candidates to suggest with justification the suitable audit opinions for two of the firm's clients. In suggesting a suitable opinion, the matters that should be considered are as follows:

- There being a matter of concern by the auditor.
- Whether sufficient appropriate audit evidence was obtained.
- Whether there was a limitation of scope.
- The materiality and pervasiveness of the matters to the financial statements and users of financial statements.

The above matters should be considered from the information in the scenario or assumptions should be made in the absence of this information being explicitly stated in the scenario. In order to answer this question satisfactorily, candidate should fully

understand the provisions of the following auditing standards on reporting and the criteria that should be used to arrive at an appropriate opinion:

ISA 700 Forming an opinion and reporting on financial statements

ISA 705 Modifications to the opinion in the independent auditor's report

As previously pointed out in previous examiner's reports the performance was poor in this part of the syllabus which is one of the core areas of the syllabus.

Masuku Ltd:

Candidates should have calculated materiality using the figures in the question and to conclude whether or not the matter of concern is material. After doing this, candidates were expected to comment on pervasiveness which is the other factor to consider in arriving at an appropriate opinion. Using the opinion matrix the candidates should then suggest a suitable opinion.

**Mbula Ltd:**

In this case the company is clearly not a going concern and as such the financial statements should not be prepared on the historical cost basis but on the alternative basis. Since the financial statements have been prepared on the alternative basis and sufficient appropriate evidence has been obtained, the appropriate audit opinion is an unmodified opinion.

The following observations were made:

- Many candidates suggested an opinion in a few cases the correct one without any justification and so did not earn maximum marks.
  - A sizeable number of candidates gave the decision matrix for the audit opinion without recommending one opinion under the circumstances.
  - The candidate did not consider that the accounts were required to be prepared on the alternative basis they have been prepared on that basis. In view of the fact that sufficient appropriate evidence was obtained the appropriate opinion is an unmodified audit opinion. An adverse opinion would have been appropriate had the financial statements been prepared on a going concern basis.
  - The justification given is not correct and could have been correct had the suggested opinion been an unmodified opinion.
1. The nature of the matter is both material and pervasive and as such we issue an adverse opinion and have a paragraph of going concern problem in the report.

No consideration was made with the correct basis of preparing the financial statements and the suggested opinion is incorrect. Candidates should learn and



understand the determinants of audit opinions under different circumstances. Going through past examination and answers will help candidates to understand reporting.

2. The company went into liquidation but was in existence hence the audit opinion should be modified, Events after reporting period IAS 10

From the above:

- It is clear that the candidate does not understand provisions of IAS 10 and is wrongly applying it to the question.
- By suggesting a modified opinion candidate has not suggested a suitable opinion. In answering this type of question it is not enough to suggest that the opinion will be modified, there is need to state the form of modification as there are three possible forms of modification of the opinion.

The above are randomly selected answers by candidates and this is the standard of answers by the majority of the candidates.

### **Part (b)**

- (i) This part of the question required candidates to describe 4 audit risks that must be considered in planning the audit of the financial statements of Lima Plc. In doing this, candidates needed to explain the financial statement affected by the audit risks explained. What makes a risk an audit risk is the impact that it has on figures contained in the financial statements. Merely explaining a risk without relating it to what could go wrong in the financial statements did not attract maximum marks.

A large majority of the candidates scored less than half the available marks in this part and disappointingly so for a topic that has been examined in this manner many times in the past.

The following observations were made:

- A majority of the candidates did not explain the assertions that will be impacted by the risks identified and explained.
- Some candidates discussed business risks and explained them as such when the question required an identification and explanation of audit risks. For example the decline in sales is a business risk unless it can be explained in the possible impact on the ability of the company continuing as a going concern.
- Surprisingly there were candidates that explained the elements of audit risk without any reference to the information in the scenario and no marks were awarded for doing so.
- A few candidates simply did not know the question requirement and gave answers that are not relevant in answering the question. There was a candidate

who explained gave as an audit risk "The risk that the audit will not be able to detect any error & fraud in the Internal Control systems."

- (ii) This part of the question required candidates to suggest a suitable approach to the audit on account of the results of the tests of controls. The two aspects as follows should have been discussed in answering this question. This was a simple knowledge based question where candidates should have scored maximum marks. It was disappointing that candidates at the advisory level could not satisfactorily answer this part of the question.
- Results of tests of controls suggest that the controls are operating effectively in which case an combined approach would be followed or
  - The results of the tests of controls suggest that the internal controls are not operating as expected in which case a substantive approach to the audit would be appropriate.

The following observations were made:

- A large number of candidates only discussed one aspect of either that controls are effective or ineffective. Both aspects should have been considered and explained to score maximum marks.
- A sizeable number of candidates did not attempt to answer this question. Others gave answers that are clearly incorrect suggesting lack of understanding of the relationship between effectiveness of internal controls and the substantive tests conducted by auditors. Below is an example of this misunderstanding:

The suitable approach to the audit of the financial statements of Lime Plc. is a combined approach. The auditor should use both the tests of controls and substantive procedures when conducting this audit in order to obtain sufficient audit evidence.

The above indicates:

- Lack of understanding of the topic.
  - The question clearly explains that the results of the tests of control was that the controls were not effective. A combined approach being suggested can only be used if the results of the controls suggest that the controls are operating effectively.
- (iii) This part of the question required candidates to draft suitable extracts of a management letter using one of the weaknesses in the scenario considering relevant headings. Candidates needed to know the provisions of ISA 265 Communicating deficiencies in internal control to those charged with governance.

The headings referred to are the observation made paragraph, the implication of the observation paragraph, the recommendations paragraph to remedy the weakness and a paragraph for the management response to the recommendation. Candidates needed to use a weakness in the scenario and draft the relevant paragraphs.

It was disappointing that many candidates seemed not to know the contents of a management letter. The performance in this question was poor with many candidates scoring less than half the available marks.

The following observations were made:

- A majority of the candidates simply did not bother to use the headings of the paragraphs as required.
- A sizeable number of candidates did not use the weakness in the scenario in answering this question but simply explained what should be communicated on the internal control letter.
- Surprisingly a sizeable number of candidates reproduced elements of an audit report arising from an audit of financial statements. This showed that candidates do not know the difference between an audit report from an audit of financial statements and the management letter used to communicate internal control weaknesses in a client company.
- A number of candidates simply repeated the weaknesses included in the scenario without using this information to draft relevant paragraphs as required by the question.
- A significant number of candidates did not attempt to answer this part of the question. A few of those who attempted simply explained matters that did not address the question requirement for example below is an example of a randomly picked answer to this question.
- "Lima Plc. has weak internal control systems in place that have affected the production of the organization. Please ensue to design, implement and maintain good and strong internal control systems for the company to continue as a going concern"

## **QUESTION FIVE**

The general performance on this question was very poor. Only 34 of the 144 candidates that attempted the question managed to obtain at least 10 marks out of a total of 20 available marks. A pass rate of 23.6% was recorded. The highest score was 17 out of 20 marks while the lowest was 0.

### **Part (a)**

- (i) This part of the question required candidates required candidates to describe the elements of the assurance engagement with Kingpin Ltd. This was a basic question covered in the earlier CA 2.3 paper and the only thing candidates needed to do is to explain the elements using the information in the scenario. This question has been examined in a similar manner in the past. It was disappointing that a sizeable number of candidates lost marks and simply did not know the elements of the assurance engagement. This was examined at the advisory level in the past for 10 marks and it was observed then that candidates did not know the elements of the assurance engagement.

The following observations were made:

- A majority of the candidates could not describe the elements of the assurance engagement in the scenario. The minimum candidates at this level were expected to do is to explain the five elements of the assurance engagement without reference to the information in the scenario. Candidates could have scored at least half the available marks.
  - There were candidates who defined assurance engagements which were not the question requirements and no marks were awarded for doing so.
  - Some candidates discussed reasonable and limited assurance engagements for which no marks were given.
  - Some candidates discussed attestation and direct engagement signifying that they do not even know what these are.
  - To the amazement of the marking team there were candidates show explained elements of an audit report for which no marks were given.
  - There were still others that discussed the work conducted at the planning, 0substantive and report stages of an audit all not relevant in answering this question.
- (ii) This part of the question required candidates to discuss the ethical matters in the audit if the financial statements of Kingpin Ltd. Candidates should have noted that ethical principles apply to all accountants including those not in practice such as Chiengi the Chief Accountant of Kingpin Ltd.

The following observations were made:

- There were candidates that discussed audit risks in this question on ethics.
- Some candidates identified ethical matters but could not provide suitable safeguards and in some cases gave safeguards from the point of view of management which was incorrect.
- There were candidates that repeated what is in the scenario with no explanation and relating them as ethical matters.

## **Part (b)**

This part of the question require candidates to evaluate the quality control system in Choice Chartered Accountants against the provisions of ISQC 1.

Candidates needed to fully understand the provisions of the standard which related to quality control at the firm level. Lack of this knowledge could result in the candidates failing to make a meaningful evaluation.

It was interesting to observe candidates criticizing the firm even on matters that it is compliant with the provisions of the standard. Candidates seem to always thing that in such questions it is only wrong or non-compliance that should be considered. Where the firm is compliant, candidates should have clearly stated this. The performance was poor with a majority scoring less than half the available marks.

The following observations were made:

- i. A significant number of candidates did not comment on issues that the firm was comp0linat with and concentrated on the weaknesses. Evaluation required candidates to consider the information in the scenario with the provisions of the relevant quality control standard bot when there is compliance and also when there is non-compliance.
- ii. A large number of the candidates did not attempt to answer this part signifying lack of knowledge of the ISQC 1. Candidates are reminded that they are required to answer examination questions in accordance with relevant auditing standards and therefore should familiarize themselves with the major auditing standards in the syllabus.
- iii. There were candidates that discussed the benefits of ISQC one such as those relating to training and compliance with ethical matters but with no reference to the information in the scenario.

## **Overall performance of candidates**

Highest mark obtained in this paper	76%
Lowest mark obtained in this paper	8%
Overall pass rate in this paper	19.6%

## **SUBJECT: CA 3.4 ADVANCED TAXATION**

### **QUESTION ONE**

The general performance on this question was very poor. Only 25 out of the 103 candidates that attempted the question achieved a pass (that is a score of at least 20 out of 40 marks), representing a pass rate on the question of 24.3%. The lowest score was 2, whilst the highest was 30 out of the available 40 marks.

The general performance of candidates on this question was poor. The total number who attempted this question was 103. Out of this number, 27 candidates achieved a pass (that is a score of at least 20 out of 40 marks), representing a pass rate on the question of 26.2%. The remaining 73.8% failed. The lowest score was 2, whilst the highest was 30 out of the available 40 marks.

This question was on tax planning for individuals covering the choice of a business medium and extraction of profits from a business.

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

- i. Deducting capital allowances on the personal Toyota Fortuner belonging to one of the partners when computing tax adjusted partnerships profits. Capital allowances on privately owned vehicles are deducted from that individual's total allocation of the tax adjusted profits.
- ii. Using the wrong rates to compute capital allowances on the vehicle owned by the partnership and not restricting the capital allowances claimable to the business use.
- iii. Failing to deduct the correct amount of motor running expenses in relation to each vehicle when computing tax adjusted partnership profits.

In part (b) (i) candidates were required to calculate the income tax and NAPSA contributions payable by each individual if the business was run as a limited company with each individual drawing directors' emoluments. The following are the challenges faced by the candidates:

- i. Not adding the motoring expenses to be paid in relation to one of the director's personal private motor vehicle when computing his gross emoluments.
- ii. Failing to deduct the business proportion of capital allowances claimable by on one of the director's privately owned motor vehicle when computing his final taxable income.

- iii. Treating the motoring expenses incurred on the company owned vehicle to be provided to one of the directors as taxable emoluments when computing his tax payable.
- iv. Not restricting the earnings to the NAPSA ceiling when computing NAPSA contributions.

In part (c) (i) candidates were required to calculate the NAPSA contributions, withholding tax and income tax payable by each individual if the business was run as a limited company with each person drawing dividends. The following are the challenges faced by the candidates:

- i. Computing NAPSA contributions on dividends which are not earnings for NAPSA Contributions purposes.
- ii. Computing personal income tax on the dividends instead of withholding tax at the rate of 15% which is a final tax.

In part (c) (ii) candidates were required to calculate the tax payable by each director if the business was run as a limited company and each individual drew dividends. The following are the challenges faced by the candidates:

- i. Failure to add, to the business profits, a personal to holder car benefit in relation to the motor car provided to one of the directors.
- ii. Not deducting the motor running expenses to be incurred on the motor vehicles provided to each individual as allowable when computing taxable profits.
- iii. Not deducting employer's NAPSA contributions payable on the motoring expenses paid on one of the directors' person motor vehicles.
- iv. Treating the dividend to be drawn by each individual as allowable when computing taxable profit.

In part (d) candidates were asked to advise on whether the business should be run as a partnership, limited company with directors' emoluments being drawn or as limited company with dividends drawn. Most candidates failed to provide appropriate computations of net income under each option.

## **QUESTION TWO**

The general performance on this question was fair. 35 of the 66 candidates that attempted the question managed to obtain at least 10 marks out of a total of 20 available marks. A pass rate of 53% was recorded. The highest score was 19.5 out of 20 marks while the lowest was 2.

The question examined taxation of financial institutions and comprised two parts. In part (a) candidates were required to calculate the amount of income tax payable by the bank. The following are the challenges faced by the candidates:

- i. Failure to identify and adjust for the relevant disallowable expenses when computing taxable income.
- ii. Not deducting non- banking income when computing the taxable income.
- iii. Using wrong rates to compute of wear & tear allowances, on buildings with some candidates using the rates for industrial building allowances to claim capital allowances on the commercial buildings.
- iv. Not grossing up the consultancy fees before including it in the computation of total taxable income tax.

Part (b) required candidates to advise on the procedures the company must follow to have the share option scheme approved for tax purposes and on the tax benefits for employees and the employer, of having an employee share option scheme approved. Some candidates demonstrated a lack of knowledge of the procedures and the tax benefits and therefore to provide the required explanations.

### **QUESTION THREE**

The general performance on this question was fair. 49 of the 98 candidates that attempted the question managed to obtain at least 10 marks out of a total of 20 available marks. A pass rate of 50% was recorded. The highest score was 16.5 out of 20 marks while the lowest was 0.

This question covered taxation of mining operations and was made up of two parts. In part (a) candidates were required to explain the tax treatment of hedging income and losses for mining companies. Some candidates demonstrated a lack of knowledge of the tax treatment and therefore failed to provide the required explanations.

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

- i. Failure to identify the expenses that are not deductible when computing the taxable mining profit.
- ii. Using the wrong rates of wear and tear to compute capital allowances.
- iii. Failure to index the capital allowances on assets acquired from foreign suppliers and paid for in US Dollars.
- iv. Failure to index the mining loss brought forward from the previous year before relieving it.



- v. Failure to calculate the tax earnings before interest, tax, depreciation and amortization (EBITDA) and the amount of disallowable interest expense.-Using personal income tax bands to compute the tax instead of the company income tax rate of 30%.

#### **QUESTION FOUR**

The general performance on this question was poor. Only 25 of the 76 candidates that attempted the question managed to obtain at least 10 marks out of a total of 20 available marks. A pass rate of 32.9% was recorded. The highest score was 18 out of 20 marks while the lowest was 1.

This question examined international aspects of taxation and comprised three parts,

In part (a) candidates were required to advise on the Value Added Tax implications arising from engaging a foreign company to install the automated production system. Some candidates demonstrated a complete lack of knowledge of reverse VAT and failed to provide the relevant explanations.

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

- i. Not including the gross amount of dividends received from a foreign sources in the computation of taxable income.
- ii. Failure to calculate the amount of any disallowable interest expense.
- iii. Failure to calculate the correct amount of double taxation relief on income received from foreign sources.
- iv. using the personal income tax bands to compute the tax arising instead of the company income tax rate of 30%.

In part (c) candidates were required to calculate the income tax payable by a Zambian resident individual receiving income from foreign sources.

- i. Failure to calculate the correct amount of taxable income from employment.
- ii. Not including the gross amounts of dividends received from a foreign company in the computation of taxable income.
- iii. Failure to calculate the correct amount of double taxation relief when computing final income tax payable.

#### **QUESTION FIVE**

The general performance on this question was very poor. Only 5 of the 63 candidates that attempted the question managed to obtain at least 10 marks out of a total of 20

available marks. A pass rate of 7.9% was recorded. The highest score was 13 out of 20 marks while the lowest was 0.

This question examined tax audits and administration of direct taxes.

In part (a) candidates were required to explain four objectives a quality tax audit should achieve. Most candidates demonstrated a general lack of knowledge of the objectives and therefore failed to provide the required explanations.

In part (b) candidates were required to advise on the company's exposure to penalties and interest on late payment of tax and submission of tax returns in relation to payment of final balance of income tax and rental income tax. The following are the challenges faced by the candidates:

- i. Failure to calculate the correct amount of the balance of income tax payable for the tax year 2023 and failure to identify the correct due date when the tax should have been paid. Some candidates used the wrong rates of income tax while others mistook taxable profit to be the income tax payable.
- ii. Failure to calculate the correct amount of penalties payable for late payment of income tax and late submission of the self-assessment return.
- iii. Failure to calculate the correct amount of interest on overdue income tax payable by the company.
- iv. Failure to calculate the correct amount of rental income tax payable by the company for the month of January 2024. Some candidates mistook the rental income for the month of January 2024 to be the rental income for the whole year.
- v. Failure to calculate the correct amount of penalties for late payment of rental income tax and the interest on overdue tax payable.
- vi. Failure to calculate the correct amount of penalties for late submission of rental tax return for the month of January 2024. Some candidates used 2000 penalty units for income tax instead of 250 penalty units chargeable for late submission of rental income tax returns.

### **Overall performance of candidates**

Highest mark obtained in this paper	72%
Lowest mark obtained in this paper	14%
Overall pass rate in this paper	34%

## **SUBJECT: CA 3.5: ADVANCED MANAGEMENT ACCOUNTING**

### **QUESTION ONE**

The general performance on this question was fair. 9 out of the 17 candidates that attempted the question achieved a pass (that is a score of at least 20 out of 40 marks), representing a pass rate on the question of 52.9%. The lowest score was 11, whilst the highest was 32 out of the available 40 marks.

This question required candidates to:

- (a) Explain the role of management accountant in providing information to Boona Opticians Ltd.

This was well answered by many candidates and good marks were obtained.

- (b) Calculate the operating profit margin growth, customer satisfaction and Revenue per employee.

Candidates obtained good marks here but some could not use their calculations in their discussion.

- (c) Evaluate whether the measures in part (b) were appropriate and sufficient for the optical industry.

Candidates gave some good explanations justifying the measure and good marks were obtained by the few candidates who applied the measures.

- (d) Candidates to assess how Boona Opticians Ltd could improve the current process of ordering and receiving optical supplies by using business process reengineering (BPR)

This was poorly attempted as many candidates could not apply and explain BPR. The majority of answers show lack of understanding what BPR is and many left this part unanswered. Candidates who tried to write something could only write barely a paragraph and expected to obtain 16 marks out of paragraph. Candidates should take the indicated marks as a guide of amount of work they are expected to put in.

Common mistakes made by the candidates included:

- i. Poorer candidates did not know which figures to use in the calculation of profit margin growth and revenue per employee
- ii. They could not realize that there was no comparative data from the competitor to compute customer satisfaction: they should have stated so. They should have suggested that there was no data probably because it was not publicly available. This is a high/advisory level and such suggestions should be given because these are limitations one encounters in practice/real life.
- iii. Providing a one line comment in the evaluation of the performance measures

iv. Shallow comments like increase/decrease only were provided. Again this is a high level exam: good marks are not given for shallow comments. The exam verb "evaluate" is a high level exam verb. They should have gone further to comment on cost control, trend, brand awareness/ speed of service regarding customer service, implications for a higher/lower revenue per employee. Just stating that revenue per employee reduced or increased is not enough at this level: such comments are for foundation or application levels.

v. Assessing the use of BPR in a general way instead of applying it in the company optical industry. Could have mentioned things like re-engineering the current delivery times and dates, reduction in the of suppliers, shift in organization culture (empower front line staff), flatter organization structure, etc. Not long definitions of BPR. High level exam verb was "assess".

## **QUESTION TWO**

The general performance on this question was very poor. None of the 2 candidates that attempted the question managed to obtain at least 10 marks out of a total of 20 available marks. A pass rate of 0% was recorded. The highest score was 8 out of 20 marks while the lowest was 3.

The question required candidates to analyze actual performance of the new product CS investment in comparison with the initial budgeted figures as well explain how the high projected ROI figures for the next two years arise and to evaluate whether they reflect over simplistic projections for the next two years. Candidates were further required to explain clearly why the original IRR figures cannot be compared with the ROI figures as well as explain the goal of sustainable development and how the organization can increase its competitive advantage by becoming a sustainable enterprise.

Common mistakes made by the candidates included:

- i. Only two candidates attempted this question and yet it is a familiar topic on strategic performance management: NPV, IRR, ROI (unit 2) and sustainable development (Unit 1)
- ii. Candidates could not calculate the revised CS investment.
- iii. Parts (b), (c) and (d) were left unattempted. Candidates are encouraged to attempt all the parts of the question for them to be guaranteed a pass.

### **QUESTION THREE**

The general performance on this question was poor. Only 6 of the 17 candidates that attempted the question managed to obtain at least 10 marks out of a total of 20 available marks. A pass rate of 35.3% was recorded. The highest score was 17 out of 20 marks while the lowest was 4.

The question required candidates to calculate the relevant performance measures and comment on the performance measures Kings Park School (KPS) and suggest four (4) Critical Success Factors. Candidates were expected to suggest 4 CSF relevant to a school and also discuss two (2) key performance indicators to support each CSF in part (b).

Common mistakes made by the candidates included:

- i. Some candidates failed to calculate the absorbed overheads.
- ii. Some candidates were not able to calculate the profit figure for each grade.
- iii. Some candidates were not able to compare the pass rates between KPS and Palace School(PS).
- iv. Some candidates were not able to compare the enrolments between KPS and PS.
- v. The CSFs for the majority of candidates were not aligned to a school set up but were rather generic.
- vi. The majority of candidates failed to bring out the KPIs for CSFs suggested.

### **QUESTION FOUR**

The general performance on this question was excellent. 14 of the 16 candidates that attempted the question managed to obtain at least 10 marks out of a total of 20 available marks. A pass rate of 87.5% was recorded. The highest score was 15 out of 20 marks while the lowest was 9.

This question required candidates to:

- (a) Evaluate how the features of the Medlink information system can assist in improving the services of the medical centres and hospitals.

This question was answered well by the majority of candidates.

- (b) Recommend five performance measures which could be used to assess whether the project objectives are being met.

This subsection was not very well attempted.

Some candidates failed to bring out how the features in a system could help improve service delivery in medical centres and hospitals. Others suggested wrong performance measures such as benchmarking, divisionalisation, economic value added, value for money, NPV, project audit and variance analysis, among others.

## QUESTION FIVE

The general performance on this question was very poor. None of the 16 candidates that attempted the question managed to obtain at least 10 marks out of a total of 20 available marks. A pass rate of 0% was recorded. The highest score was 9 out of 20 marks while the lowest was 0.

This question required candidates to:

(a) explain three contributions that a modern strategic management accountant can play to attain the mission of the company.

The performance was poor on part (a) because candidates seemed not sure of what the question required them to do.

(b) describe four types of performance measures and actions that the company should consider to achieve its mission.

The majority of candidates only managed to describe two performance measures.

(c) discuss three control mechanisms that the company can implement to manage the problems of over diversification.

This sub-question was poorly answered as candidates seemed to be all over without answering the question.

The most common mistakes made by the candidates included:

- i. Some candidates could hardly mention the points the question sought in part (a). Candidates were expected to bring out issues like stakeholder engagements, support the development of efficient and effective performance management system that promotes innovation and employee motivation and having knowledge of a vast amount of tools and techniques such as competitor analysis, environment screening, benchmarking among others.
- ii. Describing fewer performance measures than the question asked for in part (b). Relevant performance measures included user satisfaction rates, number of training days per staff member, actual cost per connection vs budgeted cost per connection, system usage by administrative staff vs medical staff usage, number of staff trained per hospital, etc.
- iii. In part (c), not answering the question asked. Candidates were required to discuss control measures such as over extension of resources, lack of expertise and insufficient capital resources, etc.

## **Overall performance of candidates**

Highest mark obtained in this paper	63%
Lowest mark obtained in this paper	34%
Overall pass rate in this paper	41.2%

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

### **QUESTION ONE**

The general performance on this question was very poor. Only 4 out of the 16 candidates that attempted the question achieved a pass (that is a score of at least 20 out of 40 marks), representing a pass rate on the question of 25%. The lowest score was 10, whilst the highest was 26 out of the available 40 marks.

Part (a) required candidates to evaluate the proposed project using APV method. The common mistake was to calculate the Post-tax profits wrongly. Working of capital for years 1-4 was also wrongly calculated by most candidates. This led to obtaining wrong cash flows for the same period of 1- 4 years. The present value and Base case were therefore wrongly calculated. Most candidates also wrongly calculated the tax shield on bank loan.

In particular, the annual repayment was not well calculated. The result was that the figures for the years 2 to 4 years were incorrect. The wrong figures included (1) Opening Balance (2) Interest at 8%.

And Repayment was therefore wrongly calculated as a result of this. In the end the Closing Balances were not correct. Eventually this affected the calculation of the Net Present Value. Besides, the Interest cost, Tax relief at 30% and Present value were all affected as a result of the initial wrong calculation.

In most cases, candidates should have done better in the calculation of the following:

Issue costs, Tax shield on subsidized loan, Tax shield on bank loan, Subsidy benefit, and total benefit. Of financing side effects.

Calculation of the above proved to be a challenge to most candidates. As a result, wrong figures were presented.

Part (b) required the candidates to discuss the factors that may determine the long-term finance policy. Candidates exhibited lack of knowledge by failure to attempt this part of the question.

Part (c) required candidates to explain the types of currency risks and advantages of using the interest rate swaps. The performance was fair although some candidates failed to identify the advantages of interest rate swaps.



## **QUESTION TWO**

The general performance on this question was very poor. Only 1 of the 10 candidates that attempted the question managed to obtain at least 10 marks out of a total of 20 available marks. A pass rate of 10% was recorded. The highest score was 11 out of 20 marks while the lowest was 4.

Part (a) required candidates to evaluate the sale of carbon credit project. Most common mistakes of those that responded this question was the incorrect calculation of the annual costs whose answer was to be used in the determination of its Present Value. The cumulative discount factor for 25 years a cost of capital was also not correct. As a result, the present value of costs was not correct due to the incorrect annual cost and the discount factor.

The Present value (PV) of revenue was also incorrectly calculated due to the wrong cumulative discount factor. As a consequence of the wrong Present Value, the Net Present Value was also not correct.

Part (b) of the question required the candidates to discuss the appropriateness of the use of carbon credits as a source of finance compared to debt. The candidates needed to explain how the use of carbon credits as a source of finance compared to debt for ZIMCO Plc. Most of those who did, did not adequately explain this difference.

## **QUESTION THREE**

The general performance on this question was fair. 7 of the 15 candidates that attempted the question managed to obtain at least 10 marks out of a total of 20 available marks. A pass rate of 46.7% was recorded. The highest score was 15 out of 20 marks while the lowest was 0.

Part (a) of the question required the candidates to calculate the gains or losses to the shareholders of ZCCM IH Plc of the merger as was stated in the question. It required the candidate to first estimate the share price after the merger for the combined group by dividing the combined value by the number of shares. These candidates incorrectly calculated the combined value and also wrongly calculated the number of shares after the merger.

In part (b), to calculate the maximum offer price that the shareholders of ZCCM IH Plc would accept including the acceptance of the premium offered, these candidates needed to first identify the combined value [from the calculation of part (a)]. From the combined value, the value for ZCCM IH Plc was to be deducted in order to come up with the Maximum value for MCM.

In part (c), some candidates were unable to identify and explain the failure associated with mergers and acquisitions as was requested in the examination and how these failures were to be mitigated and or avoided.

#### **QUESTION FOUR**

The general performance on this question was very poor. Only 1 of the 8 candidates that attempted the question managed to obtain at least 10 marks out of a total of 20 available marks. A pass rate of 12.5% was recorded. The highest score was 13 out of 20 marks while the lowest was 2.

Part (a) asked candidates to use the information from the bank in order to hedge against a futures contract. The candidate's should have started by determining the number of contracts. Most candidates did not correctly find this figure.

In part (b), most of the candidate's responses for those who answered this part of failed to discuss whether there is likely to be a perfect future hedge or not. Some candidates failed to answer this part of the question.

#### **QUESTION FIVE**

The general performance on this question was good. 8 of the 13 candidates that attempted the question managed to obtain at least 10 marks out of a total of 20 available marks. A pass rate of 61.5% was recorded. The highest score was 18 out of 20 marks while the lowest was 5.

Part (a) of the question required the candidates to explain roles and aims of IMF and discuss possible reasons the austerity measures imposed on the African Union countries might have affected Batata Ltd negatively. In part (b), the question asked candidates to discuss the reasons austerity measures might not affect shoe retailers. Part (c) required candidates to discuss the risks to Batata Ltd of reducing the costs relating to quality control and how the detrimental impact of such reductions in costs could be decreased. Most of the candidates that responded to the question did not clearly state the role and aims of the international monetary funds (IMF). Further, they failed to explain clearly the possible reasons as to why in some instances the austerity measures imposed by IMF on African Union (AU) affects businesses like the Batata Ltd stated in the question.

## **Overall performance of candidates**

Highest mark obtained in this paper	58%
Lowest mark obtained in this paper	30%
Overall pass rate in this paper	18.8%

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

### **QUESTION ONE**

The general performance on this question was fair. 73 out of the 131 candidates that attempted the question achieved a pass (that is a score of at least 20 out of 40 marks), representing a pass rate on the question of 55.7%. The lowest score was 1, whilst the highest was 34 out of the available 40 marks.

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

This part of the question required candidates to explain the tasks that should be done at the following stages of financial audit of the emergency vaccination fund:

- i. Some candidates discussed matters that should be considered at different stages of the audit in this stage. For example comments on reviews discussed here instead at the reporting stage.
- ii. A few candidates who discussed matters related to the stage of conducting an audit in this stage.
- iii. Some candidates wrongly discussed the preconditions for an audit in answering the above parts of the question.

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

- (i) This part of the question required candidates to describe the matters that should be considered in the performance audit of the Emergency Immunization Fund. Invariably the matters that should have been discussed here should relate to the value for money principles. There were candidates that explained the three elements of value for money in general instead of dealing specifically with matters to be considered in the scenario.
- (ii) This question required candidates to describe 2 audit procedures each that should be performed considering the value for money principles of economy, efficiency and effectiveness. There were candidates that discussed assertions without describing the audit procedures to test those assertions. A significant number of candidates did not suggest audit procedures for one or two of the components of value for money as expected. They simply gave three procedures for one of the components against three for each of the components.

Other candidates performed badly because they explained the three value for money principles in this part without explaining any audit procedures that should be undertaken.

### **Part (c)**

- (i) This part of the question required candidates to describe the matters that should be considered in the compliance audit of the emergency immunization fund. Matters that should have been discussed here are those related to the authorities in the scenario from which the criteria will be derived. A number of candidates gave general answers without making reference to the authorities in the scenario related to the immunization fund. Candidates are reminded to apply the theory to information in the scenarios as per learning outcomes of this paper. Some of them simply dealt with one of the matters that should have been considered and for the available marks this was not sufficient.
  
- (ii) This part of the question required candidates to describe audit procedures that should be performed in the compliance audit of the emergency immunization fund. A majority of the candidates scored half or more of the available marks but there were a few who scored poorly. A few candidates gave less than the required 4 audit procedures. Others discussed value for money principles in this part which was not correct. These were required in answering part (b) of the question.

### **Part (d)**

- (i) This part of the question required candidates to describe the principle of transparency and accountability in the audit of the emergency immunization fund. Most of the candidates correctly describe these principles as they relate to custodians of public funds and scored maximum marks. Weak candidates gave general answers with no reference to the information in the scenario. It was noted that some candidates seemed not to understand these principles and there were answers such as 'Transparency is being transparent' and accountability to be accountable' with no further explanation. Other candidates only explained one of the two principles to the exclusion of the other principles.
  
- (ii) This part of the question required candidates to distinguish transparency and accountability for the emergency vaccination fund and that of the Office of the Auditor General. Candidates needed to know the provisions of ISSAI 20: Transparency and accountability of the SAI. A majority of the candidates got low marks in this part.

Majority of candidates repeated what was explained in part (i) suggesting that they are not aware that the principles of transparency and accountability applies

to the operations of the SAI as guided by ISSAI 20. The Supreme Audit Institution is a recipient and custodian of public funds and is subject to the two principles.

There were candidates that repeated the issues in the scenario between transparency and accountability without considering transparency and accountability of the SAI as required.

## **QUESTION TWO**

The general performance on this question was good. 84 of the 128 candidates that attempted the question managed to obtain at least 10 marks out of a total of 20 available marks. A pass rate of 65.6% was recorded. The highest score was 17.5 out of 20 marks while the lowest was 2.

### **Part (a)**

This part of the question required candidates to describe matters that should be considered in the scenario and to suggest suitable responses for each matter described. A majority of the candidates scored more than half the available marks in this part. There were a few candidates that discussed less than the 4 matters required and so lost easy marks for not doing so. Other candidates that could not provide suitable safeguards to deal with the matters explained.

### **Part (b)**

This part of the question required candidates to explain the powers of the Supreme Audit Institution of Kisumu. This was a knowledge based question and well prepared candidates scored maximum marks.

### **Part (C)**

- (i) This part of the question required candidates to discuss the possible outcome of the forensic investigation to be conducted. A majority of the candidates adequately explained the possible outcome and scored maximum marks.
- (ii) This part of the question required candidates to describe any 4 stages of the forensic investigation of the alleged theft of public funds in Kisumu. While most candidates managed to discuss the work in the stages of the forensic investigation there were candidates that simply did not know the stages of a forensic investigation. Some did not attempt to answer the question while other discussed matters not related to a forensic investigations and specifically to matters in any of the stages of forensic investigations.

### **QUESTION THREE**

The general performance on this question was fair. 51 of the 91 candidates that attempted the question managed to obtain at least 10 marks out of a total of 20 available marks. A pass rate of 56% was recorded. The highest score was 20 out of 20 marks while the lowest was 1.

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

This part of the question required candidates to illustrate the application of the requirements to the compliance audit of the Game Management Board operations. Many candidates scored less than half the available marks because they lacked knowledge of the requirements of a compliance audit. Candidates should endeavor to ensure they understand the terms that are used in the different types of public sector auditing. In the absence of this understanding, candidates may answer questions wrongly. There are terms such as elements, concepts, and requirements etc. that are used throughout the subject. There were candidates that discussed elements of an assurance engagement in answering this part of the question and no marks were awarded for doing so. Some candidates explained planning issues considered in the audit of financial statements.

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

This part of the question required candidates to describe the sources of the criteria that should be used in the compliance audit in the scenario. Candidates were expected to specify the sources of the criteria in the planned compliance audit as contained in the information in the scenario. A majority of the candidates gave general answers such as relevant authorities instead of being specific and refer to the approved budget for example and other contained in the information provided. Candidates should apply the theory to the information in the scenario in accordance with the learning outcomes provided.

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

This part of the question required candidates to describe the audit procedures that should be performed in the compliance audit using the information in the scenario. The performance in this part of the question was good with a majority of the candidates scoring more than half the available marks.

The following observations were made:

- i. There were candidates that discussed the methods of obtaining audit evidence without describing the audit procedures that should be conducted.
- ii. There were candidates that gave general answers with little or no reference to the information in the scenario.
- iii. A few candidates described less than the four audit procedures required.

#### **QUESTION FOUR:**

The general performance on this question was good. 36 of the 60 candidates that attempted the question managed to obtain at least 10 marks out of a total of 20 available marks. A pass rate of 60% was recorded. The highest score was 17 out of 20 marks while the lowest was 0.

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

This part of the question required candidates to describe audit actions that need to be taken in assessing the operational efficiency and effectiveness of the SCT programs in the scenario.

Candidates lost marks for describing less than the required four audit actions. There were candidates that simply did not attempt to answer this part of the question and lost all possible marks.

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

This part of the question required candidates to describe the audit procedures to be conducted to address the risk of fraud in the scenario. A majority of the candidates managed to describe audit procedures required. A few candidates explained methods of obtaining evidence without describing the required audit procedures and they did not earn any marks as a result.

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

This part of the question required candidates to evaluate the safeguards implemented in the ZISPIS payment gateway to ensure the prevention and detection of fraudulent activities that may need to be tested.

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

##### **Part (d)**

This part of the question required candidates to suggest recommendations meant to enhance the security and accountability of the SCT Program. Most of the candidates that attempted this part of the question performed well. There were a few candidates that did not attempt to answer this part losing all the available marks.

#### **QUESTION FIVE**

The general performance on this question was fair. 54 of the 106 candidates that attempted the question managed to obtain at least 10 marks out of a total of 20 available



marks. A pass rate of 50.9% was recorded. The highest score was 18 out of 20 marks while the lowest was 2.

### **Part (a)**

This part of the question required candidates to explain with justification any four types of audits that might be undertaken at the Financial Intelligence Centre. A majority of the candidates score half or more of the available maximum marks. A number of candidates lost marks for simply stating the types of audits that may be undertaken without explaining and justifying as per question requirement.

### **Part (b)**

This part of the question required candidates to explain the relevance of conducting an IT audit at the Financial Intelligence Centre.

For 8 marks, candidates were expected to at least discuss 4 matters to score maximum marks. A majority of the candidates that performed poorly simply discussed one matter and candidates are reminded to consider the available marks in deciding on the expected number of valid points.

The following observations were made:

- i. There were candidates that discussed only one or two relevant points which earned only half the available marks.
- ii. A majority of candidates discussed the relevance of audits in general at the FIC with no relevance to the IT audit as per question requirement.
- iii. There were candidates that discussed value for money audits in this part and discussed the three elements and their importance to the FIC but without relating their answer to the IT audit.

### **Overall performance of candidates**

Highest mark obtained in this paper	77%
Lowest mark obtained in this paper	14%
Overall pass rate in this paper	66.4%

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

### **QUESTION ONE**

The general performance on this question was very good. 5 out of the 7 candidates that attempted the question achieved a pass (that is a score of at least 20 out of 40 marks), representing a pass rate on the question of 71.4%. The lowest score was 17, whilst the highest was 35 out of the available 40 marks.

- (a) Some candidate's answers did not clearly explain as to why the development of medium and longer-term financial plans was important. The candidates should have clearly explained the significant assumptions concerning forecasting.
- (b) Answers for those that responded to this part of the question did not clearly state the differences between incremental budgeting and zero-based budgeting.
- (c) Unsatisfactory and incomplete responses from those that answered this part of the question. The answers did not explain how councils are determining and managing suitable reserve levels and also where they can innovate and make best use of reserves, and assets to help them maintain their financial resilience as was asked in the question.
- (d) This section of the question asked the candidates to explain elements of the economic case and their justification. Answers by some candidates were not addressing the questions asked.

### **QUESTION TWO**

The general performance on this question was excellent. All the 6 candidates that attempted the question managed to obtain at least 10 marks out of a total of 20 available marks. A pass rate of 100% was recorded. The highest score was 16 out of 20 marks while the lowest was 11.

Part (a) required candidates to assess the current financial position of Mongu Municipal Council. Part (b) of the question required the candidates to appraise the various financial risks faced by Mongu Municipal Council. Part (c) asked candidates to develop a comprehensive risk management strategy that addresses short-term financial challenges and lays the foundation for long-term fiscal sustainability. (b) Some candidates did not identify and assess financial risks properly even when these factors could have been mentioned including: 1 Revenue Volatility 2 Debt sustainability (3) Increased Service Demands. Comprehensive Risk Management Strategies were also not clearly stated. Candidates should have included the following: 1 Revenue Diversification. 2 Cost – Cutting Measures, 3 Water Treatment Plant Project Management.

### **QUESTION THREE**

The general performance on this question was very poor. None of the 2 candidates that attempted the question managed to obtain at least 10 marks out of a total of 20 available marks. A pass rate of 0% was recorded. The highest score was 9 out of 20 marks while the lowest was 8.

Part (a) of the question required candidates to evaluate the transportation project using the NPV. Most candidates failed to get the correct Net Present value. This was mainly due to not getting the Annuity factor 20 years @ 8% of 9.8182. Other candidates did not discount factor year 10 years @ 8% thereby not getting 0.463.

In part (b), candidates were asked to appraise the project using the IRR and explain its significance. The Internal Rate of Return equally was not well calculated. Annuity factor should have been 20 years resulting in getting 7.4694 and giving a negative NPV of 0.292.

Many candidates did not state that the IRR gave them a rate at which the project broke even. This cost them marks.

In part (c), candidates were required to compute the payback period for the project. Other candidates were unable to get right the pay- back period.

Part (d) required candidates to discuss the five advantages of the NPV method of investment appraisal. Surprisingly, some candidates were unable identify all the five required advantages.

### **QUESTION FOUR**

The general performance on this question was good. 4 out of the 6 candidates that attempted the question managed to obtain at least 10 marks out of a total of 20 available marks. A pass rate of 66.7% was recorded. The highest score was 15 out of 20 marks while the lowest was 3.

Part (a) asked candidates to explain the national debt, current budget deficit and sustainable deficit. Some candidates failed to distinguish clearly the differences in these terms.

In part (b), candidates were asked to discuss the relationship between budget setting and policy making. Most participants or candidates did not show the link between budget policy and the budget process. This is essential because it shows clear rules that are established. Most candidates were unable to show these clear rules.

## **QUESTION FIVE**

The general performance on this question was excellent. All the 6 candidates that attempted the question managed to obtain at least 10 marks out of a total of 20 available marks. A pass rate of 100% was recorded. The highest score was 15 out of 20 marks while the lowest was 11.

Part (a) of the question required the candidates to explain role of external audit in countering fraud. (a) The role of External Audit in countering fraud was not clearly explained.

In part (b), the question asked candidates to discuss the expected questions the external auditors might ask of management. External auditor questions for testing effectiveness of counter fraud measures did not tally with potential evidence to demonstrate effectiveness. In most cases candidates did not match the two. Most candidates did not come up with good questions that external auditors might ask of management and the likely evidence that would be collected when auditors are testing the effectiveness of the Public Service Organization's counter fraud arrangements. It is an indication of inadequate knowledge or lack of sufficient preparation in that area. Candidates are urged to read widely and adequately.

Part (c) required candidates to discuss the factors government should consider when coming up with a strategy to ensure the messaging to tackle corruption is aligned to the corruption policy and what the message should aim to achieve. Candidates should have been stating what needs to be considered and what needs to be achieved by comparing and contrasting. The idea is to ensure the messaging to tackle corruption is aligned to the corruption policy and what the message should aim to achieve. Most candidates were coming up with irrelevant points.

### **Overall performance of candidates**

Highest mark obtained in this paper	81%
Lowest mark obtained in this paper	45%
Overall pass rate in this paper	85.7%