



DIPLOMA IN ACCOUNTANCY

SEPTEMBER 2024 EXAMINATIONS

CHIEF EXAMINER REPORTS

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DA Level 1

DA 1: FINANCIAL ACCOUNTING

QUESTION ONE

The general performance on the question was poor. Of the 79 that attempted the question, only 24 managed to obtain at least 10 out of the available 20 marks. A pass rate of 30.4% was recorded. The highest score was 18 while the lowest was 0 out of 20.

QUESTION TWO

The general performance on the question was fair. Of the 68 that attempted the question, 34 managed to obtain at least 10 out of the available 20 marks. A pass rate of 50% was recorded. The highest score was 15.5 while the lowest was 0 out of 20.

Part (a) required candidates to prepare the profit and loss appropriation account for the year ended 31 December 2023. Many candidates failed to calculate the interest on capital for Ben which had two components i.e. at start and half – way the period.

Part (b) required candidates to prepare the partnership statement of financial position as 31 December 2023. Many candidates failed to determine the current account balances for the partners. Candidates are encouraged to use current account as a working even if it is not asked for.

Part (c) required candidates to state three (3) advantages of going into partnership as a business. Prepared candidates obtained all the available marks.

QUESTION THREE

The general performance on the question was very poor. Of the 38 that attempted the question, only 3 managed to obtain at least 10 out of the available 20 marks. A pass rate of 7.9% was recorded. The highest score was 12.5 while the lowest was 0 out of 20.

The question clearly required candidates to prepare the accounts for the year ended 31 December, 2023.

Part (c) required candidates to prepare the motor vehicles account at cost.

Part (c) required candidates to prepare the motor vehicles accumulated depreciation account. Candidates had challenges on establishing the total accumulated depreciation at the start of year 2023.

Part (c) required candidates to prepare motor vehicles disposal account for each vehicle disposed of: the insurance claim payment presented a challenge.

QUESTION FOUR

The general performance on the question was poor. Of the 68 that attempted the question, only 27 managed to obtain at least 10 out of the available 20 marks. A pass rate of 82.4% was recorded. The highest score was 19 while the lowest was 0 out of 20.

Part (c) required candidates to identify items which were on the wrong side in the given trial balance. Candidates lost marks by simply writing the account name without indicating the amount.

Part (c) required candidates to prepare journal entries correcting the given errors. The journal entries given showed lack of knowledge on double entry accounting systems. This part was poorly answered.

Part (c) required candidates to prepare a revised trial balance that incorporates the adjustments in (c) and (c).

Part "d" required candidates to define the term asset. This was well answered.

QUESTION FIVE

The general performance on the question was excellent. Of the 80 that attempted the question, 65 managed to obtain at least 10 out of the available 20 marks. A pass rate of 81.3% was recorded. The highest score was 18 while the lowest was 2 out of 20.

Part (c) (i) required candidates to explain the effect, on Profit, of the adjustment in notes (i) to (iii) above. poorly answered.

Part (c) (ii) required candidates to show the net effect of the adjustment in part (c) (i)

Part (c) required candidates to prepare a statement of Profit or Loss Account for the year ended 31 December, 2023. Good answers were given.

Part (c) required candidates to prepare a statement of Financial Position as at 31 December, 2023. This was well answered.

QUESTION SIX

The general performance on the question was poor. Of the 55 that attempted the question, only 20 managed to obtain at least 10 out of the available 20 marks. A pass rate of 36.4% was recorded. The highest score was 18 while the lowest was 0 out of 20.

All the parts of the question requirements were based on double entry book – keeping system. It was poorly answered. Candidates are encouraged to pay attention on double – entry accounting system as it is core area at this level.

Overall performance of candidates

Highest mark obtained in this paper	71%
Lowest mark obtained in this paper	18%
Overall pass rate in this paper	42.5%

DA 2: QUANTITATIVE ANALYSIS

QUESTION ONE

The general performance on the question was very poor. Of the 52 that attempted the question, only 13 managed to obtain at least 10 out of the available 20 marks. A pass rate of 25% was recorded. The highest score was 18 while the lowest was 2 out of 20.

The multiple choice questions were short answer phrases and calculations on a wide range of topics from the syllabus. The topics covered included numerical data calculation such as the mean, calculation involving concept of compound interest, random values and probability distribution. The performance was very good as most candidates were able to provide correct solutions. For candidates who could not perform well, it was observed that multiple choice questions which required calculations were the tougher questions. It is therefore suggested that candidates should familiarize themselves with short mathematical and statistical calculation in order to improve on performance in this section of the examination.

QUESTION TWO

The general performance on the question was fair. Of the 16 that attempted the question, 9 managed to obtain at least 10 out of the available 20 marks. A pass rate of 56.3% was recorded. The highest score was 20 while the lowest was 0 out of 20.

The first part required candidates to use the concept of compound interest to find the future value owed on a loan after a given period of time. The general performance on this question was not good. The use of wrong formula resulted in most candidates getting wrong final value.

On the question requiring candidates to use the concept of normal distribution to find the required probabilities. It was observed that candidates were able to calculate z-values but inability to correctly use the z-table resulted in loss of marks as the majority could not complete the question. The general performance was not good.

QUESTION THREE

The general performance on the question was excellent. Of the 47 that attempted the question, only 39 managed to obtain at least 10 out of the available 20 marks. A pass rate of 83% was recorded. The highest score was 20 while the lowest was 0 out of 20.

The first part required the candidates to state the difference between annuity and perpetuity. The candidates were able give correct definitions as required. Further candidates were required to also define compound interest. It was noticed that candidates could not correctly define the required term.

Part (b) required candidates to use the method of compound interest to find the time taken for an investment to reach a given amount. The general performance on this question was not good because candidates were failing to apply logarithms to find the final answer.

Part (c) required candidates to find the Net present Value of two entities and use the results to find the best entity. The performance on this part of the question was very good.

QUESTION FOUR

The general performance on the question was poor. Of the 47 that attempted the question, only 17 managed to obtain at least 10 out of the available 20 marks. A pass rate of 36.2% was recorded. The highest score was 20 while the lowest was 0 out of 20.

The question required candidates to use grouped data to calculate the mean, standard deviation, mode, median and coefficient of variation. The general performance on this question was not good due to computational errors arising from wrong total tabulation for mean and standard deviation calculation.

QUESTION FIVE

The general performance on the question was good. Of the 45 that attempted the question, 28 managed to obtain at least 10 out of the available 20 marks. A pass rate of 65.1% was recorded. The highest score was 20 while the lowest was 0 out of 20.

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

Candidates were required to use the regression line to predict the dependent variable (y) given the independent variable. They demonstrated good knowledge of the subject as they were able to use the equation correctly.

QUESTION SIX

The general performance on the question was good. Of the 46 that attempted the question, 32 managed to obtain at least 10 out of the available 20 marks. A pass rate of 69.6% was recorded. The highest score was 20 while the lowest was 0 out of 20.

Part (a) of the question required candidates to use the given data and apply time series method, particularly the 4-quarter moving average, to find the moving trend and seasonal variation. The performance on this question was good. The majority of

the candidates applied the correct method of solving the question. Few candidates who failed were having wrong totals leading to incorrect moving averages.

Part (b) of this question required candidates to use the given data to construct a Bar chart and Pie Chart. The general performance was good.

Overall performance of candidates

Highest mark obtained in this paper	82%
Lowest mark obtained in this paper	8%
Overall pass rate in this paper	55.8%

DA 3: BUSINESS ECONOMICS

QUESTION ONE

The general performance on the question was fair. Of the 48 that attempted the question, 23 managed to obtain at least 10 out of the available 20 marks. A pass rate of 47.9% was recorded. The highest score was 18 while the lowest was 2 out of 20.

QUESTION TWO

The general performance on the question was fair. Of the 41 that attempted the question, 20 managed to obtain at least 10 out of the available 20 marks. A pass rate of 48.8% was recorded. The highest score was 20 while 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 how division of labour and specialization enhance production. This was well answered by majority of the candidates.
- (b) Candidates were required to outline four factors of production. This was well answered but some candidates merely listed rather than outlining them. Others included materials as factors of production!
- (c) Candidates were required to explain the concept of ceteris paribus. Overall performance was average. There were candidates who were completely lost. Further, others could not explain the concept as applied when drawing the demand curve as required. Candidates are urged to read and understand the question and address the specific requirements only.
- (d) Candidates were required to explain any four (40) features of a private limited company. Majority of the answers were poor. Candidates need to study the entire syllabus.

QUESTION THREE

The general performance on the question was poor. Of the 25 that attempted the question, only 10 managed to obtain at least 10 out of the available 20 marks. A pass rate of 40% was recorded. The highest score was 17 while the lowest was 0 out of 20.

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

- (a) Required candidates to calculate total revenue for each output. This was well answered by majority of the candidates. However, there are other candidates who could not calculate the correct values. They simply need to multiply quantity by the price for each output.
- (b) This part of the question required candidates to calculate MR and MC from the given data and then use these values to determine the price and output at which profit would be maximized. This was fairly well done. However, some got the calculations wrong. It noteworthy that $MR = \text{change in Total Revenue}/\text{change in}$

Quantity and MC is change in Total cost/change in Quantity. Further profits are maximized at a point where $MR = MC$.

- (c) Required candidates to identify the market structure. This was an open question. Performance was overall poor. Some candidates presented perfect competition which cannot be because the price is not constant. Others correctly presented imperfect competition but needed to identify which type of imperfect completion. Further, there was need for justification.
- (d) Candidates were asked to illustrate the long run equilibrium position for a monopolistically competitive firm. This was poorly done by majority of candidates. Graphs were largely poor without labels, others drew curves for perfect competition. In the long run, a monopolistically competitive firm will only earn normal profit because of the freedom of entry and exit. Hence the equilibrium position occurs where $MR = MC = ATC$.

QUESTION FOUR

The general performance on the question was very poor. Of the 26 that attempted the question, only 4 managed to obtain at least 10 out of the available 20 marks. A pass rate of 15.4% was recorded. The highest score was 15 while the lowest was 0 out of 20.

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

- (a) Required candidates to use diagrams to illustrate how the given events would affect the equilibrium price and quantity of pizza. Overall performance was poor. Some candidates couldn't draw the graphs let alone explain them. Other candidates drew the correct graphs but did not explain them. Marks are always allocated for drawing the graphs and explaining the graphs. Without an explanation, no full credit will be given. Remember equilibrium is the intersection of the demand and supply curves. This should always be the beginning point then consider which curve is affected by the given factor and the direction of the shift.
- (b) Required candidates to explain the reason behind a perfectly elastic demand curve under perfect competition. This was fairly well done.
- (c) Candidates were required to state whether or not perfectly competitive firms are allocatively efficient. Performance was poor. Some considered efficiency no form the economic point of view but general business. It is important that each discipline has got its own language which must be learnt and appreciated.
- (d) Candidates were required to explain the kinked demand curve using a graph. This was fairly well done though majority of the graphs were poor and were not accompanied by an explanation.

QUESTION FIVE

The general performance on the question was fair. Of the 25 that attempted the question, 14 managed to obtain at least 10 out of the available 20 marks. A pass rate of 56% was recorded. The highest score was 17 while the lowest was 4 out of 20.

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

- (a) Required candidates to outline three (3) approaches of measuring GDP. Majority of the candidates performed well. However, some candidates merely listed the approaches as opposed to outlining them hence could not get full credit.
- (b) Required candidates to calculate the equilibrium national income from the given data. This was fairly done by majority of candidates. Some candidates failed as they could not come up with the identity which is $E = Y$ and perform the substitutions.
- (c) Required candidates to distinguish between MPC and MP. This was well done.
- (d) Candidates were required to distinguish between structural and demand-deficient unemployment. This was also fairly done. However, some student failed to understand that demand-deficient unemployment is the other name for cyclical unemployment.

QUESTION SIX

The general performance on the question was very good. Of the 29 that attempted the question, 21 managed to obtain at least 10 out of the available 20 marks. A pass rate of 72.4% was recorded. The highest score was 20 while the lowest was 4 out of 20.

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

(a) Candidates were required to:

- (i) distinguish between concepts of absolute advantage and comparative advantage. This was fairly answered. However, some candidate could not bring out the concept of opportunity cost when explaining comparative advantage
- (ii) calculate comparative advantage to determine which country has a comparative advantage and in which good. This was also fairly done. However, some candidates did not calculate the four ratios required. Further, after calculating ratios some candidates failed to determine which country has a comparative advantage and it what good.

(b) Candidates were required to:

- (i) list any five barriers to trade. This was well answered
- (ii) state any five advantages of a single currency. This was poorly done. Candidates are urged to study the entire syllabus. Answers are in the study manual directly.

QUESTION SEVEN

The general performance on the question was very poor. Of the 40 that attempted the question, only 11 managed to obtain at least 10 out of the available 20 marks. A pass rate of 27.5% was recorded. The highest score was 18 while the lowest was 1 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 liquidity. This was fairly done though explanations were largely poor.
- (b) Candidates were required to describe any three (3) instruments of monetary policy. Overall performance was poor. Candidates presented mainly fiscal policy instruments like taxation and government spending.
- (c) Required candidates to outline any three (3) general basic functions of commercial banks. This was fairly well done. A few candidates presented objectives of commercial banks instead of functions as required
- (d) Required candidates to list any two financial institutions. This was well answered by majority of the candidates.

Overall performance of candidates

Highest mark obtained in this paper	78%
Lowest mark obtained in this paper	17%
Overall pass rate in this paper	37.5%

DA 4: INFORMATION TECHNOLOGY AND COMMUNICATION

QUESTION ONE

The general performance on the question was good. Of the 52 that attempted the question, 34 managed to obtain at least 10 out of the available 20 marks. A pass rate of 65.4% was recorded. The highest score was 18 while the lowest was 4 out of 20.

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

QUESTION TWO

The general performance on the question was fair. Of the 19 that attempted the question, 11 managed to obtain at least 10 out of the available 20 marks. A pass rate of 57.9% was recorded. The highest score was 16 while the lowest was 4 out of 20.

This question required candidates to explain five (5) benefits of using ERP system in an organization in the first part of the question and also to outline five (5) key principles to consider when designing a chart or graph for presentation in a spreadsheet.

1. It was observed that most candidates didn't understand the term ERP and its use as a system in an organization, so explaining the benefits wasn't correctly done. Most candidates didn't answer this question well, they explained power point as a presentation package and not outlining the key principles to consider when designing a chart or graph for presentation in spreadsheet

QUESTION THREE

The general performance on the question was poor. Of the 42 that attempted the question, only 13 managed to obtain at least 10 out of the available 20 marks. A pass rate of 31 % was recorded. The highest score was 18 while the lowest was 4 out of 20.

This question required candidates to:

State four (4) symptoms of virus infection on a computer system for part (a) and for part (b) they were required to explain the three (3) functional components DSS. In part (c) candidates were required to outline three (3) benefits of using databases in organization s, while the last part required them to define the term email and State two (2) examples of email client applications.

The common errors observed on this question were mostly from question (b) and (d). Question 3(a) was well answered. The errors noted from 3(b and d) were:

- i. Some candidates didn't answer this question correctly, they were explaining functions of the DSS and not explaining the functional components DSS has
- ii. It was well answered
- iii. Some candidates defined the term email well but could not state the examples of email client applications correctly.

QUESTION FOUR

The general performance on the question was fair. Of the 43 that attempted the question, 20 managed to obtain at least 10 out of the available 20 marks. A pass rate of 46.5% was recorded. The highest score was 17 while the lowest was 4 out of 20.

This question required candidates to

Describe three (3) benefits in implementing AIS from the given scenario in the question in part (a) while part (b) requested them to describe in detail security control such as Firewalls and Authentication. In part (c) candidates were required to Outline three (3) controls that would be put in spreadsheet to prevent unauthorized deletion of the spreadsheet data.

The common mistakes observed were:

- i. It was well answered
- ii. The security controls were not well described in detail, most candidates lost marks because their explanation was very basic
- iii. Some candidates gave an outline of the common controls to prevent unauthorized access and not controls you would put in spreadsheets to prevent unauthorized deletion of spreadsheet data.

QUESTION FIVE

The general performance on the question was excellent. Of the 41 that attempted the question, 36 managed to obtain at least 10 out of the available 20 marks. A pass rate of 87.8% was recorded. The highest score was 20 while the lowest was 6 out of 20.

The first part of this question required candidates to explain any four (4) purposes of a memo while the second part required them to write a memorandum to all staff about the Cholera outbreak and that memo to include any three (3) guidelines to be followed in order to fight this problem as part of its contents.

The common mistakes that were observed on this question were:

- i. Wrong content was presented in some cases.
 - Repeated answers
 - Inadequate or incomplete answers
- ii. Guidelines to follow in order to fight the problem was omitted in the memos
 - Wrong formats/ layout used by most candidates, some
 - Candidates presented letters and reports instead of a memo as Requested

- Poor subject lines were also presented.
- Failure to match the answer to the scenario that was provided in a question.
- Poor grammar in most cases, candidates failed to present
- Smooth flow of ideas as a result the content in the main body was distorted.
- Poor opening statement or paragraph without any purpose indicated in it.

QUESTION SIX

The general performance on the question was good. Of the 44 that attempted the question, 29 managed to obtain at least 10 out of the available 20 marks. A pass rate of 65.9% was recorded. The highest score was 20 while the lowest was 2 out of 20.

Part (a) of this question required candidates to define the following elements of the communication cycle; Sender, Feedback, Encoding, and Decoding and Medium of communication, part (b) required them to describe any five (5) patterns of communication networks that may be used to achieve the desired communication in an organization. The common errors observed on this question were

- i. Mixing up of elements such as encoding and decoding, sender and receiver;
 - Some candidates produced diagrams of the communication cycle which qualified it as a wrong answer.
- ii. Some candidates draw network patterns without any explanation about them and in some cases they were wrong diagrams
 - Wrong content was presented such as face book, Instagram and ‘what’s up’ as part of the answer which was not the case,
 - -Some candidates indicated directions of communications instead- There were also inadequate answers presented on this question.
 - Some candidates presented answers as though content was from information Technology component. Answers such as bus, ring and hybrid topologies were presented which was not supposed to be the case.
 - Some candidates simply omitted this question.

QUESTION SEVEN

The general performance on the question was excellent. Of the 19 that attempted the question, 18 managed to obtain at least 10 out of the available 20 marks. A pass rate of 94.7% was recorded. The highest score was 19 while the lowest was 8 out of 20.

This question required candidates to explain five (5) factors would considered when preparing and delivering your presentation in part (a) and in part (b) they were required to explain any three (3) things which need to done in order to maintain the interest of the audience, while part (c) required them to state any four (4) visual aids which can be used for a presentation?

The common mistakes that were observed on this question were:

- i. Repeated answers
 - Inadequate or incomplete answers, this was a similar case for errors in question 5a.
- ii. Failure to relate concepts such as Kiss, Pass and 7C's which could contain right answers to a certain extent. As a result, wrong content was presented.
- iii. Incomplete information or answers were provided
 - Failure answers for statistical data to specify graphical information

Overall performance of candidates

Highest mark obtained in this paper	77%
Lowest mark obtained in this paper	29%
Overall pass rate in this paper	67.3%

DA 5: COST ACCOUNTING

QUESTION ONE

The general performance on the question was fair. Of the 71 that attempted the question, 39 managed to obtain at least 10 out of the available 20 marks. A pass rate of 54.9% was recorded. The highest score was 20 while the lowest was 4 out of 20.

QUESTION TWO

The general performance on the question was very poor. Of the 59 that attempted the question, only 9 managed to obtain at least 10 out of the available 20 marks. A pass rate of 15.3% was recorded. The highest score was 19.5 while the lowest was 1 out of 20.

Part (a) required candidates to prepare a statement showing the gross profit (in total and per unit) for each product and in part (b) to explain various accounting terminologies.

The most common mistakes made by the candidates included:

- i. Failing to show the gross profit per unit as required by the the majority only calculated the gross profit in total.
- ii. When splitting the joint costs some candidates used the number of units (output) as a basis rather than sales revenue for products K and N.
- iii. in part (b), the majority of candidates had challenges explaining the cost accounting terminologies

QUESTION THREE

The general performance on the question was good. Of the 60 that attempted the question, 38 managed to obtain at least 10 out of the available 20 marks. A pass rate of 63.3% was recorded. The highest score was 20 while the lowest was 0.5 out of 20.

This question examined candidates on basic variance analysis and required candidates:

(a)

In part (i), to calculate price and volume contribution variances. The performance of most candidates was above average.

In part (ii), to calculate direct material price and usage variances. 90% of those who attempted this question performed well.

In part (iii), most candidates used correct formulae for direct labour rate and efficiency variances and presented correct answers.

In part (iv), to calculate variable expenditure and efficiency variances. About 50% of those who attempted the question performed above average.

In part (b), candidates were required to state four types of performance standards according to the principles of standard costing.

Over 80% of candidates were able to state the four performance standards.

QUESTION FOUR

The general performance on the question was fair. Of the 40 that attempted the question, 18 managed to obtain at least 10 out of the available 20 marks. A pass rate of 45% was recorded. The highest score was 20 while the lowest was 0 out of 20.

This question required candidates to:

Part (a): calculate cost per units using absorption costing

Part (b): calculate cost per unit using the Activity Based Costing method

Part (c): explain two advantages and two disadvantages of integrated system.

The most common mistakes made by the candidates included:

- i. including specific costs and yet a note was given guiding candidates that the specific costs related to ABC only.
- ii. only calculating the total figures without dividing them by the total number of units to arrive at the cost per unit.
- iii. Candidates had challenges sharing ABC costs.
- iv. They did not know how to calculate the total costs and the cost per unit.
- v. In part (c), many candidates left this part unanswered and those who attempted it exhibited lack of understanding of what an integrated system was.

QUESTION FIVE

The general performance on the question was very poor. Of the 55 that attempted the question, only 15 managed to obtain at least 10 out of the available 20 marks. A pass rate of 27.3% was recorded. The highest score was 20 while the lowest was 0 out of 20.

This question required candidates to explain four features of service costing in Part (a) and to calculate the selling price of Job X01 in part (b).

The most common mistakes made by the candidates included:

- i. Some candidates could hardly identify the characteristics of service costing.
- ii. Failing to explain the features after identifying them
- iii. Some candidates could hardly calculate the Overhead Absorption Rate
- iv. Failing to convert profit margin to profit mark up since they were initially required to calculate the total cost.

QUESTION SIX

The general performance on the question was very poor. Of the 64 that attempted the question, only 11 managed to obtain at least 10 out of the available 20 marks. A pass rate of 17.2% was recorded. The highest score was 13.5 while the lowest was 0 out of 20.

This question required candidates to:

- (a) In parts (i) and (ii) to state three jobs for which a piece rate and an hourly rate may be applied. Most candidates performed well in this part of the question.
- (b) In part (b), to calculate the basic pay for each staff given the hourly rate employees were entitled to. Most candidates managed to calculate the total basic pay and the overtime premium.
- (c) In part (c), to demonstrate their knowledge of the Cost-Volume-profit relationship using the High-Low method. The performance of most candidates was above average. The topic seems familiar among candidates. The majority presented correct answers.

A good number of candidates failed to get the correct pay for one employee who worked for a duration less than the stipulated 40 hours per week. Some indicated that because this employee worked for fewer hours by two hours than the standard 40 hours per week, the worker should not be paid.

The most common mistakes made by the candidates included:

1. Failure to get the correct pay for one employee who worked for a duration less than the stipulated 40 hours per week. Some indicated that because this employee worked for fewer hours by two hours, than the standard 40 hours per week, the worker should not be paid

Overall performance of candidates

Highest mark obtained in this paper	100%
Lowest mark obtained in this paper	18%
Overall pass rate in this paper	38%

DA 6: BUSINESS LAW

QUESTION ONE

The general performance on the question was good. Of the 47 that attempted the question, 30 managed to obtain at least 10 out of the available 20 marks. A pass rate of 63.8% was recorded. The highest score was 18 while the lowest was 2 out of 20.

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

QUESTION TWO

The general performance on the question was excellent. Of the 17 that attempted the question, 14 managed to obtain at least 10 out of the available 20 marks. A pass rate of 82.4% was recorded. The highest score was 15 while the lowest was 7 out of 20.

This was a 2-part scenario question and was only attempted by 10% of the candidates. The first part (a) was based on the rights of a seller. Most candidates performed fairly on this part except for a few who did not understand the question. The second part (b) was on vicarious liability; candidates under performed on this part. Future candidates should be helped to answer scenario questions especially how to identify legal issues in such questions.

QUESTION THREE

The general performance on the question was fair. Of the 40 that attempted the question, 21 managed to obtain at least 10 out of the available 20 marks. A pass rate of 52.5% was recorded. The highest score was 18 while the lowest was 1 out of 20.

QUESTION FOUR

The general performance on the question was excellent. Of the 46 that attempted the question, all managed to obtain at least 10 out of the available 20 marks. A pass rate of 100% was recorded. The highest score was 19 while the lowest was 10 out of 20.

This was a 3-part question. The first part (a) required candidates to explain the duties of agents toward their principle; they handled this part very well. The second part (b) required them to distinguish between a contract of service and a contract for services; they did pretty well and the last part was on vicarious liability; they did pretty well

too. About 80% of the candidates got this question right. Future candidates are encouraged to read widely and revise this topic as it is highly examinable.

QUESTION FIVE

The general performance on the question was very good. Of the 39 that attempted the question, 29 managed to obtain at least 10 out of the available 20 marks. A pass rate of 74.4% was recorded. The highest score was 19 while the lowest was 6 out of 20.

The question was on negligence, differences between offer and counter offer. Candidates answered the last question better than the first part of it as some had problems with the 'reasonable person' standard in reference to duty of care in tort. Candidates were able to cite two cases on offer and acceptance. In future there is need for candidates to understand the questions and respond according to instructions in the question.

QUESTION SIX

The general performance on the question was very good. Of the 46 that attempted the question, 33 managed to obtain at least 10 out of the available 20 marks. A pass rate of 71.7% was recorded. The highest score was 19 while the lowest was 6 out of 20.

The question had three parts:

- (a) Candidates answered this question adequately. However, perhaps 4 marks or 6 marks should have been allocated to this question by the setter, so that it could have been easily been distributed between the two responses.
- (b) A good number of candidates struggled to state the implications of Mukuma being a general partner.
- (c) Candidates showed an understanding of partners' statutory duties. However during proofreading the proofreader missed the inconsistency in the names as the name in the stem of the question was Susan but on this part the name was Chigati. Proofreaders should ensure they check questions thoroughly to avoid confusing candidates.

Overall performance of candidates

Highest mark obtained in this paper	81%
Lowest mark obtained in this paper	40%
Overall pass rate in this paper	89.4%

DA Level 2

DA 7: PRINCIPLES OF MANAGEMENT

QUESTION ONE

The general performance on the question was very good. Of the 36 that attempted the question, 27 managed to obtain at least 10 out of the available 20 marks. A pass rate of 75% was recorded. The highest score was 20 while the lowest was 4 out of 20.

QUESTION TWO

The general performance on the question was poor. Of the 30 that attempted the question, only 11 managed to obtain at least 10 out of the available 20 marks. A pass rate of 36.7% was recorded. The highest score was 18 while the lowest was 2 out of 20.

This question had four (4) parts; part (a), part (b), part (c) and part (d).

Part (a) of the question was not well answered by many candidates. The principle of management which was violated was not stated correctly.

Part (b) Organizational structure was well defined by majority of the candidates. This part was well answered by majority candidates.

Part (c) Many candidates could not clearly explain the objectives of the organization as required by this question. The candidate probably did not understand the requirements of the question.

Part (d) the elements of the organizational structure were not identified and explained. Many candidates missed this part of the question.

QUESTION THREE

The general performance on the question was excellent. Of the 35 that attempted the question, 31 managed to obtain at least 10 out of the available 20 marks. A pass rate of 88.6% was recorded. The highest score was 20 while the lowest was 3 out of 20.

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

Part (a), required candidates to explain by giving reasons why organizations need to be alert of their environments. Most candidates answered this part of the question very well without difficulties.

Part (b), majority of the candidates explained the SWOT Analysis model and were able to mention its purpose.

QUESTION FOUR

The general performance on the question was excellent. Of the 35 that attempted the question, 31 managed to obtain at least 10 out of the available 20 marks. A pass rate of 88.6% was recorded. The highest score was 20 while the lowest was 6 out of 20.

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

In both parts candidates were expected to describe the two types of change and provide reasons why employees resist change.

The candidates prepared well on this topic as can be seen from the pass rate.

QUESTION FIVE

The general performance on the question was very poor. Of the 8 that attempted the question, only 2 managed to obtain at least 10 out of the available 20 marks. A pass rate of 75.2% was recorded. The highest score was 14 while the lowest was 0 out of 20.

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

In part (a) candidates were expected to explain any two techniques of scientific management. Some candidates had difficulties in explaining the techniques while few managed.

Part (b) was equally not well answered by many candidates. They failed to bring out the challenges of scientific management from an employee's stand point. Challenges include;

- i. Unemployment- workers being replaced
- ii. Monotony- No initiative workers regarded as machines doing repetitive tasks.
- iii. Exploitation-employees not sharing in profits due to increased production.
- iv. Weakening of Trade Unions- management determined everything.
- v. Speed of Operations-this posed a health hazard on employees.

QUESTION SIX

The general performance on the question was excellent. Of the 36 that attempted the question, 33 managed to obtain at least 10 out of the available 20 marks. A pass rate of 91.7% was recorded. The highest score was 20 while the lowest was 4 out of 20.

This question had three parts; part (a), part (b) and part (c). All the three parts were on motivation.

Part (a) few candidates failed to distinguish between intrinsic and extrinsic factors.

Part (b) almost everyone gave correct answers regarding the benefits of a motivated workforce.

Part (c) majority of the candidates stated the four (4) theories of motivation.

Overall performance of candidates

Highest mark obtained in this paper	89%
Lowest mark obtained in this paper	21%
Overall pass rate in this paper	91.7%

DA 8: FINANCIAL REPORTING

QUESTION ONE

The general performance on this question was fair. 53 of the 106 candidates that attempted the question got 13 and above marks out of 25. A pass rate of 50% was recorded. The lowest mark recorded was 0 while the highest was 22.

This question had three parts (a), (b) and (c). Part (a) required candidates to calculate Goodwill on the acquisition of Moon Plc. Part (b) required candidates to ascertain the carrying amount of investment in Star, an Associate company of Sun Plc.

The question was poorly performed with many candidates not completing answering the question whilst several of them left out the first part of the question, that is question one (a) and the second part (b). Many of the candidates concentrated on answering part (c) only and hence poor total score on the question. Furthermore, of those who attempted part (c) majority of them did not answer the question to the end. For example, very few went on to calculate non-controlling interest (NCI) and therefore did not split the profit for the year and the total comprehensive income between parent company and non-controlling interest. This disadvantaged them further from scoring well on the question.

Those who struggled with computation of goodwill mainly failed to realize that the deferred consideration was to be discounted 2 years instead was discounted 1 year. The immediate cash payment was wrongly calculated based on all shares in issue unlike on 60% of the shares of Moon Plc. A small majority swapped shares bought in Star for shares bought in moon thereby wrongly calculating all forms of consideration that were based on the shares.

This meant that the NCI shares were equally mistaken by those who mistook Star shares for Moon shares. The balance of retained earnings of Moon was equally mistaken for profit unlike accumulated loss. All these issues confused several candidates who eventually failed to calculate goodwill.

In exceptional cases, about 3 candidates completely left out this entire compulsory question.

For part (c), some candidates were only entering the base figures without the adjustments. This adversely affected their scoring of good number of marks. Most candidates did not realize the fact that Moon was acquired 4 months into the accounting period and so was controlled only for 8 months in the period under review. Subsequently, Moon income and expenses were not proportionated for 8 months out of 12 months. Again, this made most candidates lose good number of marks.

A handful of candidates used 30% which was Sun's stake in Star instead of 40% to calculate non controlling interest figure for the consolidated statement of profit or loss. This led to the incorrectness of the NCI figure for those who attempted to calculate it.

In very few cases, candidates added the incomes and expenses for all the three entities thereby failing to appreciate the principles of consolidation.

Finally, there was generally a disappointing presentation of the answers from most candidates. Future candidates are reminded to pay attention to all applicable adjustments as far as accounting for groups is concerned. Otherwise, the question could have been a source of good number of marks for the candidates, but this did not happen so. There were basically no complicated adjustments. Only the lack of preparedness on the part of most candidates at this sitting.

QUESTION TWO

The general performance on this question was very poor. Only 22 of the 105 candidates that attempted the question got 13 and above marks out of 25. A pass rate of 21% was recorded. The lowest mark recorded was 1 while the highest was 19.

This question required candidates to prepare the statement of profit or loss in part (a) and the statement of financial position in part (b).

The common mistakes by candidates of this sitting include the following:

Not correctly accounting for closing inventory and hence cost of sales. The net realizable value was being used as cost of inventory when it was not even lower but higher than original historic cost. Candidates portrayed their lack of understanding of IAS 2 Inventories on the matter. Furthermore, very few candidates correctly accounted for goods on sale or return basis whose cost needed to be added back to inventory. That is, the portrayed misunderstanding of the principles of IFRS 15 Revenue from contracts with customers. This failure to recognize reversal of a sale meant that both revenue and receivables could not be adjusted for as well as Inventory and cost of sales. Future candidates are reminded to pay attention to principles of accounting for various transactions following guidance by specific standards.

The other issue observed was in connection with financial assets. A handful of candidates accounted for the fair value loss as though it was a fair value gain and so added it instead of subtracting it in the statement of profit or loss. Few candidates failed to recognize the financial asset in the statement of financial position with a small number recognizing it at its fair value in the trial balance.

The total depreciation on items of property, plant and equipment (PPE) was mainly wrong as most candidates either did not depreciate the newly acquired item of PPE or proportionated using wrong months. This also meant that carrying amount of PPE was not correctly ascertained.

Only a handful of candidates identified finance costs as interest on overdraft. The majority could not even include anything as finance cost.

Further, a good number of candidates took the temporary differences at the reporting date as though it was the deferred tax and so could not arrive at the right figure for the tax expense to the profit or loss and took the same temporary difference to the statement of financial position. In very few cases, candidates took the opening deferred tax liability to the statement of financial position.

Most candidates at this sitting, treated the bank overdraft that was bank balance on the credit of the trial balance as an asset in the statement of financial position. This has continued to be an issue among financial reporting candidates.

Many candidates could not correctly account for the gain on revaluation of property. The issue appeared to be with date of revaluation which most candidates could not seriously consider that it was at start of financial year. Further combining information in the question's data to establish years of life after revaluation equally proved challenging and so depreciation expense for the year was not correctly calculated by most candidates.

A good number of candidates, subtracted dividends paid from administrative expenses correctly but subtracting the same from retained earnings proved to be a challenge for many.

Overall, many candidates were able to score the free marks from figures that were straight from trial balance to financial statements except such entries do not carry substantial number of marks. A small number of candidates barely calculated anything but only the free mark direct entries from trial balance and their scoring was very low.

QUESTION THREE

The general performance on this question was poor. Only 31 of the 98 candidates that attempted the question got 13 and above marks out of 25. A pass rate of 31.6% was recorded. The lowest mark recorded was 0 while the highest was 23.

A good number of the candidates at this sitting performed very well especially in part (a) though the performance was disappointing for part (b). This can be evidenced by the average mark on the question. However, the performance on a similar question in past sittings has been so good compared to the September 2024 sitting

The common mistakes observed on this question were:

Part (a) of the question was not attempted by few candidates thereby reducing the chances of obtaining full marks on the question after performing very well in part (b) of the question. Most of the candidates attempted part (a) and not part (b) equally reducing their chance of scoring high marks.

In part (b) of the question, candidates that attempted were wrongly swapping the numerator with the denominator in calculating inventory days.

Few candidates were citing the increase in the receivable days instead of the decrease but giving credible reasons as in the debt management improvement.

Similarly, some were citing the increase in the inventory days instead of decrease but giving correct reasons in the improvement in cash flows.

Some candidates only managed to calculate the ratios for the year 2024 thereby not being able to make the necessary comparisons. A handful of candidates were using the numerators in ratio analyses with denominators for a different year.

Some candidates failed to calculate correct ratios by using wrong figures all together for the ratios.

There was poor ratio analysis and reasoning in a few candidates who also failed to relate the changes in the analyzed ratios to the possible activities or causes in the company. There was serious misunderstanding of reasons for the changes in the liquidity ratios portrayed.

In part (a) some candidates were subtracting the K 6,000.00 loss on disposal instead of adding to the profit before taxation figure. Further, it appeared a challenge to ascertain the cash from sale of shares and hence bonus was not correctly calculated and accounted for by most candidates.

Some candidates were literary producing statement of financial position instead of cash flow statement. Some candidates were calculating the current ratio with correct figures but multiplying by 365 giving their answers in days.

Some candidates were referring the analysis to the sector when there was only one company being analyzed and with no additional information given for the sector. Some candidates were using the same denominator for the trade receivables and payables for the two respective years.

Some candidates were indicating number of times for ratios requiring days, e.g. on receivable and payable days.

A few candidates clearly had no closest idea of the presentation for the statement of cash flows.

QUESTION FOUR

The general performance on this question was very poor. Only 4 of the 50 candidates that attempted the question got 13 and above marks out of 25. A pass rate of 8% was recorded. The lowest mark recorded was 0 while the highest was 17.

The question had three (3) parts (a), (b) and (c). part (a) required candidates to explain recoverable amount of an asset and calculate impairment loss. Part (b) required candidates to prepare extracts from the financial statements in a case where existing assets, disposed assets and newly acquired assets were presented in the

scenario. Part (c) required candidates to calculate the borrowing costs on the loans acquired to finance 2 assets.

It was disappointing that only 4 candidates passed this question at this sitting. The common mistakes observed were:

On question four (a), few candidates literally failed to define recoverable amount of an asset. Many candidates had serious challenges with calculation of impairment loss as they portrayed ignorance on the computation of recoverable amount. Some were comparing the carrying amount with the lower fair value minus costs to sell and some comparing fair value minus costs to sell with value in use. This was very disappointing.

On question four (b), most candidates struggled to ascertain the carrying amounts and depreciation charges of the assets involved due to aspects of disposal during the year, acquisition during the year and revaluation at the beginning of the year. Most candidates that attempted this question had no issue with buildings as these had no partway acquisition and no partway disposal. There had been no issue with accounting for license. Future candidates are encouraged to learn all principles of depreciating, accounting for disposal and new acquisitions.

On part (c), most candidates failed to account for income from temporary investment of funds and therefore got minimal marks of the few allocated marks.

QUESTION FIVE

The general performance on this question was very poor. None of the 37 candidates that attempted the question got 13 and above marks out of 25. A pass rate of 0% was recorded. The lowest mark recorded was 1 while the highest was 10.

The question was preceded by a scenario from which the candidates were required to:

- (a) Explain potential ordinary shares
- (b) Explain reason for disclosure of diluted earnings per share
- (c) Evaluate CEO comment about inappropriateness of issuing convertible loan notes
- (d) Calculate basic and diluted earnings per share.
- (e) Explain how IAS 33 reflects the characteristic of comparability and
- (f) Distinguish between fundamental and enhancing qualitative characteristics.

On part (a), very few candidates had an idea of potential ordinary shares.

On part (b), it was the same if not worse than what came out on part (a).

On part (c), the few candidates that attempted this question expressed total ignorance on the reasons for the disclosure.

On part (d), no single candidate of those who attempted was able to calculate both the basic and diluted EPS correctly. The main challenge on basic EPS was ascertaining

of weighted average shares where there was rights issue. The many candidates could not even calculate.

Overall performance of candidates

Highest mark obtained in this paper	64%
Lowest mark obtained in this paper	12%
Overall pass rate in this paper	12%

DA 9: MANAGEMENT ACCOUNTING

QUESTION ONE

The general performance on this question was poor. Only 34 of the 87 candidates that attempted the question got 13 and above marks out of 25. A pass rate of 39.1 was recorded. The lowest mark recorded was 0 while the highest was 22.

The most common mistakes made by the candidates included:

- i. Some candidates were adding opening inventory instead of subtracting it.
- ii. Some candidates had challenges grossing up production requirements.
- iii. Rather than just focusing quarter 1 the majority also included the sales budget for April.
- iv. Some candidates were subtracting closing inventory instead of adding it.
- v. Some candidates were multiplying the labour hours per month by the sales units instead of production units
- vi. Some candidates failed to explain what incremental budgeting is all about.
- vii. Some confused incremental budgeting to rolling budgets in their explanation.
- viii. The majority of candidates failed to recognize the fact that incremental budgeting is NOT appropriate for budgeting advertising costs.

QUESTION TWO

The general performance on this question was very poor. Only 7 of the 84 candidates that attempted the question got 13 and above marks out of 25. A pass rate of 8.3% was recorded. The lowest mark recorded was 0 while the highest was 16.

The most common mistakes made by the candidates included:

- i. a good number of candidates had problems calculating these variances and did not seem to know which figures were to be included in the mix, yield and usage variances.
- ii. Some poorer candidates could not explain what a planning variance was.
- iii. Failure to compute the Break Even Point(BEP)
- iv. Most candidates did not answer part (c) and those who attempted it did not know what to do or what to compute.

QUESTION THREE

The general performance on this question was poor. Only 15 of the 50 candidates that attempted the question got 13 and above marks out of 25. A pass rate of 30% was recorded. The lowest mark recorded was 0 while the highest was 18.

The most common mistakes made by the candidates included:

- i. Including irrelevant costs in the computations
- ii. Most candidates could not identify the correct assumptions.

QUESTION FOUR

The general performance on this question was fair. 28 of the 59 candidates that attempted the question got 13 and above marks out of 25. A pass rate of 47.5% was recorded. The lowest mark recorded was 0.5 while the highest was 22.

This question examined candidates' knowledge of working capital.

(a)

In part (a) of the question, candidates were required to calculate the following ratios:

- (i) Current and Quick ratios
- (ii) Accounts Receivable period
- (iii) Inventory Turnover period
- (iv) Accounts Payable period
- (v) Sales Revenue/Net working capital

The performance of candidates on this question was generally good as most of them used the correct formulae and got the correct ratios.

(b)

Candidates were required to explain the four main objectives of working capital management. Candidates managed to identify and explain according to the examiner's requirements. The general score was above average.

(c)

Candidates demonstrated a lack of knowledge of Life Cycle Costing (LCC) as most of them could not explain how the company can maximize returns by employing Life Cycle Costing.

The most common mistakes made by the candidates included:

- i. Failure to explain how LCC can maximize returns.
- ii. Poorer candidates could not explain the objectives of working capital.
- iii. Not attempting all parts of the question.

QUESTION FIVE

The general performance on this question was very poor. Only 11 of the 59 candidates that attempted the question got 13 and above marks out of 25. A pass rate of 18.6% was recorded. The lowest mark recorded was 1 while the highest was 21.

This question examined candidates' understanding of breakeven analysis, characteristics of good information and pricing.

(a)

- (i) candidates were required to calculate the breakeven point in sales revenue. 90% of candidates who attempted this question failed this question because they failed to aggregate the sales and contribution.
- (ii) candidates were required to calculate the margin of safety.

- (iii) candidates were required to state two assumptions upon which the break-even analysis is based. Candidates performed well on the assumptions.
- (b) To explain five characteristics of useful information.
- (c) To explain factors to consider before pricing a product.

The most common mistakes made by the candidates included:

- i. Failure to calculate the weighted average contribution /sales ratio for the three products.
- ii. Most candidates calculated three different figures instead of one. This was a multiproduct CVP question and candidates should have assumed a constant sales mix. Candidates applied the wrong formulae.
- iii. Explaining fewer characteristics of information instead of five.
- iv. Most candidates gave irrelevant factors to take into account before pricing a product. They should have mentioned factors such as quality, competition, suppliers, inflation, substitutes, etc.

Overall performance of candidates

Highest mark obtained in this paper	59%
Lowest mark obtained in this paper	1%
Overall pass rate in this paper	27.6%

DA 10: TAXATION

QUESTION ONE

The general performance on this question was fair. 24 of the 41 candidates that attempted the question got 13 and above marks out of 25. A pass rate of 58.5% was recorded. The lowest mark recorded was 0 while the highest was 23.5.

The question examined taxation of partnerships and comprised three parts.

In part (a) candidates were required to compute the taxable business profits for the partnership. Some candidates failed to identify the relevant disallowable expenditure which should have been added back to the net profit, when computing the tax adjusted partnership profit.

In part (b), candidates were required to calculate the amount of taxable business profits on which each partner will be assessed. The most common challenges faced by the candidates included:

- i. Failure to split the accounting period into the correct number of months before and after the change in the terms of the partnership agreement.
- ii. Failure to apportion correctly the salaries to the period before and after the admission of the new partner.
- iii. Failure to apportion the balance of taxable profits between two periods, i.e. before and after the admission of a new partner.

Part (c), which required candidates to calculate the amount of income tax payable by each partner was generally answered well. Only a few candidates failed to apply the tax bands to compute the income payable by each partner.

QUESTION TWO

The general performance on this question was very poor. Only 6 of the 40 candidates that attempted the question got 13 and above marks out of 25. A pass rate of 15% was recorded. The lowest mark recorded was 1 while the highest was 17.

The question examined taxation of employment income and comprised three parts.

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

- i. Failure to count correctly the number of months worked by an employee up to the termination of employment.
- ii. Failure to compute the correct amount of basic salary and taxable allowances received by the employee up to the termination of employment.
- iii. Treating the expenses paid by the company on behalf of the employee which comprised electricity bills, water bills as exempt benefits.
- iv. Not grossing up consultancy fees and royalties before including the amounts in the computation of the taxable income.

- v. Deducting items which are not allowable from gross emoluments when computing the taxable income.
- vi. Failure to deduct the correct amount withholding tax paid in relation to consultancy fees and royalties when computing the final amount of income tax payable.

In part (b), candidates were required to explain the consequences of late payment of income tax deducted from emoluments under the PAYE system. Most candidates demonstrated a lack of knowledge of the consequences and therefore failed to state that late payment of PAYE attracts a penalty 5% and interest on the overdue tax computed using Bank of Zambia discount rate plus 2%.

In part (c), candidates were required to state three obligations an employer has under the Pay As You Earn system. Candidates demonstrated a lack of knowledge of the obligations and therefore failed to provide the required answers.

QUESTION THREE

The general performance on this question was very poor. None of the 32 candidates that attempted the question got 13 and above marks out of 25. A pass rate of 0% was recorded. The lowest mark recorded was 1.5 while the highest was 11.

The question examined taxation of farming operations and comprised three parts.

In part (a), candidates were required to describe the circumstances under which a business carrying on farming operations can make an election to average income from farming and to state the due date for making such an election.

Most candidates demonstrated a lack of knowledge of the averaging provisions and therefore failed to provide the required answers.

In part (b), candidates were required to compute the maximum capital allowances claimable by the company. The most common weaknesses exhibited by candidates included:

- i. Using the wrong rates to compute capital allowances.
- ii. Restrict the expenditure qualifying for capital allowances on the dwelling houses to K20,000 instead of K100,000.
- iii. Claiming the development allowance on the citrus plantations at the rate of 100% instead of 10%.

Part (c) asked candidates to calculate the final adjusted farming income. Most candidates failed to relieve the farming loss brought forward against the final taxable farming profits generated during the period.

In part (d), candidates were required to calculate the amount of company income tax payable for the year.

Common mistakes made by candidates included:

- i. Failure to gross up GRZ bond interest and management and consultancy fees before including the items in the computation of taxable income.

- ii. Failure to compute the correct company income tax rate after the deduction of the 2% discount for the listing of a company on LUSE and 5% discount for offering shares to indigenous Zambians.

QUESTION FOUR

The general performance on this question was very poor. Only 3 of the 22 candidates that attempted the question got 13 and above marks out of 25. A pass rate of 13.6% was recorded. The lowest mark recorded was 2 while the highest was 17.

The question covered Value Added Tax (VAT) and rental income tax.

In part (a) (i) candidates were required to compute the amount of VAT payable by the company for the month. The most common mistakes made by candidates included:

- i. Not deducting the VAT on sales returns on standard rated sales when computing the output VAT
- ii. Failure to compute recoverable input VAT on the non-attributable VAT on overheads.
- iii. Claiming input VAT on items on which input VAT is not recovery. These expenses include entertainment expenses for employees, staff refreshments, utility expenses for directors' houses and telephone expenses.
- iv. Failure to calculate the correct amount of VAT on items stated at VAT exclusive amounts and those stated at VAT inclusive amounts.

In part (a) (ii) candidates were required to state the date when the VAT for the month of march should have been paid and the consequences of paying this tax late. Most candidates demonstrated a of knowledge of the due date for the payment of VAT and consequences paying the VAT late and therefore failed to provide the required answers.

In part (b) candidates were required to calculate the amount of tax payable on rental income for the year. The most common mistakes made by candidates included:

- i. Deducting expenses incurred wholly and exclusively for letting purposes from the gross rental income before taxing the rental income.
- ii. Subjecting the rental income generated from each property to the rental income tax bands separately, instead of simply aggregating the gross rental income from the two properties and then subjecting the total income to the rental income tax bands.
- iii. Using the withholding tax rate of 15% to compute the rental tax instead of using the graduated tax bands for rental income.

QUESTION FIVE

The general performance on this question was poor. Only 9 of the 24 candidates that attempted the question got 13 and above marks out of 25. A pass rate of 37.5% was recorded. The lowest mark recorded was 2 while the highest was 23.

The question examined Professional ethics, Property Transfer Tax (PTT) and Customs and Excise Duty

In part (a) (i) candidates were required to state four conditions to be met for customs officers to use the transaction value method to determine the value of imports. Most candidates demonstrated a lack of knowledge of the conditions and therefore failed to provide the relevant information

In part (a) (ii) candidates were required to compute the total amount of import taxes paid on the importation of the motor vehicle.

The most common challenges faced by candidates included:

- i. Including costs incurred 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 rates for secondhand vehicles in determining the import taxes arising instead of the duty rates of new vehicles.

In part (b) candidates were required to explain the property transfer tax implications arising from the transfer of assets and to compute the property transfer tax payable on each transaction.

The most common mistakes made by candidates included:

- i. Failing to identify the realized value to be used in calculating the PTT arising on each transfer.
- ii. Charging PTT on exempt transfers which included transfer of a building to a subsidiary for the internal reorganization of the group, sale of shares in a company listed on the LuSE and the sale of machinery.

Part (c) required candidates to explain the meaning of the ethical principles of integrity and objectivity was generally answered well.

Overall performance of candidates

Highest mark obtained in this paper	65%
Lowest mark obtained in this paper	6%
Overall pass rate in this paper	36.6%

DA 11: PRINCIPLES OF AUDITING

QUESTION ONE:

The general performance on this question was very poor. Only 18 of the 83 candidates that attempted the question got 13 and above marks out of 25. A pass rate of 21.7% was recorded. The lowest mark recorded was 0 while the highest was 22.5.

Part (a)

This part of the question required candidates to explain four benefits of external audits to Bangweulu Ltd. Candidates should have noted that the company is a partnership owned by 3 partners and that the company is not required by law to have its financial statements audited by external auditors since as clearly stated in the scenario the company falls below the threshold requiring that financial statements require to be audited by independent auditors. The question clearly required candidates to explain benefits of a non-statutory audit using the information in the scenario.

The following observations were made:

- i. There were candidates that gave less than the required number of benefits and lost easy marks as a result.
- ii. There were candidates that gave general answers without making use of the information in the scenario as expected and so they did not earn maximum marks.
- iii. A majority of candidates discussed the benefits of external audits which did not address the question requirement and no marks were awarded for doing so.
- iv. Surprisingly most candidates did not observe that Bangweulu Ltd is a private company and their responses were those relating to listed companies. Candidates should take great care and ensure they are clear of the nature of the company in the scenario in this case a partnership.

Part (b)

This part of the question required candidates to explain the roles of the proposed audit committee of the Board of Directors of Bangweulu Ltd. This was a knowledge based question in which well-prepared candidates should have scored maximum marks.

The performance in this part of the question was below expectation with candidates in some cases failing to provide correct roles of the audit committee.

The following observations were made:

- v. A sizeable number of candidates gave less than the required six roles and scored marked in proportion with the correct roles explained.
- vi. A number of candidates suggested roles that are clearly those of management such as putting in place suitable controls to assist in the prevention and detection of fraud. The Audit Committee is part of the board of directors whose main role is to provide oversight on how the organization is being run by management including systems for internal controls.

- vii. There were candidates who discussed the role of the internal audit department in answering this part of the question for which no marks were given.
- viii. There were candidates that discussed out of context the roles of the board of directors and the non-executive directors. Candidates are reminded to ensure they understand the question requirements before attempting to answer questions. For example there were candidates that suggested that the audit committee is responsible for the preparation of the financial statements of Bangweulu Ltd.

Part (c)

- (i) This part of the question required candidates to explain the use of internal controls in the audit of Bangweulu Ltd and also to describe the impact of the results of internal controls on the nature and extent of further audit procedures to be conducted. Candidates should have dealt with the two aspects of the question to score maximum marks. Candidates should have noted that auditors do not perform audit procedures on all the transactions and balances in the financial statements of a client company. The extent of the audit procedures performed is impacted by the internal controls in the client company and the results of the tests of controls performed by the auditors. If internal controls are assessed as non-effective, the auditors will follow a substantive audit approach and not rely on internal controls. If on the other hand the results of the tests of controls suggest that they are effective, the auditors will follow a combined approach and place reliance on the controls and reduce the extent of further audit procedures to be performed.

The following observations were made:

- i. Some candidates simply explained the meaning of internal controls which was not answering the question requirements and no marks were awarded for doing so.
 - ii. A majority of the candidates could not explain satisfactorily the impact of the results of internal controls on the nature and extent of further audit procedures that should be conducted.
 - iii. There were candidates that discussed why the internal controls of Bangweulu Ltd were not effective without addressing the question requirement.
 - iv. Surprisingly there were candidates that discussed the components of internal controls in answering this part of the question such as control activities and the risk assessment systems.
- (ii) This was a knowledge based question requiring candidates to explain any 4 techniques that could be used to record the internal controls systems in Bangweulu Ltd. Candidates should have scored maximum marks in this part of the question and they are expected to know the various methods used to record

the system and internal controls of a client company in planning the audit according to ISA 315.

It was disappointing to note that a majority of the candidates could not explain the possible methods that could be used.

The following observations were made:

- v. A sizeable number of candidates explained less than the required four methods
- vi. There were candidates that simply stated the methods without explanations and so scored half the available marks.
- vii. There were candidates that explained audit procedures which were not relevant in answering this part of the question and no marks were awarded.
- viii. There was a sizeable number of candidates that explained methods of obtaining evidence such as inquiry, analytical procedure etc. for which no marks were awarded.
- ix. Some candidates explained sampling methods which was inappropriate and no marks were awarded for doing so.
- x. Many candidates simply did not know the techniques or recording internal control systems and gave answers that were completely off target..

Part (d)

This was a knowledge based question which required candidates to explain the difference between audit and business risks. Most of the candidates correctly explained the differences between audit and business risks and scored maximum marks. A minority of candidates scored poorly and got less than half the available marks.

The following observations were made:

- i. A few candidates explained audits instead of audit risks.
- ii. There were candidates that took audit risks for business risks and vice versa clearly showing lack of understanding.
- iii. Many candidates simply did not know the difference between audit and business risks and did not attempt to answer this part while others simply did not know and guessed.

QUESTION TWO

The general performance on this question was poor. Only 6 of the 82 candidates that attempted the question got 13 and above marks out of 25. A pass rate of 7.3% was recorded. The lowest mark recorded was 0 while the highest was 18.

Part (a)

This part of the question required candidates to explain five effects of non-compliance with ethical principles by the accounting staff of Mikado Ltd. In answering this question, candidates should have noted that fundamental ethical principles are

applicable to all accountants and not only viewed from the point of view of auditors. Use of the information in the scenario was necessary in answering this part of the question.

The following observations were made:

- i. Candidates explained the ethical principles without considering the effects of non-compliance. It was pleasing that a minority of candidates answered this part well and scored maximum marks. Candidates should ensure they address the question requirements in answering questions.
- ii. A sizeable number of candidates simply stated the five ethical principles with no explanation for which only half the available marks were awarded.

Part (b)

- (i) This part of the question required candidates to explain, giving examples, the meaning of control activities and tests of controls in the audit of Mikado Ltd.

The following observations were made:

- i. Candidates lost marks for failing to explain the meaning of controls and tests of controls. Further, a majority of candidates did not illustrate their understanding of these terms using an example as required by the question and lost the 1 mark allocated to doing so.
 - ii. There were a number of candidates that simply did not know the meaning of control activities and have answers that shows this lack of understanding..
- (ii) This part of the question required candidates to explain the matters that should be included in the report to management. Candidates needed to have an understanding of the provision of ISA 265 *Communicating deficiencies in internal controls to those charged with governance and management*.

The following observations were made:

- iii. A majority of candidates discussed matters that should be included in an audit report by external auditors such as the opinion paragraph and the responsibilities of management and the auditor. This clearly showed that candidates did not understand the management letter and its use and the provisions of ISA 265. The management letter is issued by the auditor to management highlighting the internal control weaknesses observed, their impact and recommendations to remedy the weaknesses.

There were many answers that showed lack of knowledge of the report to management and its contents. Part (c)

- (i) This was a general knowledge based question in which well-prepared candidates should have scored maximum marks.

The following observations were made:

- i. There were candidates that explained less than the four required generalizations and as such lost easy marks.

- ii. Many of the candidates simply did not attempt to attempt this general knowledge question and lost all available marks.
- (ii) This part of the question required candidates to explain three audit procedures in the audit of the allowance for receivables.
- iii. There were candidates that simply stated methods of obtaining evidence such as recalculation without using these to describe the audit work that should be performed. No marks were given for doing so as this did not address the question requirement.
- iv. A number of candidates tried to explain audit procedures for receivables without relating them to the allowance for receivables to which the question related.

Part (d)

This part of the question was divided in two parts which are related in that in the second part candidates needed to suggest suitable audit procedures considering the assertions stated in the first part. Answers for the second part that were not related to the assertion in the first part did not attract any marks.

- (i) Candidates were required to simply state any financial statement assertion related to the bank balance in the financial statements of Mikado Ltd. There was no requirement to explain the meaning of the stated assertions and doing so was a waste of valuable examination time.

A majority of the candidates were able to state the required three assertions and scored maximum marks. A minority of candidates stated assertions that do not apply to bank balances. Candidates should ensure that they understand that some assertions apply to both transactions and balances while there are assertions that are relevant to only transactions or balances.

- (ii) This part of the question required candidates to suggest suitable audit procedures for the assertions stated in (i).

The performance in this part of the question was poor largely because the audit procedures suggested were not related to the assertions stated in (i) per question requirement. There were also candidates that simply stated the methods of obtaining evidence without describing the necessary audit work that should be performed as required by the question.

QUESTION THREE

The general performance on this question was poor. Only 33 of the 80 candidates that attempted the question got 13 and above marks out of 25. A pass rate of 41.3% was recorded. The lowest mark recorded was 3 while the highest was 18.

Part (a)

This part of the question required candidates to explain 6 internal control deficiencies in the purchasing and stores systems of Agos Ltd. This topic has been examined in a similar manner in past examination questions. It was disappointing that a majority of the candidates scored less than half the available marks in this part of the question.

The following observations were made:

- i. There were candidates that explained less than the required 6 internal control weaknesses losing easy marks.
- ii. A majority of the candidates failed to identify and to explain the deficiencies in the scenario.
- iii. There were candidates that identified and explained weaknesses but could not suggest suitable recommendations for improvements and therefore lost easy marks.
- iv. A majority of the candidates simply repeated the information in the scenario without explaining how they give rise to internal control weaknesses.
- v. A minority of candidates discussed internal audit limitations in this part of the question. Clearly internal audit is not part of the internal control systems of the purchasing and stores systems.

A large number of candidates explained that the inventory count conducted at the year-end is a control weaknesses. Contrary to this assertion, of all the possible dates of conducting inventory including before and after the period end this is the best and most reliable day of conducting inventory count and it is in no way internal control matter.

Part (b)

- (i) This part of the question required candidates to explain three limitations of the internal audit department of Agos Ltd. This required the use of information in the scenario to score maximum marks. Application of skepticism could have helped candidates to identify the weaknesses in the scenario.

The following observations were made:

- A large number of candidates discussed general limitations of the internal audit function without relating their answers to the scenario as expected. General answers did not attract maximum marks.
 - Candidates discussed internal control weaknesses in this part of the question which was not the requirement and no marks were awarded for doing so.
 - There were candidates that regarded internal auditors as if they were external auditors and discussed modified opinions.
- (ii) This part of the question required candidates to explain the responsibilities of the internal audit function of Agos Ltd in respect of the prevention and detection of fraud.

The following observations were made:

- A majority of the candidates discussed the responsibilities of the internal audit function in general and not relating to prevention of fraud and error as per question requirement.
- Some candidates discussed the action that should be taken by management in view of the limitations in the internal audit function instead of explaining the limitations observed using the information in the scenario.

Part (c)

This part of the question required candidates to explain the meaning of expectation gap in relation to financial statements and auditing.

A majority of the candidates scored the maximum marks. A few candidates discussed matters relating to the responsibility for the preparation of the financial statements as being the expectation gap which is clearly wrong.

There were also candidates that gave a general explanation without using the information in the scenario which was given to make it easy for candidates to answer the question. Some candidates simply did not know what was meant by the expectation gap for example the following answers were given:

- i. This is the period between the client's end of year and the date on which the auditor's report is released.
- ii. This is when the audit is in the final stage and one of the members expressed concern that the firm has issued unmodified opinion despite the high incidences of fraud in the company.

Part (d)

This part of the question required candidates to describe three audit procedures for the audit of the construction of the warehouse. The performance in this part of the question was poor with a majority not scoring any marks. Like previously observed in previous examinations, candidates do not seem to understand this core area of the syllabus and continue to perform poorly.

The following observations were made:

- i. A majority of the candidates simply did not attempt to answer this part of the question.
- ii. Again as previously observed in the past candidates explained methods of obtaining audit evidence without using them to describe the audit procedures that should be performed.

Part (e)

This part of the question required candidates to describe three audit procedures to perform on the additions to equipment. Again the performance was poor with a majority of the candidates showing lack of understanding of audit procedures. For

candidates to score well in questions on audit procedures they need to bring to bear their knowledge of the accounting for specific items and also the assertions contained in the figures in the financial statements.

The following observations were made:

- i. Candidates discussed methods of obtaining audit evidence and not the audit procedures that should be performed on additions to equipment.
- ii. Candidates explained general audit procedures for tangible non-current assets some of which did not relate to additions of equipment acquired during the year.

QUESTION FOUR

The general performance on this question was very poor. Only 8 of the 54 candidates that attempted the question got 13 and above marks out of 25. A pass rate of 14.8% was recorded. The lowest mark recorded was 0 while the highest was 18.

Part (a)

- (i) This part of the question required candidates to explain the meaning of significant risks and state the importance of identifying the significant risks in an audit.

The following observations were made:

- Many candidates explained the meaning of significant risks but did not explain the importance of identifying the significant risks in an audit of financial statements. Candidates should take extra care to ensure that they address all question requirements in multi requirement questions such as this one. The use of appropriate headings in the answers will help ensure that this is done.
 - A large number of candidates did not attempt to answer this part of the question.
- (ii) This part of the question required candidates to explain factors in the scenario that indicate the existence of significant risks. The performance in this part of the question was poor and below expectation despite there being a number of issues in the scenario suggesting the existence of significant risks. Candidates should endeavor to always use the information in the question scenarios because in a majority of the cases the answers are contained in this information.

Part (b)

- (i) This part of the question required candidates to explain three ways in which the tasks undertaken by the Sales Manager could be segregated as part of internal controls. A majority of the candidates explained how the tasks of the Sales Manager could be segregated and scored maximum marks.

- (ii) This part of the question required candidates to explain one corporate governance weakness. A majority of the candidates observed that the company was operating without a board of directors and scored maximum marks. A few candidates discussed internal control systems as corporate governance matters which is incorrect. Corporate governance related to how the organization is run and controlled and in this case the information clearly states that the company was operating without a board of directors which is a governance matter.

Part (c)

This was a knowledge based question requiring candidates to explain any four sample selection methods that could be used by the auditors. It was disappointing that a majority of the candidates simply could not do this signifying lack of knowledge of sampling in auditing.

While a majority of the candidates explained the sample selection methods that could be used, a number of candidates explained less than the required number of methods resulting in scoring of lower marks.

Part (d)

- (i) This part of the question required the use of information in the scenario to explain two going concern indicators affecting the operations of Mukushi Commodities Ltd.

A few candidates could not identify and explain going concern indicators in the information in the scenario.

- (ii) This part of the question required candidates to suggest audit procedures that should be performed to determine whether or not Mukushi Commodities Ltd is a going concern. In order to answer this question satisfactorily. Candidates needed to bring to bear the provisions of ISA 570 Going concern.

A majority of the candidates scored less than half the available marks showing lack of knowledge of the topic on going concern.

The following observations were observed:

- A majority of the candidates labored to explain the meaning of going concern which did not address the question requirement to describe the audit procedures required.
- Candidates explained general audit procedures not related to going concern. This shows that candidates do not know or understand the provisions of ISA 570 Going concern which gives guidance in this area.

QUESTION FIVE

The general performance on this question was very poor. None of the 23 candidates that attempted the question got 13 and above marks out of 25. A pass rate of 0% was recorded. The lowest mark recorded was 0 while the highest was 12.

Part (a)

This part of the question required candidates to explain the use of analytical procedures at the three stages of the audit namely the planning stage, the substantive audit stage and the reporting stage. A majority of the candidates showed lack of knowledge of the three stages and could not give the use of the analytical procedures in these stages.

A majority of the candidates scored low marks with a large number leaving this part not attempted.

The following observations were made:

- A majority of candidates explained the meaning of analytical procedures for which no marks were awarded as that did not address the question requirement.
- Very few candidates were able to explain the use of analytical procedures at the three stages of the audit. The question did not mention the three stages and candidates were expected to know the three stages namely planning, substantive audit procedure stage and the review and reporting stage at which stages analytical procedures are used.
- Many candidates simply did not know the use of analytical stages and gave answers that were clearly wrong.
- A significant number of candidates did not attempt to answer this part of the question.

Part (b)

- (i) This part of the question required candidates to comment on the accounting for specific items given in the scenario. This question tested candidates on whether they know the assertions for specific figures in the financial statements to enable them design suitable audit procedures. A majority of the candidates scored poorly and in most cases stated either that the accounting treatment is correct or incorrect without any explanation.

The following observations were made:

- Candidates did not justify their conclusion whether or not the accounting treatment was correct or not. For 4 marks candidates needed to explain and support their conclusion.

- (ii) This part of the question required candidates to describe the audit work that should be performed and the evidence required to verify the value of assets.

The following observations were made:

- A majority of the candidates did not attempt to answer this part of the question.
- A majority simply gave general procedures without considering the information related to the assets contained in the scenario.

Part (c)

This was a knowledge based question requiring candidates to explain the procedure to obtain bank confirmations in the audit of bank balances. To score maximum marks candidates needed to explain the procedure from seeking client authority to receiving the response from the bank.

Many candidates could not fully explain the procedure in obtaining bank confirmation. Candidates were expected to give at least four stages to score maximum marks.

Part (d)

- (i) This part of the question required candidates to comment on the Audit Assistant's suggestion that the matter of concern in the scenario should be included in the emphasis of matter paragraph. The aim of the question was to test candidates on whether they understood the use of the emphasis and other matter paragraphs in the audit report.

A majority of the candidates did not score any marks signifying the lack of understanding of this topic. The matter in question is one that is important to users of the financial statements but which needed not be included in the financial statements. The emphasis of matter paragraph is used for matters that should and are contained in the financial statements. The suggestion by the Audit Assistant is therefore inappropriate. A majority of the candidates could not explain this and so did not score any marks.

- (ii) This part of the question was related to the same matter in (i) and required candidates to suggest an appropriate paragraph in which this matter should be included in the audit report. This matter should be included in the other matter paragraph because it related to matter that does not require to be included in the financial statements but which the auditor considers important for the users of the financial statements.

- (iii) This part of the question required candidates to state whether or not the inclusion of an emphasis of matter paragraph leads to a modification of the audit opinion. A majority of the candidates got this part wrong and in most cases stated that the emphasis of matter paragraph results in the modification of the opinion which is incorrect.

The inclusion of the emphasis of matter paragraph does not result in the modification of the audit opinion but results in the modification of the audit report because it is not part of the standard unmodified audit report. The auditors are required to state in the emphasis of matter paragraph that the matter discussed here is not a modification of the audit opinion.

Overall performance of candidates

Highest mark obtained in this paper	61%
Lowest mark obtained in this paper	3%
Overall pass rate in this paper	15.7%

DA 12: GOVERNANCE AND COMPANY LAW

QUESTION ONE

The general performance on this question was very good. 38 of the 52 candidates that attempted the question got 13 and above marks out of 25. A pass rate of 73.1% was recorded. The lowest mark recorded was 0 while the highest was 23.

QUESTION TWO

The general performance on this question was very poor. Only 15 of the 52 candidates that attempted the question got 13 and above marks out of 25. A pass rate of 28.8% was recorded. The lowest mark recorded was 1 while the highest was 19.

The question had three parts.

- (a) Candidates understood the requirements of a notice of a general meeting.
- (b) The question was adequately answered many cited *Salmon v Salmon* and showed a good understanding of the subject matter.
- (c) Candidates were able to clearly explain the three types of meetings.

QUESTION THREE

The general performance on this question was good. 25 of the 38 candidates that attempted the question got 13 and above marks out of 25. A pass rate of 65.8% was recorded. The lowest mark recorded was 0 while the highest was 25.

This was a 3-part question. The first part (a) required candidates to required candidates to outline the procedure to be followed when registering a Business Name in Zambia. Candidates did well on this part. The second part (b) required candidates to identify and explain 3 classes of stakeholders; they did well on this part too. The third part had 3 sub questions; on debenture, dividend and floating charge. Candidates did very well on dividend but nevertheless had challenges on debentures and floating charges.

QUESTION FOUR

The general performance on this question was good. 19 of the 30 candidates that attempted the question got 13 and above marks out of 25. A pass rate of 63.3% was recorded. The lowest mark recorded was 4 while the highest was 22.

QUESTION FIVE

The general performance on this question was excellent. 35 of the 38 candidates that attempted the question got 13 and above marks out of 25. A pass rate of 92.1% was recorded. The lowest mark recorded was 11 while the highest was 23.

This question required candidates to explain the liability of a promoter, how a promoter can avoid liability, share and loan capital, and ways by which a veil of incorporation can be lifted. The candidates had difficulties with liability of a promoter and distinction between share capital and loan capital. The pass rate was around 50% and in future candidates should read and understand the topics in detail.

The few who failed this question were mixing up concepts. Candidates fairly understood the second and third part. A good number of them were mixing up the duties of directors with characteristics of corporate governance. The pass rate was fairly high. Future candidates are encouraged to revise the topic in Full as provided for in the ZICA manual. They are further called upon to make use of the past papers which are readily accessible at ZICA library and website.

Overall performance of candidates

Highest mark obtained in this paper	78%
Lowest mark obtained in this paper	25%
Overall pass rate in this paper	82.7%