



DECEMBER 2024 EXAMINATIONS

CHIEF EXAMINERS REPORTS

CA ZAMBIA

SUBJECT: CA 1.1: FINANCIAL ACCOUNTING

QUESTION ONE

The general performance on this question was fair. 103 out of the 215 candidates that attempted the question passed (got at least 10 out of the total 20 marks available). The pass rate recorded was 47.9%. The highest mark scored on this question was 18 out of 20 and the lowest was 0 out of 20.

QUESTION TWO

The general performance on this question was good. 119 out of the 208 candidates that attempted the question passed (got at least 10 out of the total 20 marks available). The pass rate recorded was 57.2%. The highest mark scored on this question was 20 out of 20 and the lowest was 0 out of 20.

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

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

QUESTION THREE

The general performance on this question was good. 105 out of the 195 candidates that attempted the question passed (got at least 10 out of the total 20 marks available). The pass rate recorded was 53.8%. The highest mark scored on this question was 20 out of 20 and the lowest was 0 out of 20.

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

Part (b) (i) required candidates to prepare profit or loss appropriation account on partnerships. This part was done well.

Part (b) (ii) required candidates to prepare the partners current accounts. The common error was including the capital balances in current accounts.

QUESTION FOUR

The general performance on this question was good. 123 out of the 176 candidates that attempted the question passed (got at least 10 out of the total 20 marks available). The pass rate recorded was 69.9%. The highest mark scored on this question was 20 out of 20 and the lowest was 0 out of 20.

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

Part (b) required candidates to prepare a statement of profit or loss for the year ended 31st December 2023.

QUESTION FIVE

The general performance on this question was fair. 57 out of the 139 candidates that attempted the question passed (got at least 10 out of the total 20 marks available). The pass rate recorded was 41%. The highest mark scored on this question was 17 out of 20 and the lowest was 0 out of 20.

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

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

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

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

QUESTION SIX

The general performance on this question was poor. Only 19 out of the 123 candidates that attempted the question passed (got at least 10 out of the total 20 marks available). The pass rate recorded was 15.4%. The highest mark scored on this question was 15 out of 20 and the lowest was 0 out of 20.

The question was on incomplete records.

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

OVERALL PERFORMANCE OF CANDIDATES

Highest mark obtained in this paper: 87%

Lowest mark obtained in this paper: 6%

Overall pass rate in this paper: 52.1%

SUBJECT: CA 1.2: BUSINESS STATISTICS

QUESTION ONE

The general performance on this question was excellent. 111 out of the 154 candidates that attempted the question passed (got at least 10 out of the total 20 marks available). The pass rate recorded was 92.1%. The highest mark scored on this question was 20 out of 20 and the lowest was 4 out of 20.

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

The multiple-choice questions were short answer phrases and calculations on a wide range of topics from the syllabus. The topics covered included numerical data calculation such as the mean, calculation involving concept of regression, random values and probability distribution. The performance was not very good as most candidates failed on parts that required calculation. It is therefore suggested that candidates should familiarize themselves with short statistical calculations in order to improve on performance in this section of the examination

QUESTION TWO

The general performance on this question was very good. 113 out of the 151 candidates that attempted the question passed (got at least 10 out of the total 20 marks available). The pass rate recorded was 74.8%. The highest mark scored on this question was 20 out of 20 and the lowest was 0 out of 20.

Candidates were required to use the given data and use the regression analysis method to find the coefficient of correlation (in part a) and further interpret the result. It was noted that most candidates were able to find the correct answer, but few could not correctly interpret the result.

The question further required the candidate to use the same data to fit the regression equation and then interpret the regression line. Most candidates were able to fit the regression line but few failed due to computational errors as they used wrong total values in the formulas. It was further observed that the candidates struggled with interpretation of the slope of the regression model, rather they mistook the result to the correlation coefficient. There is need for candidates to study more on interpretation of results.

QUESTION THREE

The general performance on this question was poor. Only 33 out of the 91 candidates that attempted the question passed (got at least 10 out of the total 20 marks available). The pass rate recorded was 36.3%. The highest mark scored on this question was 20 out of 20 and the lowest was 0 out of 20.

The entire question required candidates to use the data summarized in a two way table and apply the probability rules to solve for unions, intersection and conditional event outcomes. It was noted that majority of candidates struggled with the application of the formulas despite knowing various of the formulas. The general performance was not good and can be attributed to misapplication of formulas and general lack of understanding of the basic concept required.

QUESTION FOUR

The general performance on this question was very good. 101 out of the 141 candidates that attempted the question passed (got at least 10 out of the total 20 marks available). The pass rate recorded was 71.6%. The highest mark scored on this question was 20 out of 20 and the lowest was 0 out of 20.

Part 'a' of the question required candidates to distinguish between a quantitative and qualitative variable, and most of the candidates were able to state the distinction correctly. The question further in part 'b' required candidates to identify from a list of variables which ones were qualitative or quantitative. There was a mix up in performance on this part as some candidates were not certain about the classification of the variables.

The third part of the question required candidates to use the given tabular data to perform a 7-year moving average. The general performance on this question was good except for a few candidates who made computation errors in finding moving total, hence getting wrong moving averages.

QUESTION FIVE

The general performance on this question was poor. Only 21 out of the 82 candidates that attempted the question passed (got at least 10 out of the total 20 marks available). The pass rate recorded was 25.6%. The highest mark scored on this question was 20 out of 20 and the lowest was 0 out of 20.

The first part of the question required candidates to find the spearman's Rank correlation. Majority of candidates failed due to lack of knowledge on how to find the correction. It was observed that some used the wrong method of working out the problem and ended up calculating the Pearson coefficient of correlation. The general performance on this part was not good.

The second part required candidates to use the binomial probability distribution method to find the required probabilities. It was observed that candidates lacked knowledge of the binomial distribution method hence struggled to solve the question. It is therefore recommended that candidates need to prepare and study the entire syllabus to ensure familiarity with all concepts that can be examined.

QUESTION SIX

The general performance on this question was fair. 63 out of the 136 candidates that attempted the question passed (got at least 10 out of the total 20 marks available). The pass rate recorded was 46.3%. The highest mark scored on this question was 20 out of 20 and the lowest was 0 out of 20.

The first question required candidates to use the normal distribution method to find the required probability. The general performance was average as most candidates were noticed to be using wrong probability values from the Z-tables hence resulting in wrong final solutions.

The second part required candidates to use the given grouped data to calculate the mean, mode and median. Except for a few computational errors, most candidates performed well on this part of the question.

OVERALL PERFORMANCE OF CANDIDATES

Highest mark obtained in this paper:	95%
Lowest mark obtained in this paper:	13%
Overall pass rate in this paper:	59.9%

SUBJECT: CA 1.3 Business Economics

QUESTION ONE

The general performance on this question was poor. Only 53 out of the 133 candidates that attempted the question passed (got at least 10 out of the total 20 marks available). The pass rate recorded was 39.8%. The highest mark scored on this question was 17 out of 20 and the lowest was 2 out of 20.

This compulsory multiple-choice 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. The marks were evenly distributed. There was no specific question which was troublesome to majority of the candidates.

QUESTION TWO

The general performance on this question was poor. 19 out of the 130 candidates that attempted the question passed (got at least 10 out of the total 20 marks available). The pass rate recorded was 14.6%. The highest mark scored on this question was 13 out of 20 and the lowest was 0 out of 20.

This question required candidates to calculate (i) the market price, (ii) how much each firm produced and (iii) number of firms in the industry for part (a) and in part (b) to explain the relationship between price and marginal revenue under (i) perfect competition and (ii) monopoly. Part (c) required candidates to explain any for (4) arguments against monopoly. The common errors on this question on the three parts included the following:

(a) Failure by candidates to state the condition for profit maximization in the long run

i.e. $MR = P = LMC$ and normal profit i.e. $P = LAC$

- Omitting of this part of the question and in some cases the whole question.
- Failure to find LAC so as to use $LMC = LAC$. LAC is found by dividing quantity into LTC equation given.

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

Some candidates presented wrong answers. It required knowledge of graphs in market structures. In perfect competition Price = marginal revenue while under monopoly, price is greater than marginal revenue always.

- (c) Majority of the candidates merely presented characteristics of monopoly rather than the arguments against or disadvantages of monopoly! Candidates are urged to read and understand the specific requirements of the question.

QUESTION THREE

The general performance on this question was poor. 22 out of the 89 candidates that attempted the question passed (got at least 10 out of the total 20 marks available). The pass rate recorded was 24.7%. The highest mark scored on this question was 19 out of 20 and the lowest was 0 out of 20.

This question required candidates to: calculate the equilibrium price and quantity in part (a) of the question and part (b) required them to calculate the new equilibrium price and quantity following an increase in the cost of production by K20. Part (c) required them to explain what happened to total expenditure following increase in the cost of production, part (d) required candidates to calculate total expenditure before and after the increase in cost of production while part (e) required them to calculate and interpret the price elasticity of demand using the arc price elasticity of demand formula.

The common errors observed on this question were:

- (a) Candidates calculated the equilibrium price and quantity for (a)
- (b) Many candidates failed to note the effect of the increase in the cost of production by K20. This changes the supply function by K40. Simply adding K20 gives $P = 3Q + 40$.
- (c) Some candidates struggled to understand the effect of the increase in the cost of production to total expenditure. Total expenditure (TR) = PQ. The effect depends on the price elasticity of demand.
- (d) Some candidates were able to calculate these two values well. However, some candidates only calculated expenditure either before or after the increase in costs of production
- (e) Some candidates failed to demonstrate understanding and use of arc price elasticity of demand formula.

QUESTION FOUR

The general performance on this question was good. 58 out of the 110 candidates that attempted the question passed (got at least 10 out of the total 20 marks available). The pass rate recorded was 52.7%. The highest mark scored on this question was 20 out of 20 and the lowest was 0 out of 20.

This question required candidates to: calculate total revenue, marginal revenue, and marginal cost from the given table in part (a). Part (b) required them to determine the profit-maximising price and quantity while part (c) required them to determine the possible maximum profit.

The common mistakes observed were:

- (a) Most were able to calculate total revenue but failed to do the same for marginal revenue and marginal cost. $MR = TR/Q$ while $MC = TC/Q$.

A few candidates presented pages and pages for the answer. However, it must be emphasized that tabular format (a table) is what is needed.

- (b) Most candidates couldn't state the condition for profit-maximisation namely $MR = MC$ let alone apply it. Clearly, there is no point where $MR = MC$ from the calculated values in (a) hence profit maximizing price and quantity could not be determined.
- (c) Most of the candidates failed this too. What was needed to be applied to determine the maximum profit is the $TR - TC$ condition. Possible maximum profit is tenable where the difference between TR and TC is the greatest.

QUESTION FIVE

The general performance on this question was very good. 99 out of the 129 candidates that attempted the question passed (got at least 10 out of the total 20 marks available). The pass rate recorded was 76.7%. The highest mark scored on this question was 19 out of 20 and the lowest was 2 out of 20.

This question required candidates to: explain with practical examples (i) Gross Domestic Product, (ii) Recession, and (iii) Inflation in part (a). For part (b) candidates were required to outline any three (3) sources of economic or GDP growth while part (c) candidates were required to explain any two (two) problems caused by high debt levels.

The common mistakes that were observed on this question were:

- (a) Some candidates merely defined the concepts without giving practical examples as required leading to loss of marks
- (b) Mostly there was wrong content provided on this question and this led to loss of marks. Many candidates presented general answers as sources of economic growth.
- (c) Some candidates did well on this part of the question although with a lot of repetition of the points.

QUESTION SIX

The general performance on this question was fair. 29 out of the 62 candidates that attempted the question passed (got at least 10 out of the total 20 marks available). The pass rate recorded was 46.8%. The highest mark scored on this question was 19 out of 20 and the lowest was 0 out of 20.

This question required candidates to: Outline any three (3) impacts of multinational companies and Foreign Direct Investment on national economies in part (a), outline any three (3) reasons for controlling exchange rates in part (b) and finally, part (c) required them to explain any two (2) advantages of a single currency.

The most common mistakes that were observed were:

- (a) Some candidates could only manage to present one impact correctly. Some candidates concentrated on negative impact only. However, the scenario points to positive impacts that must have been presented.
- (b) Some candidates repeated the same points over and over. Exchange controls have broader effects (see suggested solutions)
- (c) Many candidates fail to understand what is meant by single currency and let alone explain its disadvantages. Candidates seemed to have neglected this topic in their preparation for this examination

Overall performance of candidates

Highest mark obtained in this paper:	70%
Lowest mark obtained in this paper:	9%
Overall pass rate in this paper:	36.9%

SUBJECT: CA 1.4: COMMERCIAL AND CORPORATE LAW

QUESTION ONE

The general performance on this question was excellent. 213 out of the 218 candidates that attempted the question passed (got at least 10 out of the total 20 marks available). The pass rate recorded was 97.7%. The highest mark scored on this question was 20 out of 20 and the lowest was 8 out of 20.

The question was a compulsory question attempted by all the candidates. There were no challenges observed from amongst the candidates. The question examined at least every part of the syllabus units.

In future, candidates must keep working hard and make sure they study every element of the module. Students are encouraged to use elimination methods when dealing with such questions.

QUESTION TWO

The general performance on this question was poor. Only 76 out of the 217 candidates that attempted the question passed (got at least 10 out of the total 20 marks available). The pass rate recorded was 35%. The highest mark scored on this question was 20 out of 20 and the lowest was 0 out of 20.

This question was a compulsory question and was attempted by all candidates. The question was based on the law of contract. It was divided into two parts consisting of (a) and (b), which were sub-divided into Roman Numerals (i) to (iv).

- (a) This part required candidates to identify invitation to treat; communication of acceptance; consideration and fraudulent misrepresentation from the scenario that was given. All candidates managed to identify the above issues from the scenario that was given.
- (b) The second part required them to explain the same concepts referred to in (a) above, with the aid of decided cases. Very few candidates managed to explain citing the relevant cases. The challenge with those who did not do well is indicative of lack of adequate preparation for the course. Candidates are encouraged to study thoroughly all topics, especially Law of Contract which constitutes an integral part of the syllabus.

QUESTION THREE

The general performance on this question was fair. 83 out of the 183 candidates that attempted the question passed (got at least 10 out of the total 20 marks available). The pass rate recorded was 45.4%. The highest mark scored on this question was 19 out of 20 and the lowest was 0 out of 20.

The question had two parts.

- (a) Candidates answered this question satisfactorily, however some responses revealed that perhaps the question was vague as many of them referred to the scenario in their response, but the marking key made no reference to it. There is a need to marry the model answers to the scenario whenever one is given. If not necessary, then perhaps it shouldn't be put, and the question should be asked directly. 74% Passed this question.
- (b) Candidates answered this question well. Future candidates are encouraged to read widely on this topic as there is always a question bordering on winding up companies. The ZICA manual is comprehensive on this topic.

QUESTION FOUR

The general performance on this question was very good. 66 out of the 90 candidates that attempted the question passed (got at least 10 out of the total 20 marks available). The pass rate recorded was 73.3%. The highest mark scored on this question was 20 out of 20 and the lowest was 0 out of 20.

This question was about damage in Tort law, Sale of goods and Delegated legislation. The question was less attempted by candidates. This could be attributed to the parts on remoteness of damages and duties and remedies to the buyer or seller. Those who answered the question went mainly to the last part of it on Delegated legislation.

In future, candidates should read the modules to understand and not concentrate on certain topics. The question was within the syllabus.

QUESTION FIVE

The general performance on this question was very good. 127 out of the 179 candidates that attempted the question passed (got at least 10 out of the total 20 marks available). The pass rate recorded was 70.9%. The highest mark scored on this question was 18 out of 20 and the lowest was 0 out of 20.

This was a scenario question, and it had 5 parts. Part (a) required the students to explain the types of meeting held based on the scenario. Part (b) required the students to advise on the powers of a liquidator; students did very well on this part also. Part (c) required the students to explain if the tenant agreement could be avoided or not. Future students should be helped to understand the essential elements of a valid contract. Part (d) required students to advise on how to terminate an agency contract. Students did well except for a few who did not understand the question. Part (e) required the students to explain the Golden Rule of Interpretation; students did well.

QUESTION SIX

The general performance on this question was good. 124 out of the 190 candidates that attempted the question passed (got at least 10 out of the total 20 marks available). The pass rate recorded was 65.3%. The highest mark scored on this question was 20 out of 20 and the lowest was 0 out of 20.

Question Six was divided into two parts as well. Part (a) was based on negligence and part (b) was divided into three part (i) to (iii).

- (a) This part required candidates to refer to the elements of negligence and advising Chuma whether or not she was going to succeed. About 79% of the candidates managed to identify the correct elements, though some did not manage to cite the relevant cases. The failure to answer such a straightforward question entails that candidates may not have devoted enough attention to this topic. Going forward candidates are encouraging to study all topics and do case study where necessary.
- (b) This part had three categories relating to partners: directors' duty against conflict of interests and capital. All candidates managed to get 5 marks and above. Going forward candidates are encouraged to put more effort into their studies.

Overall performance of candidates

Highest mark obtained in this paper: 83%
Lowest mark obtained in this paper: 12%
Overall pass rate in this paper: 80.1%

SUBJECT CA 1.5: MANAGEMENT THEORY AND PRACTICE

QUESTION ONE

The general performance on this question was good. 51 out of the 94 candidates that attempted the question passed (got at least 10 out of the total 20 marks available). The pass rate recorded was 54.3%. The highest mark scored on this question was 18 out of 20 and the lowest was 2 out of 20.

QUESTION TWO

The general performance on this question was excellent. 85 out of the 93 candidates that attempted the question passed (got at least 10 out of the total 20 marks available). The pass rate recorded was 91.4%. The highest mark scored on this question was 20 out of 20 and the lowest was 4 out of 20.

This question was answered well by most candidates.

QUESTION THREE

The general performance on this question was good. 61 out of the 89 candidates that attempted the question passed (got at least 10 out of the total 20 marks available). The pass rate recorded was 68.5%. The highest mark scored on this question was 20 out of 20 and the lowest was 0 out of 20.

This question had four (4) parts. It required the candidates to:

- (a) Define the term stakeholder. This part was well answered by most of the candidates.
- (b) Explain an interest for each that of management and employees protect in an organisation. This part was also very well answered. Although, some candidates went overboard to describe the interests of other stakeholders rather than that of Management and employees as required.
- (c) Describe three (3) group attributes that a work group possesses which are not found in a random crowd. This part was well answered by most candidates. They scored high marks.
- (d) Describe five (5) effects of social and cultural environment of the country in an organisation. This part was also well answered by most candidates. Except some candidates went on to explain the whole PESTEL forces rather than focus on just Social and Cultural forces as required.

QUESTION FOUR

The general performance on this question was good. 49 out of the 86 candidates that attempted the question passed (got at least 10 out of the total 20 marks available).

The pass rate recorded was 56.9%. The highest mark scored on this question was 20 out of 20 and the lowest was 1 out of 20.

This was well answered in all parts by the candidates who attempted it. However, on part (d) some candidates were explaining the stages of change by Lewin.

QUESTION FIVE

The general performance on this question was very good. 41 out of the 51 candidates that attempted the question passed (got at least 10 out of the total 20 marks available). The pass rate recorded was 80.4%. The highest mark scored on this question was 20 out of 20 and the lowest was 2 out of 20.

This question had two (2) parts; (a) and (b). Both parts were well answered by most candidates. Candidates were able to give appropriate answers accordingly.

QUESTION SIX

The general performance on this question was good. 32 out of the 50 candidates that attempted the question passed (got at least 10 out of the total 20 marks available). The pass rate recorded was 64%. The highest mark scored on this question was 20 out of 20 and the lowest was 0 out of 20.

This question had two (2) parts; (a) and (b). Both parts were answered very well by the candidates who attempted this question.

Overall performance of candidates

Highest mark obtained in this paper: 92%

Lowest mark obtained in this paper: 23%

Overall pass rate in this paper: 71.7%

SUBJECT: CA1.6: BUSINESS COMMUNICATION

QUESTION ONE

The general performance on this question was very good. 123 out of the 166 candidates that attempted the question passed (got at least 10 out of the total 20 marks available). The pass rate recorded was 74.1%. The highest mark scored on this question was 20 out of 20 and the lowest was 2 out of 20.

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

QUESTION TWO

The general performance on this question was poor. 54 out of the 165 candidates that attempted the question passed (got at least 10 out of the 20 marks available in total). The pass rate recorded was 32.7%. The highest mark scored on this question was 18 out of 20 and the lowest was 0 out of 20.

This question required candidates to prepare a notice for a meeting which should have included a standard agenda with three (3) items under fresh business from a given scenario in the question. Part (b) of the question required candidates to explain three (3) types of minutes that can be used in organizations.

The following were common errors that were observed on this question:

- (i) The name of the document was wrongly presented as a report instead of a Memorandum.
- (ii) some candidates used different layouts such as letters and reports instead of writing a memorandum. In some cases, there was a combination of different layouts within the same document which was so awkward in the answers.
- (iii) Some candidates presented the agenda without including meeting details as required by the question.
- (iv) Other candidates presented details of the meeting notification only.
- (v) Minutes were presented as answers which were not supposed to be the case.
- (vi) The scenario and the content in the answers were not well linked.
- (vii) Very poor opening paragraphs.
- (viii) Generally Poor spellings and grammar.
- (ix) Meeting deliberations were described which was not correct and not

- (x) even required by the question.
- (xi) Types of minutes were presented as types of meetings such as Annual General meetings and departmental meetings, which was not supposed to be the case.
- (xii) Failure to explain the correctly identified types of minutes and in some cases,
- (xiii) candidates even failed to identify them.
- (xiv) Failure to attempt this part of the question resulted in low grades on this question.

QUESTION THREE

The general performance on this question was poor. 20 out of the 78 candidates that attempted the question passed (got at least 10 out of the total 20 marks available). The pass rate recorded was 25.5%. The highest mark scored on this question was 18 out of 20 and the lowest was 0 out of 20.

This question required candidates to state five (5) key IT general controls particularly controls over networks that financial lending businesses like Bayport Zambia should implement to ensure the security and resilience of network infrastructure. Part (b) required them to describe five (5) basic skills involved in operating email within an organization such as Zambia Breweries, emphasizing their importance in facilitating communication and collaboration amongst its employees.

The following errors were observed:

- (a) Most candidates identified and in some cases explained the five key general IT controls and failed to state the controls over networks that the financial leading institutions would implement to ensure the security and resilience of its network infrastructure
- (b) Most candidates misunderstood the question; they presented the importance of e-mail or rather advantages instead of the requested necessary skills involved in operating emails within an organization and emphasizing their importance in facilitating communication and collaboration amongst its employees

QUESTION FOUR

The general performance on this question was poor. Only 44 out of the 127 candidates that attempted the question passed (got at least 10 out of the total 20 marks

available). The pass rate recorded was 34.6%. The highest mark scored on this question was 17 out of 20 and the lowest was 0 out of 20.

This question required candidates to: Explain four (4) basic principles important to AIS reliability. Part (b) required candidates to: (i) Describe three (3) features of Windows operating systems and mention three (3) operating systems an organization could use on the computers apart from Microsoft windows as part b(ii) of the question. Part b (iii) of the question required candidates to state three (3) tasks that an operating system performs.

Common errors observed on this question were:

- (i) Very poor quality answers; most candidates explained on advantages of AIS instead of explaining the basic principles important to AIS reliability
- (ii) Most candidates named the operating systems and failed to describe the features of Windows operating systems.
- (iii) Some candidates mentioned applications systems instead of the operating systems.
- (iv) Failure to provide a correct explanation of some tasks that an operating system performs.

QUESTION FIVE

The general performance on this question was very good. 120 out of the 152 candidates that attempted the question passed (got at least 10 out of the total 20 marks available). The pass rate recorded was 78.9%. The highest mark scored on this question was 20 out of 20 and the lowest was 1 out of 20.

Candidates were required to:

The average sales for each Sales Representative and draw a bar chart showing the Sales Reps' names and average sales in part (a) and (b) of the question. Part(c) required them to identify two (2) Sales Representatives that would be given permanent positions in the company. The last part required them to outline any four (4) limitations of using charts and graphs.

The following were mistakes that were observed on this question:

- (i) Wrong calculations were presented. Candidates failed to calculate simple averages
- (ii) In some cases the candidates calculated total sales only without averages and presented them as answers which was not the case.
- (iii) Wrong charts such as multiple graphs and bar charts were presented, which was not supposed to be the case.
- (iv) The bar charts were not well labelled and in some cases no titles were written on the required chart.
- (v) Some candidates mixed up the challenges of using charts and graphs with the principals to follow when using visual communication.
- (vi) Repeated answers was very common among candidates and generally irrelevant content was presented.

QUESTION SIX

The general performance on this question was very good. 118 out of the 140 candidates that attempted the question passed (got at least 10 out of the total 20 marks available). The pass rate recorded was 84.3%. The highest mark scored on this question was 19 out of 20 and the lowest was 2 out of 20.

The following errors were observed on this question:

- (i) Some candidates simply failed to explain a complimentary close.
- (ii) Complementary close was mixed up with a salutation in most cases.
- (iii) Failure to present logical information, the information presented as answers did not make sense in most cases.
- (iv) The scenario and the content in the answer were not well linked. As a result, wrong content was presented as answers leading to low grades.
- (v) Swapping and wrong positioning of the parts of a letter.
- (vi) Omitting the question automatically led to low scores.
- (vii) Inadequate content, only a few statements of the message in the letter were presented as answers. (ie, less than three sentences were written in some cases).
- (viii) some candidates wrote memos as answers instead of an appropriate business letter.

Overall performance of candidates

Highest mark obtained in this paper: 84%

Lowest mark obtained in this paper: 13%

Overall pass rate in this paper: 60.4%

SUBJECT: CA 2.1 FINANCIAL REPORTING

QUESTION ONE

The general performance on this question was good. Only 92 out of the 134 candidates that attempted the question achieved a pass (that is a score of at least 20 out of 40 marks), representing a pass rate on the question of 68.7%. The lowest score was 1, whilst the highest was 40 out of the available 40 marks.

The question examined candidates on Group Accounting as follows:

Part (a) required candidates to prepare the consolidated statement of Profit or Loss for the year ended 31 December 2024. Most candidates managed to prepare the statement. Generally, this part of the question was popular and was answered correctly.

Part (b) required candidates to prepare the consolidated statement of Financial Position. Most candidates managed to prepare the balance sheet. However, 75% of students failed to compute the consolidated retained earnings mainly because the pre-acquisition earnings figure was wrongly calculated.

Part (c) of the question required candidates to describe four (4) circumstances in which a parent entity may not be required to present consolidated financial statements as required by IFRS 10 Consolidated Financial Statements. The performance was poor because most candidates presented answers based on general knowledge but were ignorant of the specific content of IFRS 10.

Common pitfalls that lead to failure include the following:

In part (a) and (b), a good number of candidates failed to incorporate basic consolidation adjustments correctly including the treatment of:

- (i) Fair value adjustments
- (ii) Unrealised profits
- (iii) Goodwill computation.
- (iv) Intragroup balances and transactions
- (v) Associates

In part (b) most candidates managed to prepare the balance sheet. However, common challenges included the failure to compute the consolidated retained earnings, goodwill and the NCI

In part (c), the performance was poor because most candidates presented answers based on general knowledge but were ignorant of the specific content of IFRS 10.

QUESTION TWO

The general performance on this question was fair. Only 45 of the 103 candidates that attempted the question managed to obtain at least 10 marks out of a total of 20 available marks. A pass rate of 43.7% was recorded. The highest score was 18 out of 20 marks while the lowest was 0.

The question involved the preparation of single-entity financial statements as follows:

Part (a) required preparation of a Statement of profit or loss and other comprehensive income.

Part (b) required preparation of a Statement of changes in equity.

Part (c) required preparation of a Statement of financial position.

The question required adjustments to draft trial balance amounts applicable to:

- (i) Construction contracts (IFRS 15)
- (ii) Depreciation and revaluation of PPE (IAS 16)
- (iii) Issue of loan notes (IFRS 9)
- (iv) Issue of shares including a bonus issue
- (v) Income taxes (IAS 12)

Main challenges included the following:

- (i) Failure to apply IFRS 15 to incorporate amounts in the financial statements in respect of a construction contract.
- (ii) Failure to account for revaluation of a property.
- (iii) Failure to apply the initial and subsequent measurement requirements of IFRS 9 in respect of liabilities.
- (iv) Failure to compute the income tax expense to report in the SPLOCI and the liabilities in the SFP.

QUESTION THREE

The general performance on this question was poor. Only 15 of the 104 candidates that attempted the question managed to obtain at least 10 marks out of a total of 20 available marks. A pass rate of 14.4% was recorded. The highest score was 17 out of 20 marks while the lowest was 0.

This question examined candidates' knowledge of the IASB Conceptual Framework and accounting for deferred tax.

In part (a), candidates were required to briefly discuss the purpose of the IASB Conceptual Framework.

In part (b), candidates were required to explain the purpose of accounting for deferred tax in accordance with the provisions of IAS 12 and demonstrate accounting for deferred tax through a given scenario.

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

- (i) Despite some good answers on the purpose of the IASB's conceptual framework, a good number of candidates gave general knowledge answers displaying evidence of ignorance of the framework.
- (ii) Very few candidates managed to articulate issues in relation to the purpose of accounting for deferred tax and how to account for deferred tax. A large majority of the candidates could not calculate correct figures demonstrating a lack of knowledge of IAS 12 Income Taxes.

QUESTION FOUR

The general performance on this question was fair. Only 33 of the 74 candidates that attempted the question managed to obtain at least 10 marks out of a total of 20 available marks. A pass rate of 44.6% was recorded. The highest score was 16 out of 20 marks while the lowest was 0.

The question had several parts involving the following:

- (i) Accounting for the issue of loan notes.
- (ii) Distinguishing between bear plants and other biological assets.
- (iii) Knowledge of IAS 21 terminology and translation requirements
- (iv) Knowledge of IAS 10, Events after the reporting period.

Most candidates failed to correctly compute amounts to report in financial statements in respect of the loan notes liability issued.

It was evident that a good number of candidates did not cover IAS 41, Agriculture.

QUESTION FIVE

The general performance on this question was very good. Only 71 of the 97 candidates that attempted the question managed to obtain at least 10 marks out of a total of 20 available marks. A pass rate of 73.2% was recorded. The highest score was 20 out of 20 marks while the lowest was 0.

This was a financial analysis (interpretation of financial statements) question requiring candidates to write a report that analyses the comparative financial performance and position of two potential acquisition targets.

The question was the least popular on the question paper. However, it was the best performing question.

The following shortfalls lead to scoring less marks:

- (i) Failure to identify and compute the appropriate ratios.
- (ii) Poor report writing skills (format, style and language)
- (iii) Inability to link commentary to the observed ratios.

Overall performance of candidates

Highest mark obtained in this paper: 75%

Lowest mark obtained in this paper: 14%

Overall pass rate in this paper: 55.3%

SUBJECT: CA 2.2: MANAGEMENT ACCOUNTING

QUESTION ONE

The general performance on this question was good. Only 85 out of the 129 candidates that attempted the question achieved a pass (that is a score of at least 20 out of 40 marks), representing a pass rate on the question of 65.9%. The lowest score was 9, whilst the highest was 36 out of the available 40 marks.

This question required candidates to:

Prepare functional budgets- sales, production, materials purchases, labour and variable overhead. This part was well answered.

State reasons for preparing budgets. This part was well answered.

Explain the difference between fixed and flexible budgets. This part was well answered.

Explain three behavioural issues of budgeting

Explain Zero Based Budgeting (ZBB) and outline the benefits off ZBB over traditional budgeting systems.

Common mistakes made by the candidates included;

Candidates failed to explain the behavioural issues which can affect the budget. Zero Based Budgeting was not properly answered.

QUESTION TWO

The general performance on this question was poor. Only 26 of the 71 candidates that attempted the question managed to obtain at least 10 marks out of a total of 20 available marks. A pass rate of 36.6% was recorded. The highest score was 16 out of 20 marks while the lowest was 0.

The question required candidates to:

- (a) calculate the quantity demanded to maximise profits and the price to maximise profits
- (b) compare and contrast penetration and skimming pricing strategies.
- (c) explain what is meant by a 'rolling budget' and explain two (2) disadvantages of rolling budgets.
- (d) (i) Calculate the total annual cost of holding and ordering component X using the economic order quantity method.

- (ii) The financial benefit or otherwise of this decision and advise the company if it decides to increase the order quantity to 5,000 components to earn a 2% discount.

Common mistakes made by the candidates included:

Parts (a) (i) and (ii): Failing to find the correct figures to substitute in the formulae.

Part(b): This was rather a straightforward question and candidates generally answered it well. However, candidates in most cases failed to apply the pricing strategies to the scenario, resulting in half marks. At this level, candidates are expected to relate their answers to scenarios given.

Part (c): the rolling budget was correctly explained, and appropriate examples were given; accordingly, except for a few candidates who equated it to flexible budgets.

Part (d): The computations on these two sections of (i) and (ii) were generally poor and candidates fared badly here. Therefore, the scoring was not good.

QUESTION THREE

The general performance on this question was very poor. Only 2 of the 91 candidates that attempted the question managed to obtain at least 10 marks out of a total of 20 available marks. A pass rate of 2.2% was recorded. The highest score was 12 out of 20 marks while the lowest was 0.

Performance was extremely poor.

This question required candidates to:

- (a) determine the optimum production plan and state the total contribution that this optimal plan would yield.
- (b) (i) Explain the term shadow price and (ii) identify the shadow price which should be paid per square meter and comment on the acceptability of the offer.
- (c) determine the optimal selling price for a product.

Common mistakes made by the candidates included:

- (i) The question was not popular, as the determination of the optimum production plan was not well done. Candidates gave varying answers which were poor. Many candidates failed on this part.

(ii) Parts (b) (i) and (ii): The shadow price was well explained in (i). However, many candidates failed to identify the shadow price in (ii). There were varying computations but, generally, fell short of the requirements.

(iii) Part (c): The optimum selling price was not well done generally. Only a few candidates made sense of the requirements of the question.

QUESTION FOUR

The general performance on this question was poor. Only 20 of the 107 candidates that attempted the question managed to obtain at least 10 marks out of a total of 20 available marks. A pass rate of 18.7% was recorded. The highest score was 16 out of 20 marks while the lowest was 0.

This question examined the preparation of absorption costing profit statements (part (a)); marginal costing profit statements (part (b)) ; reconciliation statement part (c); and outlining three reasons against the use of marginal costing in preparing management accounting and financial accounting statements.

The common mistakes made by the candidates included:

- (i) Part (a): Some candidates had challenges with the format of the profit statement.
- (ii) Candidates had challenges calculating the full cost per unit to value inventory.
- (iii) Forgetting to adjust under/over absorption of overheads.
- (iv) Part (b): Some candidates had challenges with the format of the profit statement.
- (v) Candidates had challenges calculating the marginal cost per unit to value inventory.
- (vi) Part (c): Candidates had difficulties calculating the fixed production overheads in inventory for each month in order to prepare a reconciliation statement.
- (vii) Candidates had challenges bringing out reasons against the use of marginal costing.

QUESTION FIVE

The general performance on this question was poor. Only 11 of the 98 candidates that attempted the question managed to obtain at least 10 marks out of a total of 20 available marks. A pass rate of 11.2% was recorded. The highest score was 14 out of 20 marks while the lowest was 0.

Question Five required candidates to calculate the material price and usage variances (part(a)); analyse the operational usage variance into materials mix and yield

variances (part (b)); To comment on the significance and usefulness of materials mix and yield variances for management control purposes. (part (c); and to describe the weaknesses in the traditional annual budgeting system(part(d)).

Common mistakes made by the candidates included:

- (i) Part (a): Some candidates had challenges calculating normal variances.
- (ii) When calculating the usage variance, some candidates forget to multiply the usage variance in units with the standard price per liter to convert it into monetary terms.
- (iii) Some were even multiplying the usage variance in units with the standard cost per unit, which is wrong.
- (iv) Further some candidates were calculating the materials usage budget rather than the usage variance.
- (v) Part (b): for the mix variance, many candidates were not able to calculate the actual usage in standard mix.
- (vi) For the yield variance, many candidates were not able to calculate the expected output from the actual input.
- (vii) Part (c): The majority of explanations given were below standard with a lot of general knowledge used.
- (viii) Part (d): The majority of explanations given were below standard with a lot of general knowledge used.

Overall performance of candidates

Highest mark obtained in this paper: 58%

Lowest mark obtained in this paper: 14%

Overall pass rate in this paper: 25.4%

SUBJECT: CA 2.3 AUDITING PRINCIPLES AND PRACTICE

QUESTION ONE

The general performance on this question was poor. Only 24 out of the 233 candidates that attempted the question achieved a pass (that is a score of at least 20 out of 40 marks), representing a pass rate on the question of 10.3%. The lowest score was 0, whilst the highest was 34 out of the 40 available marks.

Part (a)

This part of the question required candidates to explain ethical matters in the audit of the financial statements of Kaoma Plc. and to suggest a suitable safeguard that must be applied. It was pleasing to note that a majority of the candidates used the columnar format in answering this question which saves much valuable examination time.

It was disappointing to note that the performance in this part was below expectation and the following were observed:

- (i) There were candidates that explained risks in a question on ethical matters and no marks were awarded for doing so.
- (ii) There were candidates that explained in detail the five ethical principles without making any reference to the information in the scenario. This did not address the question requirement, and no marks were awarded for doing so.
- (iii) There were candidates that did not suggest suitable safeguards for the ethical matters explained losing the marks allocated to doing so.
- (iv) Some candidates simply repeated information in the scenario with no explanation of how they are ethical dilemmas.
- (v) There were candidates who had problems suggesting suitable safeguards for ethical matters especially the income that is 16% of total income.
- (vi) Many candidates struggled to look out for ethical matters in line with the general threats to the objectivity of the auditors of self-interest threat, self-review etc. In such questions candidates simply require to identify and explain the ethical matter and in doing so can explain that it creates any of the general threats.

Part (b)

- (i) This part of the question required candidates to explain audit risks that must be considered at the planning stage of the audit of the financial statements of Kaoma Plc. The question did not require candidates to explain suitable response to the explained risks.

The following observations were made:

1. A sizeable number of candidates explained the expected audit responses despite there being no requirement to do so. No marks were awarded for

doing so and candidates are reminded to follow instructions and answer the question requirement.

2. It was disappointing to note a number of candidates that explained ethical matters in this part of the question showing lack of understanding and knowledge of ethics and an important part of the syllabus.
3. There were candidates that explained the three elements of audit risk namely inherent risk, control risk and detection risk with no reference to the information in the scenario.
4. There were candidates that explained sampling risk and non-sampling risks in general and this did not address the question requirement of identifying the audit risks in the scenario.
5. Some candidates discussed issues in the scenario but considered them as business risks showing lack of understanding of the difference between audit and business risks.
6. There were answers that indicate lack of knowledge of the topic on audit risk including some of the following answers considered as audit risks:
 - Management of Kaoma Plc. has not provided written representations.
 - The Senior Partner in Rose & Associates is a non-executive board member of Kaoma Plc. – this is an ethical matter rather than an audit risk matter
 - The management proposed to have a limited assurance rather than an audit.

- (ii) This part of the question required candidates to explain the impact of audit risk on materiality levels at planning and during the audit. Candidates needed to demonstrate their understanding of this relationship whereby the higher the audit risk the lower the materiality level set.

If during the audit the risk levels change, the auditors will revise the materiality level set at the planning stage of the audit.

Most candidates defined audit risk instead of relating risk levels to the materiality set at planning stage and during the audit. Candidates should have demonstrated correct understanding by explaining that the higher the audit risk the lower the materiality level and vice versa. Further, during the audit if risk is assessed differently from the assessment at the planning stage, materiality levels will be revised in accordance with the risk assessment.

Part (c)

- (i) This part of the question required candidates to explain the pre-conditions for an audit that must be met before auditors accept appointment. This is a knowledge-based question and candidates only needed to remember the theory and explain the precondition basically on the appropriateness of the financial reporting framework and management's acknowledgement of its

responsibilities for the preparation of the financial statements and putting in place suitable internal controls.

It was very disappointing to observe that a majority of the candidates simply did not know the preconditions to an audit which are clearly explained in the study manual. This has been examined in a similar manner in the past and candidates are reminded to ensure they are able to explain certain aspects of auditing in the examinations.

The following observations were made:

1. Many candidates mistook preconditions for factors that must be considered in accepting appointments as auditors. Candidates should have considered the term pre-condition in answering this part of the question.
 2. There were answers that showed clear lack of understanding of the preconditions including answers such as the following:
 - Kaoma Plc. should give to Rose & Associates the management responsibilities.
 - Letter of engagement must be presented to Kaoma Plc. from Rose & Associates before starting the audit.
- (ii) This part of the question required candidates to explain the action that should be taken in view of the fact that management had not acknowledged its responsibilities. Candidates needed to explain that in the first instance the firm should have declined appointment. Despite the fact that appointment had been accepted, candidates still explained the issue of declining instead of considering resigning from the engagement.

The firm could bring this matter to the attention of the audit committee and if it remains unresolved then consider resigning from the engagement.

The performance in this part of the question was poor candidates suggesting action that are not correct under the circumstances. Below are examples of answers by candidates:

1. Rose & Associates may proceed with the audit but will not obtain sufficient evidence as planned.
2. Auditors should inform the board and put it in writing.
3. Rose should separate the work that has been audited without the acknowledgement of management.
4. Rose should disclose in the audit report in the 'other matter paragraph'.

Part (d)

- (i) This part of the question required candidates to explain why limited assurance would not be appropriate in the audit of historical financial statements.

Firstly, candidates should have noted and need to understand that limited assurance arises from reviews where limited work is done. For listed companies such as Kaoma Plc. it is statutory requirement that an audit should be conducted annually which give rise to a reasonable assurance which is a high level of assurance.

Candidates needed to discuss review and audits and the levels of assurance that results in order to score maximum marks. The marks on offer should have guided candidates on the depth of answer expected.

A majority of the candidates scores less than half the available marks. The answers given showed no understanding of these two levels of assurance and the fact that an audit is required for listed companies and this requires reasonable assurance which is a high level of assurance.

The bulk of the answers showed no clear understanding of the difference between a review which give rise to a limited assurance and an audit which gives rise to a reasonable assurance.

Below are some of the answers given by candidates:

1. External auditors only give reasonable assurance, they may not give reasonable assurance, and they may not give an independent opinion that the statements are prepared.
 2. Limited assurance may not be appropriate since it requires more audit procedures to be performed in the financial statements – this is the opposite of the correct position because limited assurance requires less audit work.
 3. Financial statements will contain plenty of errors and omissions, results will not be accurate.
 4. Auditors should have enough time to give a reasonable opinion.
 5. Auditors can give an absolute opinion – they can never do this.
- (ii) This part of the question required candidates to explain 4 reasons why auditors cannot give an absolute assurance on the financial statements. An absolute assurance would be where the auditors guarantee that the financial statements are correct. The main reasons why auditors cannot give an absolute assurance is on the limitation of accounts and the audit. This was a general knowledge based question and no need to use the information in the scenario was

necessary. Candidates needed to consider the shortcoming of financial statements and the audit process in answering this question.

A majority of the candidates scored much lower than half the available marks and most of the answers clearly show the lack of knowledge in this topic.

The following further observations were made:

1. Some candidates explained audit risks in answering this part of the question.
2. Other candidates explained ethical matters as reasons why an absolute assurance cannot be given. This means that candidates do not understand the meaning of absolute assurance.
3. Because part of the elements of the financial statements were done internationally from United Kingdom.
4. Rose cannot give an absolute assurance because of the failure of presenting written representations by management.

QUESTION TWO

The general performance on this question was poor. Only 18 of the 101 candidates that attempted the question managed to obtain at least 10 marks out of a total of 20 available marks. A pass rate of 17.8% was recorded. The highest score was 17 out of 20 marks while the lowest was 0.

The question comprised a number of topics in the same question.

Part (a)

This part of the question required candidates to explain sampling and non-sampling risks in the audit of the financial statements of Giraffe Ltd. candidates should be familiar with these two types of risks and candidates should have that they are two distinct terms both related to risk hence the use of risks after non sampling in the question. Furthermore candidates should have noted that sampling and non-sampling risks are with regards the opinion of the auditors and the fact they could issues an inappropriate opinion either due to testing samples of transactions and balances or for other reasons not to do with sampling.

A majority of the candidates explained sampling in the context of extracting samples for testing as against relating these risks to the audit opinion which terms are clearly explained in the study manual.

There were answers that showed lack of understanding of the topic for example:

- (i) Sampling risks arise when an auditor uses audit procedures meaning they test only a portion or a population – no mention of the opinion is made.

- (ii) Sampling risk means a random sample that was selected for testing in order for a conclusion to be meeting the financial statements of Giraffe Ltd has failed to detect the material misstatements
- (iii) Sampling risk is the possibility that an auditor might pick a portion of items for testing of which none contain material misstatements.
- (iv) Non sampling risk is the possibility that the portion of items that an auditor has selected for testing has one or more items that contain misstatements.
- (v) Sampling risk – This is a procedure when not 100% of the sampling population is used but have the possibility of being selected- candidate was trying to explain random sampling which is not addressing the question requirement.
- (vi) Non-sampling risk – This is population when the audit is affected by the sampling size and does not have the characteristics of a sample risk.

The above are among the many incorrect explanations of sampling and non-sampling risks.

Part (b)

This part of the question required candidates to explain procedures that should be performed by the audit team to identify subsequent events that may require adjustments to the financial statements of Giraffe Ltd.

To answer this part of the question satisfactorily, candidates needed to bring to bear their understanding of the provisions of ISA 560 *Subsequent events* and also to apply the information in the scenario in answering the question.

Candidates should have used the court case at the period end to suggest suitable procedures as this is one reason that may give rise to an adjustment of the financial statements if the matter is determined before the audit report is signed. There were many answers that did not make reference to the information in the scenario in answering this part of the question. This resulted in candidates not scoring maximum marks. The marking team decided to award marks to candidates who satisfactorily explained the active and passive duties of the auditors with regards subsequent events.

Many answers were clearly incorrect signifying lack of knowledge for example the following procedures were suggested:

- (i) Recalculate- the audit team should recalculate the figures shown in the financial statements without being specific using the information in the scenario.
- (ii) Re-perform – The audit team should re-perform the sampling in order to have a solid conclusion.
- (iii) Analyze – The audit team should analyze the financial statements and make a conclusion.

Part (c)

This part of the question required candidates to describe the written representations that should be obtained from management at the finalization stage of the audit of the financial statements of Giraffe Ltd.

Candidates needed to know that there are general written representations at the planning stage of audits as explained by ISA 580 Written representations and also written representations required by specific auditing standards are required in answering this question. Among such standards requiring written representations to be obtained by the auditors are those for uncorrected misstatements required by ISA 450 and those related to going concern as required by ISA 570.

A majority of the candidates explained representations required by ISA 580 which did not answer the question requirement which was specific to the finalization stage of the audit and uncorrected misstatements should have reminded candidates of the representations that must be obtained in this regard by the auditors. The performance in this part was poor.

Part (d)

This part of the question required candidates to suggest an appropriate audit opinion considering the uncorrected misstatements. Candidates needed to support their recommended opinion and so the arguments used are important to answer this part of the question.

In coming up with an appropriate opinion candidates should have discussed and made assumptions on materiality and pervasiveness of the matter of concern. The fact that management declined to amend the financial statements in account of the uncorrected misstatements is a matter of consideration as this could impact the audit opinion to be issued.

The following were observed:

- (i) Many candidates simply suggested a form of opinion without any arguments to support the suggested opinion and this did not attract any marks.
- (ii) A significant number of candidates did not attempt to answer this part of the question.

QUESTION THREE

The general performance on this question was poor. Only 48 of the 179 candidates that attempted the question managed to obtain at least 10 marks out of a total of 20 available marks. A pass rate of 26.8% was recorded. The highest score was 19 out of 20 marks while the lowest was 0.

Part (a)

This was a knowledge-based question that required candidates to state without explanation the rights of statutory auditors. Auditor rights are contained in legislation

and candidates needed to state these. It was very disappointing to note that a majority of the candidates do not know the auditor rights and gave answers that were clearly incorrect, resulting in the loss of easy marks.

It was disappointing that a significant number of candidates could not state the auditor rights which are contained in the company's act. These rights are specific and until changed they remain as given in the act.

The following observations were made:

Many candidates gave incorrect rights that are not contained in the relevant legislation including the following:

- (i) Right to work without intimidation.
- (ii) Right to work independently
- (iii) Right to statutory audit
- (iv) The auditor has the right to cancel the audit if he/she feels there is essential information missing.
- (v) Right to report any fraudulent activities
- (vi) Right to ask for permission to communicate with external auditors.

Part (b)

This part of the question required candidates to explain control activities that should be put in place in the newly introduced petty cash system. In order to answer this part of the question satisfactorily, candidates required to understand what control activities are considering the control objectives which is the reason for the control and also the tests of controls that auditors should perform in testing the effectiveness of the control activities.

It was disappointing to note that a majority of the candidates were not able to suggest the four control activities required despite the question containing information that could have helped candidates to do so such as the use of unnumbered vouchers signed by the recipients of cash with no mention of authorization. Pre-numbering vouchers and authorization of petty cash vouchers are some of the control activities that should have been suggested.

The following observations were made:

- (i) A few candidates explained the meaning of control activities which did not address the question requirement, and no marks were awarded for doing so.
- (ii) A majority of the candidates labored to explain control weaknesses and also suggested how these could be overcome by management which did not address the question requirement, and no marks were awarded. It is clear that candidates are more comfortable with questions that contain internal control weaknesses and

for them to explain weaknesses than suggesting control activities for a given system.

This was one of the matters discussed during the online examination techniques meeting that was held a few days before the examination, and which was poorly attended by students.

- (iii) There were many candidates that could not simply suggest a suitable test of control as required, showing lack of knowledge of this.

Part (c)

- (i) This part of the question required candidates to suggest suitable substantive audit procedures for accounts payables and to state the assertion being tested. Substantive audit procedures are a key area of the syllabus and will feature in future examinations as has been the case in the past. To score maximum marks, candidates needed to state the correct assertion for the procedure explained. A majority of the candidates scored very few marks and, in some cases, stated the wrong assertion of the suggested procedure resulting in the loss of half the available marks.

The following observations were made:

- A significant number of candidates explained financial statements assertions with no suggested audit procedures as required.

Clearly the above are not audit procedures even for wages. Audit Procedures are the procedures that should be done to achieve these.

- (ii) This part of the question required candidates to explain audit procedures for the accruals in the financial statements of Luangwa Ltd. Accruals in note 1 related to that made for water and electricity. Candidates needed to understand the accounting for accruals in order to suggest suitable audit procedures. There is evidence that a majority do not understand the accounting for accruals and so could not suggest suitable procedures. Candidates should always consider the assertions in the figures in the financial statements in suggesting audit procedures. In this case for example, candidates should have considered the assertion of accuracy, and the related procedure could be to request management for details of the accrual and recalculate for arithmetical accuracy. Furthermore, another procedure is to consider the post year payment for the water and electricity and compare this to the accrual made before the signing of the audit report which may necessitate an adjustment of the accrual made.

The question did not require candidates to state the related assertions in answering this part and yet a sizeable number of candidates did so and no marks were awarded

for doing so. Candidates are reminded to read the instructions carefully before starting to answer examination questions.

QUESTION FOUR

The general performance on this question was poor. Only 78 of the 213 candidates that attempted the question managed to obtain at least 10 marks out of a total of 20 available marks. A pass rate of 36.6% was recorded. The highest score was 18 out of 20 marks while the lowest was 0.

Part (a)

This was a knowledge-based question that required candidates to explain factors to consider prior to accepting appointment as auditors of Chuma Co. These are well explained in client acceptance procedures of the study materials and candidates should have scored maximum marks. A majority of the candidates explained matters that are not related to client acceptance and no marks were awarded for doing so. Some of the answers given include the following.

A majority of the candidates scored less than half the available marks. Candidates are required to demonstrate that they understand the technical aspects of auditing if they are to pass auditing examinations. The stage of client acceptance comes after the prospective audit client offers the auditors the offer of audit services. The auditors require them to consider these matters to enable them to decide whether or not to accept nomination.

The following observations were made:

Some candidates discussed matters of risk assessment that are under ISA 315, and these are performed in planning an audit after the acceptance process has been done and so were not answering the question requirement.

Part (b)

This part of the question required candidates to explain four factors that influence the reliability of audit evidence. These are well explained in the study manual under the topic of audit evidence and candidates could have scored maximum marks. A majority of the candidates scored less than half the available marks showing lack of knowledge of the topic of audit evidence.

The following other observations were made:

- (i) There were candidates that discussed the pre-requisites before undertaking an audit engagement.
- (ii) There were candidates that inappropriately discussed financial statement assertions for which no marks were awarded.

- (iii) There were candidates that discussed the various methods of obtaining evidence such as observation, inquiry and analytical procedures.

Part (c)

This part of the question required candidates to explain going concern indicators in the given scenario. Most of the candidates were able to do so and scored maximum marks.

There was a minority of candidates that scored low marks largely because they gave general answers without referring to the information in the scenario as required.

Part (d)

This part of the question required candidates to describe audit procedures that should be performed in assessing the ability of Chuma Co as a going concern. Knowledge of the provisions of ISA 570 *Going concern* is required to answer this question and knowledge of how management assesses the ability of a company as a going concern including the cash flow statement that is prepared which the auditor requires to review as part of the audit procedures.

Most of the candidates scored poorly in this part of the question, scoring less than half the available 8 marks.

The following observations were made:

- (i) There were candidates who only described one matter which was not adequate for the available marks.
- (ii) There were candidates who discussed general audit procedures not related to the ability of the company as a going concern.

QUESTION FIVE

The general performance on this question was poor. Only 39 of the 190 candidates that attempted the question managed to obtain at least 10 marks out of a total of 20 available marks. A pass rate of 20.5% was recorded. The highest score was 15 out of 20 marks while the lowest was 0.

The question was on corporate grievance and audit opinions and contained 16 easy marks that candidates should have easily scored in parts (a) and (b).

Part (a)

This part of the question required candidates to explain the difference between the review of the interim financial statements and statutory audits. Interim financial statements are financial statements prepared for whatever period. Interim financial statements are usually for internal use. Furthermore, candidates needed to know and understand what reviews are and to be able to compare them with audits.

It was observed that a majority of the candidates mistook interim financial statements with interim audit. Many discussed the meaning of interim audits which did not address the question requirement. The fact that the question required consideration of the levels of assurance, candidates should have noted that what was under consideration were reviews and audits.

A majority of the candidates scored low marks in this question, which has been examined in the same manner in the past.

The following observations were made:

Some candidates showed lack of knowledge of reviews and gave answers such as:

- (i) Interim audits are carried out after adjusting events and are not statutory – this is an incorrect understanding of interim audits although this was not answering the question requirement.
- (ii) Others explained interim audit which was not relevant because what was being discussed is reviews on interim financial statements.
- (iii) There were candidates who incorrectly stated that reviews are conducted by internal auditors while audits are done by external auditors.

Part (b)

- (i) This part of the question required candidates to explain the roles of management and the board of directors in running the affairs of Kangaroo Plc. Candidates should understand corporate governance and know the difference between management and those charged with governance namely the board of directors.
 - 1. Most of the candidates treated management and the board of directors as one and explained that both are responsible for the running of the company.
 - 2. Management is responsible for the day-to-day running of the company and the preparation of financial statements while the board gives oversight on management in the interest of the shareholders.
 - 3. A sizeable number of candidates erroneously suggested that the board of directors manages the company on a day-to-day basis when this is the role of management.
- (ii) This part of the question required candidates to explain 4 roles of non-executive board members in the board of directors of Kangaroo Plc. Candidates should have scored maximum marks in this knowledge based question and it was disappointing that a majority scored low marks largely because some explained

less than the required four roles while some suggested that the audit committee had a management role in running the company which is incorrect.

Part (c)

- (i) This part of the question required candidates to suggest a suitable audit opinion in the audit of Kangaroo Plc. with justification. Most of the candidates simply suggested an opinion with no justification at all. The question clearly explained that the auditors obtained sufficient appropriate audit evidence and that there were no matters of concern that could have had an adverse impact on the financial statements. The appropriate audit opinion therefore is the unmodified opinion.

A sizeable number of candidates suggested different opinions with no justification and so scored no mark. Had the correct justification been given the candidates could have scored the available marks.

- (ii) This part of the question required candidates to comment on the suggestion by the Audit Senior to include the fact that the previous financial statements were audited by different auditors. Knowledge of the provisions of ISA 706 *Emphasis of matter paragraphs and other matter paragraphs in the auditor's report*. A majority of the candidates do not understand the uses of the two paragraphs in the audit report with a majority assuming that this is one paragraph and yet they are two different paragraphs with different uses.

A majority agreed to the suggestion by the Audit Senior to include this matter in the Emphasis of matter paragraph which is not correct. This is an example of a matter that must be included in the other matter paragraph and candidates should have noted this. In the past candidates have been required to explain the use of the emphasis of matter paragraph and the other matter paragraph and the performance was poor as is the case now. Candidates require to understand the use of the emphasis and other matter paragraphs and be able to detect any misuse of either of the paragraphs.

Overall performance of candidates

Highest mark obtained in this paper:	76%
Lowest mark obtained in this paper:	8%
Overall pass rate in this paper:	16.1%

SUBJECT: CA2.4 TAXATION

QUESTION ONE

The general performance on this question was poor. Only 105 out of the 263 candidates that attempted the question achieved a pass (that is a score of at least 20 out of 40 marks), representing a pass rate on the question of 39.9%. The lowest score was 1, whilst the highest was 36 out of the available 40 marks.

The question covered taxation of companies and comprised of four parts.

Part (a) required the candidates to differentiate between the return of provisional income and the self- assessment income tax return and to state the due dates for submission of each return. Candidates demonstrated a lack of knowledge of the differences and therefore failed to provide the appropriate solutions.

Part (b) required candidates to calculate the capital allowances claimable by the company on buildings, implements, plant and machinery. The most common weaknesses were as follow:

- (i) Failure to determine the non- qualifying part of the building for the purpose of industrial building allowances.
- (ii) Classifying the staff canteen as a commercial building instead of an industrial building.
- (iii) Using the wrong rates to compute the wear and tear allowances of on the Toyota Land cruiser SUV and the Isuzu double cab van.
- (iv) Restriction of the wear and tear allowances on the Toyota Land cruiser SUV and Isuzu Double cab Van to business use, when these should have been claimed in full.

Part (c) required candidates to calculate the final taxable business profits after capital allowances for the company. The most common challenges faced by candidates in answering this part of the question included:

- (i) Failure to identify the relevant disallowable items to added back in computing taxable profit.
- (ii) Calculating the disallowed accommodation benefit using the rate of 37% instead of 37.5%

(iii) Grossing up the investment income received by the company which was stated net of withholding in the question before deducting the income in the computation of the taxable profit.

In part (c) candidates were required to calculate the income tax payable by the company for the year. The following were the most common weaknesses demonstrated by candidates on this part of the question:

- (i) Including the investment income on which withholding tax is final which comprised dividends in the company income tax computation.
- (ii) not grossing up the GRZ bond interest and Management fees before including the income in the computation of the final taxable income.
- (iii) Failure to calculate the correct amount of WHT on management fees and WHT on GRZ bond interest when computing the final company income tax payable

QUESTION TWO

The general performance on this question was poor. Only 33 of the 165 candidates that attempted the question managed to obtain at least 10 marks out of a total of 20 available marks. A pass rate of 20% was recorded. The highest score was 16 out of 20 marks while the lowest was 0.

The question examined taxation of employment income and basis periods.

Part (a) required candidates to explain how the basis period for the final period of trading for an individual running a farming business would be determined and to state the tax years in which the profits for the final period of trading would be assessed. Candidates demonstrated a general lack of knowledge of basis periods and therefore failed to provide the required answers.

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

- (i) Failure to count correctly the number of months worked by an employee before and after confirmation during the tax year. This resulted in the candidates failing to determine the correct amount of basic salary and other taxable allowances to be assessed to tax in the charge year.

- (ii) Treating the expenses paid by the company on behalf of the employee which comprises electricity bills, water bills as exempt benefits.
- (iii) Not grossing up royalties before including the amount in the computation of the taxable income.
- (iv) Including income on which WHT is final comprising GRZ Bond interest, fixed deposit interest and betting and gaming winnings in the computation of taxable income.
- (v) Deducting items which are not allowable from gross emoluments, which included college fees, trade union contributions, NHIMA and NAPSA contributions when computing the taxable income.
- (vi) Failure to deduct the correct amount withholding tax deducted at source from the royalties when computing the final amount of income tax payable.

QUESTION THREE

The general performance on this question was good. 132 of the 206 candidates that attempted the question managed to obtain at least 10 marks out of a total of 20 available marks. A pass rate of 64.1% was recorded. The highest score was 19 out of 20 marks while the lowest was 0.

This question covered customs duty and property transfer tax.

Part (a) required candidates to state four conditions that must be met for the transaction value method to be used to determine the value for customs duty purposes on imported goods. This part of this question was generally answered well with the exception of a few candidates who demonstrated a lack of knowledge of the conditions and therefore failed to provide the required answers

Part (b) asked candidates to compute the customs value for an imported secondhand car and the total import taxes paid on importation of the car.

The most common mistakes included the following:

- (i) Including transportation costs incurred within Zambia in the determination of the VDP.

- (ii) Using duty rates for brand new vehicles instead of secondhand vehicles.
- (iii) Not including the surtax charge of K2000 in the computation of the total import taxes arising

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

The most common mistakes made by candidates included the following:

- (i) Treating the transfer of a house to an immediate family member as being exempt which was not the case given that the transferor received some consideration for the transfer.
- (ii) Treating the sale of copyrights as an exempt transfer.

QUESTION FOUR

The general performance on this question was fair. 79 of the 184 candidates that attempted the question managed to obtain at least 10 marks out of a total of 20 available marks. A pass rate of 42.9% was recorded. The highest score was 19 out of 20 marks while the lowest was 0.

The question covered ethical issues in tax practice and administration of taxes.

Part (a) required candidates to explain the meaning of tax evasion and state any four practices that may constitute tax evasion. Some candidates confused tax evasion with tax avoidance and therefore failed to provide the appropriate responses.

Part (b) asked candidates to explain how the principles of integrity and confidentiality applies in the provision of taxes and was generally answered.

Part (c) required candidates to compute the actual income tax payable and was generally answered well. However, some candidates used the company income tax rates of 30% to compute the income tax liability instead of the graduated personal income tax bands for individuals.

Part (d) asked candidates to calculate the amount of penalties and interest payable by an individual for late payment of income tax and late submission of the self-assessment income tax returns. Candidates demonstrated a general lack of knowledge

of the due dates for payment of the tax and submission of return. They also penalties failed to compute the penalties and interest arising on the overdue tax and late submission of self- assessment income tax return.

QUESTION FIVE

The general performance on this question was fair. 94 of the 218 candidates that attempted the question managed to obtain at least 10 marks out of a total of 20 available marks. A pass rate of 43.1% was recorded. The highest score was 19 out of 20 marks while the lowest was 0.

This question covered Value Added Tax.

Part (a) required candidates to state any three conditions to be met for input VAT to be claimed by the company. This part of the question was generally answered well. However, a few candidates demonstrated a lack of knowledge of the conditions and therefore failed to provide the required answers.

Part (b) required candidates to compute the amount of VAT payable. The most common weaknesses included the following:

- (i) Claiming input VAT on expenditure on which input VAT is irrecoverable which included expenditure on Entertaining customers, Staff meals and refreshments, Petrol for company cars, Telephone bills, Pool car and Personal to holder car.
- (ii) Failure to compute the amount of input VAT recoverable on the cost of diesel.
- (iii) Not deducting Input VAT on the standard rated purchases returns.
- (iv) Failure to calculate the recoverable non-attributable input VAT.

Part (c) required candidates to state the due date for payment of the VAT by the company and consequences of paying the VAT late. Candidates demonstrated a lack of knowledge of the due dates and the relevant consequences and therefore failed to provide the required answers.

Overall performance of candidates

Highest mark obtained in this paper: 88.5%

Lowest mark obtained in this paper: 3%

Overall pass rate in this paper: 38.8%

SUBJECT: CA 2.5: FINANCIAL MANAGEMENT

QUESTION ONE

The general performance on this question was poor. Only 47 out of the 231 candidates that attempted the question achieved a pass (that is a score of at least 20 out of 40 marks), representing a pass rate on the question of 20.3%. The lowest score was 1, whilst the highest was 34 out of the 40 available marks.

Part (a) required candidates to evaluate whether to lease or purchase a new machine. Capital allowances (if bought) calculation from Year 0 to year 4 were in most cases wrongly done. This meant that Tax saved was incorrectly calculated. In Year 4 scrap was incorrectly calculated.

The before tax cost of borrowing of 10% was used in some cases, instead of the after-tax cost of 7% [$10\% \times (1 - 0.3)$] as a discount rate, giving incorrect present values.

Cash flows related to lease payments were often mis-timed to include the fourth year.

Part (b) required the candidates to discuss other factors to take into account before making a final decision of whether to invest in the machine or not. This part of the question was well attempted. Several factors were acceptable as answers, for consideration before a final investment decision could be made.

Part (d) required candidates to calculate the economic order quantity. Calculation of EOQ presented a lot of difficulties to some candidates. It is an indication that students do not pay attention to this part of the syllabus.

Part (c) required candidates to calculate the total inventory costs in the local currency based on the EOQ. Some of the elements required to compute the total inventory cost, such as the numbers of orders, re-order costs per annum and inventory holding costs were often incorrect.

QUESTION TWO

The general performance on this question was good. 129 of the 206 candidates that attempted the question managed to obtain at least 10 marks out of a total of 20 available marks. A pass rate of 62.6% was recorded. The highest score was 18 out of 20 marks while the lowest was 0.

Part (a) the candidates were asked to calculate the weighted average cost of capital (WACC) of Sumo Plc on a market value basis. Some of the candidates that attempted this part of the question failed to calculate the cost (%) of Ordinary shares, preference shares, Loan notes and Bank Loan. The inability to correctly calculate these resulted in a wrong Weighted Average Cost of Capital (WACC).

Part (b) of the question required the candidates to explain the nature of internal, external and connected stakeholders giving examples of each category. This part of the question was well attempted. However, common mistakes were that they identified and stated stakeholders in general. They needed to clearly state that the internal stakeholders included employees and managers, the external included Government, pressure groups, local authorities and professional bodies whereas those connected included were supposed to have stated as shareholders, customers, bankers and suppliers.

Part (b) of the question required the candidates to explain the five challenges of the use of reward schemes. Some candidates that responded to this part of the question were unable to clearly identify challenges that are associated to the use of reward systems in the achievement of an Organisational objectives. Instead of stating five (5) as requested in the question, some only stated one (1) or two (2), while some didn't state any at all.

QUESTION THREE

The general performance on this question was fair. 80 of the 169 candidates that attempted the question managed to obtain at least 10 marks out of a total of 20 available marks. A pass rate of 47.3% was recorded. The highest score was 20 out of 20 marks while the lowest was 2.

Part (a) of the question required the candidate to explain the advantages and disadvantages of using a cash flow-based model to value shares. The students that attempted the question addressed the merits and de-merits of cash flow-based methods as required.

Part (b) of the question required the candidates to calculate the current market value of the convertible bond. The market value of the convertible was incorrectly computed.

Part (c) of the question required the candidates to calculate the current conversion value which was mostly done correctly.

Part (d) required candidates to determine the conversion premium and comment on its meaning. The conversion premium was incorrectly computed, although most students correctly calculated the current conversion value.

QUESTION FOUR

The general performance on this question was poor. Only 33 of the 114 candidates that attempted the question managed to obtain at least 10 marks out of a total of 20 available marks. A pass rate of 28.9% was recorded. The highest score was 17 out of 20 marks while the lowest was 0.

Part (a) required a candidate to evaluate whether Kamwala Wholesalers Ltd should introduce the early settlement discount. This evaluation required that the candidate was to the overall benefits that would accrue by determining the extent of reduction in the financing costs and bad debts, the expected increase in net profit. Once this is calculated, the net benefit was to be determined by subtracting the summation of the increased administration costs and cost of discount.

Part (b) required the candidate to identify and discuss ways in which Kamwala Wholesaler's would reduce the risk associated with foreign accounts receivable or debtors. Common Mistakes by the candidates that responded to this section of the question was their inadequate regarding these ways.

Part (c) asked candidates to discuss reasons as to why investment finance was limited regardless of the company's investment opportunities. The reasons provided were generalized.

QUESTION FIVE

The general performance on this question was good. 101 of the 194 candidates that attempted the question managed to obtain at least 10 marks out of a total of 20 available marks. A pass rate of 52.1% was recorded. The highest score was 17 out of 20 marks while the lowest was 2.

Part (a) of the question required the candidates to calculate the minimum return that BJP Plc will require from the project. Candidates were not getting the Cost of Equity right. This is because they were not calculating EQUITY BETA correctly. Equity Beta is part of the Cost of Equity formula using capital asset pricing model. Cost of Debt was also generally wrongly calculated.

A good number of candidates did not get the WACC calculation right. This is because the formula includes cost of equity as well as cost of debt which most of them got wrongly calculated.

In part (b), candidates were required to evaluate the project using the NPV and advise the company whether the project is worthwhile. The discount rate wrong which resulted in the wrong NPV.

In part (c), the candidates were required to discuss the possible barriers to entry in the new industry that BJP Plc might encounter. The performance was generally fair although some candidates exhibited lack of knowledge of this topic in the syllabus.

Overall performance of candidates

Highest mark obtained in this paper: 75%

Lowest mark obtained in this paper: 12%

Overall pass rate in this paper: 35.4%

SUBJECT: CA 2.6: STRATEGIC BUSINESS ANALYSIS

QUESTION ONE

The general performance on this question was good. Only 143 out of the 206 candidates that attempted the question achieved a pass (that is a score of at least 20 out of 40 marks), representing a pass rate on the question of 69.4%. The lowest score was 6, whilst the highest was 35 out of the 40 available marks.

The question had four parts:

- (a) Discuss the SWOT Analysis for Google Inc.

Comment

This part was well answered by most students who were able to appropriately evaluate the Strengths, Weaknesses, Opportunities and Threats for Google Inc.

- (b) Analyse the Competition of this industry using the appropriate Model.

Comment

The Porters' 5 Forces model is the most appropriate model for analysing the industry. Unfortunately, quite a number of candidates go this wrong, as they used SWOT Analysis or the Ansoff Matrix (Product-Market expansion Grid) instead. Those who applied the Porters' 5 Forces model were able to evaluate accordingly.

- (c) Discuss four (4) primary Marketing Mix strategies adopted by Google (12 Marks)

Comment

over 90% of the candidates got this correct while others explained the 4 Ps using the extended Marketing Mix.

- (d) Critique four (4) potential risks associated with implementing the Product-Market growth strategy

Comment

This part was answered by most candidates as they were able to identify the following Risks:

- (i) Market Risk
- (ii) Product Risk
- (iii) Managerial Risk
- (iv) Financial Risk.

QUESTION TWO

The general performance on this question was fair. Only 31 of the 66 candidates that attempted the question managed to obtain at least 10 marks out of a total of 20 available marks. A pass rate of 46.9% was recorded. The highest score was 18 out of 20 marks while the lowest was 0.

This question was a scenario-kind of question about Mansa Mineral Resources Limited in Luapula Province of Zambia. The question had three parts:

- (a) Provide an argument of five (5) reasons against the use of matrix Organisation by Mansa Mineral Resources Limited.
- (b) Criticise the matrix form of organisation on two (2) ethical challenges advanced by Classical theorists on this structure.

If Mansa Mineral Resources management transformed itself into a holding company and opted to have a Manganese Division and a Sugilite Division, conclude and four (4) inherent problems this divisionalisation strategy would bring to the company.

Very few candidates attempted this question which was on Organisational structure. Candidates who attempted the question could not make up reasonable arguments on the matrix structure. As part of the most important aspect of Strategic decisions, candidates must understand this important part of the lesson in the syllabus.

QUESTION THREE

The general performance on this question was good. Only 124 of the 195 candidates that attempted the question managed to obtain at least 10 marks out of a total of 20 available marks. A pass rate of 63.6% was recorded. The highest score was 20 out of 20 marks while the lowest was 3.

The Question had four parts. The question asked the candidates to discuss the significance of the following in Strategic Management in terms of the following:

- (i) **The ProductLife Cycle**

Comment

Many candidates just explained the stages of the Product Life Cycle, without applying the stages to the information of an NGO FOR Youths as required in the scenario. In some cases, the order of the stages was not followed. The stages are: Product development; Introduction; Growth; Maturity and Decline.

- (ii) **Risk Management**

Comment

This part of the question was well answered by most candidates. Many candidates even explained the type of Risks and the Risk Management Model- the TARA model was well explained.

(iii) **The Balanced Score Card**

Comment

This part appeared to be a challenge to many candidates. Most candidates did not answer well this part. Many candidates assumed the model was used for performance appraisal of employee performance. Other candidates assumed it was card posted for Recorded keeping in organisations. The few that managed to explain the Balanced Score Card could not relate to the scenario.

(iv) **Scenario Planning**

Comment

Many candidates had difficulty with answering this part of the question. Some just explained Planning as a management function. Most candidates thought scenario planning is planning based on events. Majority of the candidates did not attempt this part of the question.

Note:

Generally, the candidates explained some concepts but most of them had difficulties in explaining the significance of the concepts in Strategic Management and applying the concept to the scenario.

QUESTION FOUR

The general performance on this question was very good. Only 141 of the 186 candidates that attempted the question managed to obtain at least 10 marks out of a total of 20 available marks. A pass rate of 75.8% was recorded. The highest score was 20 out of 20 marks while the lowest was 0.

The fourth question had two parts:

- (i) Evaluate the Conceptual difficulties underlying the pursuit of three (3) generic competitive strategies

Comment

Almost all candidates who attempted this question were able to identify the three strategies and gave the correct evaluation. Hence, they scored very high marks on this one. It was well answered.

- (ii) Explain five (5) ways in which collaboration may be a valid Strategic Option

Comment

This part was well answered by almost all the candidates who attempted it. And they obtained high marks on it.

QUESTION FIVE

The general performance on this question was poor. Only 29 of the 159 candidates that attempted the question managed to obtain at least 10 marks out of a total of 20 available marks. A pass rate of 18.2% was recorded. The highest score was 16 out of 20 marks while the lowest was 0.

Question five had three parts.

This part had two sub sections. It requires students to discuss four (4) purposes and uses of the following:

- (i) Strategic plan
- (ii) Business Plan

Comment

Most candidates answered this part well. However, there has been a suggestion from the Marking Team that perhaps the question should have read: "Discuss four (4) purposes **or** uses of the following:" instead of "and" as it was presented. This is because the two words purpose and uses are the similar. This could have affected candidates responses to the question.

- (i) This part required candidates to recommend four (4) categories of input control processes management may consider to get things done.

Comment

A good number of candidates gave correct answers. However, some candidates misunderstood the questions by concentrating on security systems and not the categories of input control processes as asked.

- (ii) This part asked candidates to outline four (4) examples of network organisations structures as suggested by Johnson et al (2005).

Comment

This part was poorly answered. Candidates who attempted this part didn't pay attention to the fact that they were required to give the network organisation structures according to Johnson et al (2005) as asked.

Overall performance of candidates

Highest mark obtained in this paper: 80%

Lowest mark obtained in this paper: 19%

Overall pass rate in this paper: 56.4%

SUBJECT: CA 3.1 ADVANCED FINANCIAL REPORTING

QUESTION ONE

The general performance on this question was fair. 88 out of the 220 candidates that attempted the question achieved a pass (that is a score of at least 20 out of 40 marks), representing a pass rate on the question of 40%. The lowest score was 0, whilst the highest was 40 out of the available 40 marks.

The question had two (2) parts. Part (a) required candidates to prepare consolidated statement of changes in equity and Part (b) required candidates to prepare the consolidated statement of financial position. Specialist consolidation areas included foreign operations, a part disposal that did not result in loss of control and accounting for a joint venture. The question demanded a thorough understanding and applications of the areas involved through preparation of a CSOCIE and a CSFP

The following were common mistakes:

Loss of marks were mainly due to the following common mistakes:

- (i) Consolidated the results of both subsidiaries, before translating the results of the foreign subsidiary (Zinzie) Plc. The triple principle Adjust, Translate and Consolidate (ATC), must always be applied when dealing with a foreign subsidiary.
- (ii) Divided the exchange rates during translation, instead of multiplying.
- (iii) Computed goodwill of a foreign subsidiary (Zinzie Plc) in kwacha (K), instead of the South African Rand (ZAR).
- (iv) Some students wrongly valued non-controlling interests in Zinzie Plc at fair value (full method), instead of share of the fair value of Zinzie's identifiable net assets at acquisition (proportionate goodwill method) as required by note (3) of the question.
- (v) Lastly candidates failed to compute correctly movement in equity arising from disposal of 25% equity shareholding in kondwa Plc. The movement should have been calculated by comparing increase in non – controlling interest figure and consideration received by parent entity.
- (vi) Though fundamental to preparing consolidated financial statements, some candidates still lack understanding of the concept of equity as a residual interest in a company's assets after taking all liabilities and the fundamental principles of consolidation. Once assets and liabilities at the acquisition date have been recognized and pre-acquisition equity already subsumed in goodwill, pre-acquisition equity (stated capital and all pre-acquisition reserves) of the subsidiaries cannot be recognised again. Some candidates were still consolidating these pre-acquisition equity items.

- (vii) Failed to account for investment in joint Venture (Jopungu). Candidates need to know that investment in joint Venture is accounted for using the equity method.
- (viii) Improper treatment of the fair value adjustments for property plant and equipment was observed in most scripts.
- (ix) Showed consolidated figures for property, plant and equipment and other items of the statement of financial position without showing how they arrived at. Marks were lost especially where their consolidated figures were incorrect. First up, don't do calculations in your head. You may think this is a good way to save time, but doing this can trip you up.
- (x) Deducting the fair value movement (extra depreciation) from the asset at acquisition, when this should only be applied to the post acquisition period.
- (xi) Failed to change profit markup (50%) to profit margin ($50/150 = 33.33\%$), hence computed wrong unrealized profit.

QUESTION TWO

The general performance on this question was poor. Only 21 of the 141 candidates that attempted the question managed to obtain at least 10 marks out of a total of 20 available marks. A pass rate of 14.9% was recorded. The highest score was 15 out of 20 marks while the lowest was 0.

This question had two (2) transactions on share-based payments (IFRS 2) (award of share options - Equity settled share-based payments, and award of share appreciation rights -Cash settled share-based payments). The question required candidates to explain how both transactions must be accounted for, including the deferred tax implications of the transactions in accordance with the IFRS framework.

The following were the common mistakes:

- (i) Failed to conclude that the second transaction was a cash settled share-based payment.
- (ii) Failed to spread the cost over the vesting period.
- (iii) Candidates wrongly subtracted those who left only, instead of expected leavers over the vesting period (the best estimate at each year end should be used).
- (iv) Further most candidates simply computed, with no explanation. For future examinations, candidates are advised to pay particular attention to command words (verbs) e.g. explain.
- (v) The deferred tax implication's part was either completely omitted or poorly answered by most of the students. Therefore, watch out for future examinations. It appears, most candidates are not comfortable with deferred tax.

For future examinations, candidates are advised to study all examinable standards and pay attention to the standards which are only examinable at advisory level.

QUESTION THREE

The general performance on this question was very poor. Only 5 of the 68 candidates that attempted the question managed to obtain at least 10 marks out of a total of 20 available marks. A pass rate of 7.4% was recorded. The highest score was 20 out of 20 marks while the lowest was 0.

The question was in two parts, both on accounting for financial assets as follows:

- (a) Investment in a debt instrument asset that required to be classified as an amortised cost item. Accounting issues involved subsequent measurements including those relating to impairment losses.
- (b) Investment in a foreign currency equity instrument for which an irrevocable election was made. Accounting issues involved subsequent measurement including those relating to retranslation and remeasurement to fair value and accounting for both remeasurement and retranslation gains and losses.

In general, candidates who questioned highly regarded the question displayed lack of knowledge in relation to the following provisions of IFRS 9 Financial Instruments:

- (i) Classification of financial assets for measurement.
- (ii) Initial measurement of financial assets including the treatment of transaction costs.
- (iii) Application of the ECL approach to recognition of impairment losses
- (iv) Subsequent measurement of assets classified as FVTOCI.
- (v) Translation principles in IAS 21 Effects of Changes in Foreign Exchange Rates.

QUESTION FOUR

The general performance on this question was poor. Only 17 of the 149 candidates that attempted the question managed to obtain at least 10 marks out of a total of 20 available marks. A pass rate of 11.4% was recorded. The highest score was 16 out of 20 marks while the lowest was 0.

This question had two (2) parts and candidates were tested on the following relevant accounting standard: IAS 16 *property, plant and equipment*, IAS 36 *impairment of assets*, IAS 37 *provisions, contingent liabilities and contingent assets*, IFRS 5 *Non-current assets held for sale and discontinued operations* and IFRS 8 *Operating segments*.

Generally, this question was not well answered. The following were the common mistakes:

- (i) Most candidates demonstrated their lack of understanding of accounting standards. Candidates are advised to have an understanding of each area of the syllabus to increase their chances of passing.
- (ii) Candidates wrongly concluded that factory and plant qualified to be accounted under IFRS 5. These two assets, as at 30th September 2023, cannot be classed as 'held-for-sale' as they were still in use (i.e. generating revenue) and therefore were not available for sale.
- (iii) Candidate wrongly provided for the retraining costs relating to the ongoing activities. Retaining costs should be written off as they are incurred.
- (iv) Weaker answers made the decision without considering the requirements or merely listed the requirements of accounting standards without applying them to the scenario. Better answers began with the requirements and then applied this knowledge to the scenario.
- (v) Others reached a conclusion without fully relating their decision to the standard(s), which limited their opportunities for marks.

Further most candidates simply computed, with no explanation. For future examinations, candidates are advised to pay particular attention to command words (verbs) used.

QUESTION FIVE

The general performance on this question was very good. Only 169 of the 208 candidates that attempted the question managed to obtain at least 10 marks out of a total of 20 available marks. A pass rate of 81.3% was recorded. The highest score was 20 out of 20 marks while the lowest was 0.

The question required candidates to analyse and compare financial performance and position of two companies: Nkhula and Yobe, as a basis for deciding on a suitable acquisition target. The candidates were also required to recommend which of the two companies would be appropriate for an investor to invest in.

Overall performance on this question was good. Common weaknesses included:

- (i) Failure to adjust the figures in the financial statements for the implicit rental cost before calculating the ratios.
- (ii) Failure to prepare an amortisation of the lease contract that started two years before and adjust the figures in the financial statements before calculating the required ratios.

Some candidates attempted to prepare the amortisation schedule of the lease and got some figures right. They, however, failed to identify which figures would change in the financial states by incorporation the lease. It is important that students realise that learning is not simply an academic exercise, but one that requires understanding the practical implications of business contracts on reported financial statements.

Overall performance of candidates

Highest mark obtained in this paper: 70%

Lowest mark obtained in this paper: 5%

Overall pass rate in this paper: 20.5%

SUBJECT: 3.2: ADVANCED AUDIT AND ASSURANCE

QUESTION ONE

The general performance on this question was poor. 41 out of the 282 candidates that attempted the question achieved a pass (that is a score of at least 20 out of 40 marks), representing a pass rate on the question of 14.5%. The lowest score was 1, whilst the highest was 33 out of the 40 available marks.

Part (a)

This part of the question required candidates to discuss the audit risk with regards to laws and regulations and also to explain the consequences of non-compliance with laws and regulations by New Technologies Ltd. Candidates should have noted that there are two aspects to this question and both aspects should be addressed in the answer.

Audit risk is the risk that the auditor may issue an inappropriate audit opinion and has three elements of inherent risk, control risk and detection risk. In the context of the question candidates should have discussed what could go wrong in the financial statements because of non-compliance with laws and regulations. The main issues that should have been discussed include the misstatements of provisions which may be required in the event of non-compliance with laws and regulations as well as the risk of non-compliance which could give rise to litigation against the company and in extreme cases withdrawal of the operating license which has implications on the ability of the company as a going concern.

Many candidates explained in detail the meaning of audit risk and the related elements without dealing specifically with the audit risk arising from non-compliance with laws and regulations. Most of the candidates did not satisfactorily explain the consequences of non-compliance.

The following observations were made:

- (i) There were candidates who explained audit risk and the three elements of audit risk which were not the question requirement, and no marks were awarded for doing so.
- (ii) There were candidates who explained the audit risk with regards laws and regulations which is that New Technologies Ltd may not comply with relevant laws and regulations.
- (iii) Some did not explain the consequences of non-compliance, which include penalties that may be suffered and withdrawal of the operating license which has going to concern implications for the company.
- (iv) There were candidates who discussed general audit risks not related to laws and regulations for which no marks were awarded. Below are examples of answers do not relate to laws and regulations:

- 20% exports to neighboring countries.
 - Increased investment in research and development and
 - Consequences of audit risks include going concern, litigation and cost of doing business.
- (v) There were candidates who explained the non-compliance as a business risk instead of an audit risk.

Part (b)

This part of the question required candidates to discuss the use of internal audit in the audit of the financial statements of New Technologies Ltd. Use of the information in the scenario on the internal audit department was expected as against general answers.

It was clear from the answers that candidates did not understand the two ways in which statutory auditors may use the services of the internal audit department namely:

- (i) Seeking to use the work of internal audit and
- (ii) Seeking direct assistance from the internal audit department.

The above two matters should have formed the basis of the answer and candidates needed to remember that there are certain instances where the statutory auditors may not be able to use the work of internal audit in the conduct of an audit and the issue of independence and objectivity should have been considered. Seeking direct assistance is where the internal auditors work under the supervision of the external auditors. It was expected that candidates should have concluded to the extent in which seeking reliance of the internal audit department in the scenario and also suggest which of the two would be appropriate under the circumstances.

The performance in this part of the question was poor largely arising from the failure by candidates to support their answers with a majority showing lack of knowledge of seeking to use the work of internal audit and seeking direct assistance.

The following observations were made:

- (i) There were candidates who suggested that external auditors should not use the work of internal audit because it's their task to obtain sufficient appropriate evidence. This is not correct and candidates at this level should be able to evaluate the extent of use of internal audit using information in the scenario.
- (ii) There were candidates that gave general answers explaining use of the work of internal audit and seeking direct assistance of internal audit without using the information in the scenario as required.
- (iii) There were answers that signified lack of knowledge of the topic for example the following answers were extracted:

1. The internal audit department among other tasks is charged with the responsibility of preparing and presentation of financial statements.
2. Internal audit department may also determine the scope, nature and timing of the audit.
3. The internal audit department may recommend the amount of fees to those charged with governance depending on how strong the controls are.
4. Communication between the client and auditors on the financial statements is mainly through the internal audit department.
5. Some candidates explained factors that must be considered before setting up an internal audit which is incorrect.

(iv) Many candidates discussed the function of the internal audit department and the purpose of internal controls which did not address the question requirements.

(v) There were candidates who discussed factors that should be considered before placing reliance on internal audit work.

Part (c)

This part of the question required candidates to suggest a suitable opinion in the audit of the financial statements of New Technologies Ltd, taking into consideration the information in notes 1 and 2 of the scenario. There is only one audit opinion in any one audit of financial statements and the form of opinion will depend on the matters of concern and the materiality levels and the pervasiveness. The matter of concern is the treatment of research and development costs and if there is disagreement in this regard that would impact on the audit opinion. The issue of the assessment of the company as a going concern too will impact on the audit opinion. In this case the financial statements have been prepared on the historical cost basis even though the auditors are of the view that the company is not a going concern.

The above matters should have been the basis of answering this question and candidates were expected to suggest a suitable opinion. It was disappointing that a large number of candidates suggested two different opinions for each of items 1 and 2, which is incorrect. It should be noted that since the company prepared the financial statements on the historical cost basis instead of the alternative basis this will give rise to an adverse opinion. Candidates should have considered the materiality of the research and development costs and made and conclude on the accounting for R & D but notwithstanding the conclusion reached the appropriate opinion is an adverse opinion and not the unmodified opinion suggested by the Audit Senior.

The following observations were made:

- (i) A sizeable number of candidates explained the meaning of materiality which did not address the question requirements and no marks were awarded for doing so.

- (ii) Many candidates suggested modified opinions but without specifying the form of modifications. Candidates are reminded that there are three forms of modifications and using the information in the scenario, candidates were expected to suggest a suitable form of opinion with justification.
- (iii) Many candidates supporting the opinion suggested explained that writing off of development costs of development costs was incorrect. This is wrong because development costs are supposed to be written off to profit or loss unless they meet the criteria for capitalization.
- (iv) Many candidates did not consider materiality in arriving at an appropriate opinion and yet this is a major factor in deciding on the appropriate audit opinion.
 1. This part of the question required candidates to discuss the impact of preparing financial statements on a breakup basis. The effect is that the auditors will issue an unmodified audit opinion unless there is a matter of concern that may result in the modification of the opinion. The form of modification will depend on the materiality and pervasiveness of the matter of concern.

Some candidates suggested the use of the emphasis of matter paragraph with a modified report which is incorrect. The emphasis of matter paragraph is used if the opinion is unmodified. There were a few candidates who stated that the report will be modified by including the fact that the financial statements have been prepared on a breakup basis showing lack of understanding of the subject matter.

2. This part of the question required candidates to describe the communication by the audit team regarding the fact that New Technologies Ltd is not a going concern. The principle of confidentiality should have been considered in deciding on the parties to be communicated to.

The main parties that should be communicated to include:

- (i) The management of New Technologies Ltd – The issue must be brought to the attention of management and discussed to avoid any misunderstanding.
- (ii) The matter should also be brought to the attention of those charged with governance through the audit committee.
- (iii) The matter will be communicated to the shareholders through the audit report in the basis of opinion.

Many candidates simply did not know whom the audit team should communicate to regarding the conclusion that the company is not a going concern. A little bit of imagination candidates should have identified the parties that could be interested to learn about the fact that the company is not a going concern.

The following observations were made:

- (i) There was a significant number of answers showing parties to be communicated to that are clearly incorrect for example:
- (ii)
 - (i) Communicate to the banks
 - (ii) Communicate to accounts payables
 - (iii) Report to ZICA
 - (iv) Report to regulators

Candidates should have considered the issue of confidentiality in suggesting parties to whom the auditors should communicate regarding the ability of the company as a going concern.

- (i) There were candidates who stated stakeholders who should be communicated to without explaining the form of communication as required.
- (ii) There were many wrong answers not related to communication with any party for example:
 1. A review of the detailed profit or loss account shows an account of K2.1m charged to profit as development costs.
 2. There was no adequate disclosure of information in the financial statements of New Technologies Ltd.
 3. Fines and penalties suggest that New Technologies Ltd is a going concern.
 4. Fines and penalties suggest that New Technology Ltd is a going concern.

Part (d)

- (i) This part of the question required candidates to describe the nature of communication with regards internal control weaknesses observed during the audit of the financial statements of New Technologies Ltd.

Candidates should have noted that a letter of weakness or management letter is used to communicate with management regarding the internal control weaknesses observed during the audit. It was disappointing that at the advisory level a significant number of candidates simply did not know the content of the communication through the letter of weakness.

The following observations were made:

1. Some candidates explained the weaknesses in internal controls without describing how they will be reported to management by the auditors.
2. There were candidates who discussed the key audit matters paragraph which is an element of the audit report that is not used to report weaknesses in internal controls.

3. There were candidates who critiqued the reporting structure of internal audit and how it can be remedied which did not address the question requirement.
- (ii) This part of the question required candidates to suggest four substantive audit procedures to perform on the intangible assets in the audit of the financial statements of New Technologies Ltd. The intangible assets in question are the research and development expenditure in the financial statements.

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

The following observations were made:

- There were candidates who suggested less than the required number of audit procedures.
- A sizeable number of candidates discussed audit procedures for all areas in the statement of financial position and not intangible assets as required.

QUESTION TWO

The general performance on this question was poor. Only 70 of the 223 candidates that attempted the question managed to obtain at least 10 marks out of a total of 20 available marks. A pass rate of 31.4% was recorded. The highest score was 18 out of 20 marks while the lowest was 0.

Part (a)

This part of the question required candidates to describe the matters that should be considered in deciding to bid for the offer of audit services to Gas Manufacturing Plc. The question was knowledge based, and candidates should have scored maximum marks.

It was important for candidates to realize that there are two stages where auditors require them to consider matters. Firstly, they need to consider matters before deciding to bid for audit services and consider matters when deciding whether to accept the appointment. Candidates should ensure they are clear with which acceptance stage is being considered in the question.

In the case at hand the consideration is when deciding whether to bid for the offer of audit services. The performance in this part of the question was poor and below expectation.

The following observations were made:

- (i) Candidates explaining less than the expected number of matters considering the marks on offer.

(ii) Candidates giving matters that need not be considered when deciding whether or not to bid for the offer of audit services, for example:

1. Considering whether or not Gas Manufacturing is compliant with laws and regulations, a matter that will be considered during risk assessment at the planning stage of the audit having been appointed.
2. Capacity to conduct group audits when this is not a group audit. The fact that Gas Manufacturing is a subsidiary of a UK-based parent company does not make the audit of the financial statements of the company a group audit.
3. Are the financial statements prepared in accordance with international financial reporting standards a matter that will not be established at this client acceptance stage.
4. Are the objectives if the audit clearly stated in the tender offer.

(iii) Some candidates asserted that the auditors need to carry out tests of controls which can only be performed after appointment and not at this stage.

(iv) Others suggested that the audit committee needs to be considered and to find out the location of the company.

Part (b)

This part of the question was knowledge based on client acceptance procedures and candidates should have scored maximum marks and were expected to use the information in the scenario. Candidates should note that some of the matters that are considered when deciding whether or not to submit a bid are further considered in deciding acceptance as auditors. A small number of candidates scored maximum marks in this part but there were others that scored poorly and the following observations were made.

Wrong answers showing lack of understanding of the topic such as:

- (i) Getting the board of director's approval before accepting nomination.
- (ii) Consider the capability of management to pay the audit fees.
- (iii) The internal controls which management has put in place.
- (iv) Group auditors will have to be communicated to how the work will be carried out.
- (v) That we will be given access to the auditors of the UK parent company.
- (vi) Do they follow IFRS which matter assessed at the planning stage of the audit after appointment.

Part (c)

This part of the question required to describe the matters that would be required to be included in the audit plan for the audit of the financial statements of Gas Manufacturing Plc. to enable the audit team perform the audit within the agreed timetable with the client. This question required the use of information in the scenario and general answers did not attract maximum marks.

The audit plan will contain information that will enable the auditors to conduct an effective audit and meet the needs of the client. Many candidates scored less than the available marks.

The following observations were made:

- (i) Candidates giving general answers without using the information in the scenario as required.
- (ii) Candidates explaining less than the required five matters resulting in getting marks in proportion of the correct matters explained.
- (iii) There were answers that showed lack of knowledge of matters that should be included in the audit plan for example:
 - 1. Threats of independence and objectivity.
 - 2. The effectiveness of internal controls
 - 3. All challenges encountered during the audit.
 - 4. Laws & regulations – check if these are really being followed by the company.
- (iv) There were candidates that distinguished reviews from the audit without taking or focusing on issues relating to planning for the two assignments.

QUESTION THREE

The general performance on this question was poor. Only 49 of the 256 candidates that attempted the question managed to obtain at least 10 marks out of a total of 20 available marks. A pass rate of 19.1% was recorded. The highest score was 16 out of 20 marks while the lowest was 0.

This was the most attempted optional question. Well prepared candidates should have scored more than half the available marks considering the easy marks for part (a) on the use of the work of internal audit and the ten marks for a description of the audit risks in the audit of the financial statements of Mulungushi Plc.

Part (a)

This part of the question required candidates to evaluate how the work of the internal audit department of Mulungushi Plc. would impact the conduct of the audit of the financial statements. The use of information in the scenario was necessary in answering this question.

The following observations were made:

- (i) Most candidates discussed why it is important to use the work of internal audit without discussing how the external auditors of Mulungushi Plc. could make use of the work of internal audit in conducting the audit.

- (ii) A large number of candidates matters that should be considered before deciding to use the work of internal audit without considering the work of the internal audit department of Mulungushi Plc.
- (iii) A number of candidates explained the qualities of an effective internal audit department which did not address the question requirement.

Part (b)

This part of the question required candidates to suggest suitable materiality levels during the audit of the financial statements of Mulungushi Plc. Describing the basis of computing the materiality levels without using the information in the scenario did not attract maximum marks.

The following observations were made:

- (i) Most of the candidates simply stated the benchmarks in determining materiality without using these to compute materiality levels using information in the scenario.
- (ii) There were many candidates that simply explained the meaning of materiality levels with no suggestions on the materiality levels using information in the scenario.
- (iii) Some candidates simply distinguished materiality for the financial statements from performance materiality without demonstrating how this will be done in the audit of the financial statements of Mulungushi Plc.
- (iv) There were candidates that ignored the fact that inventory had higher risk and that it needed materiality levels set for it as well as performance materiality.

Part (c)

This part of the question required candidates to describe audit risks and how they would impact the audit of the financial statements of Mulungushi Plc.

The following observations were made:

- (i) Disappointingly, there were candidates that explained audit risks but did not explain how the identified risks will impact the audit of the financial statements of Mulungushi Plc.
- (ii) There were candidates that explained business risks instead of audit risks as required.
- (iii) There were candidates that discussed audit risks in general with no reference to the risks in the scenario.
- (iv) There were those that identified audit risks but did not explain the financial statement assertions impacted by such risks.
- (v) Many candidates could not explain how the audit of the financial statements would be impacted by the identified risks as required by the question requirement.

QUESTION FOUR

The general performance on this question was poor. Only 57 of the 207 candidates that attempted the question managed to obtain at least 10 marks out of a total of 20 available marks. A pass rate of 27.5% was recorded. The highest score was 19 out of 20 marks while the lowest was 0.

Part (a)

- (i) This part of the question required candidates to discuss deal with a matter of disagreement with management with the management of Magoye Ltd. Candidates were expected to describe how they would deal with a disagreement that would arise during an audit. Candidates should have discussed the communication of the disagreement to various parties and the impact that the disagreement will have on the audit opinion.

The following observations were made:

1. Many candidates could not explain the communication to those charged with governance, the senior people within the firms and the impact this could have I remains unresolved to the audit report.
 2. A majority of the candidates suggested declining appointment as a way to deal with the disagreement. Declining is not appropriate because for the disagreement to occur it means that the firm had already accepted appointment.
 3. There were also a large number of candidates that suggested resignation as a way of dealing with the matter of disagreement. Candidates should note that resignation is supposed to be the last resort when all other alternatives fail.
- (ii) This part of the question required candidates to suggest a suitable opinion for the audit of the financial statements of Magoye Ltd. Suggesting an opinion without justification did not attract any marks considering the marks on offer.

Candidates at the advisory level are expected to critique a suggested opinion in a given question and even to suggest a suitable opinion given information in the scenario.

Part (b)

- (i) This part of the question required candidates to discuss the impact on the audit on the work of G & S Consultants in the audit of the financial statements of iLimpopo Ltd. Candidates needed to know the types of experts and also the extent of work of experts on an audit.

Candidates should have observed the fact G & S Consultants are experts engaged by management and also the fact that auditors are ultimately responsible for gathering sufficient appropriate evidence and for the opinion. The performance in this part was poor with a majority of candidates failing to bring out these points. Most candidates simply stated whether or not auditors could rely on the work of G & S Consultants without supporting their arguments. Candidates should always be guided by the marks on offer in deciding on the extent and depth of the answers.

- (ii) This part of the question required candidates to discuss the exposure to litigation of Victor & Associates. For 8 marks candidates needed to evaluate the information in the scenario and deal with the possible exposure and likely outcome of any litigation against the firm.

Candidates should have considered the likely litigants against the auditors in the case and discussed each one of them and their chances of succeeding in the claim. In this case a brief introduction on the three criteria required in suing the auditors should have been discussed and these should have been applied to:

1. The institutional investor
2. The client company and
3. The bank

The performance in this question was poor despite that the topic has been examined in the same manner in the past including at the September 2024 examination session. At the advisory level candidates should argue and support their answers based on information provided in the scenario.

The following observations were made:

- (i) Many candidates discussed one of the possible litigants and in most cases could not give appropriate arguments to support their answer.
- (ii) A large number of candidates simply explained in general terms the guidance on professional negligence for auditors without making any reference to the information in the scenario.

QUESTION FIVE

The general performance on this question was poor. Only 28 of the 134 candidates that attempted the question managed to obtain at least 10 marks out of a total of 20 available marks. A pass rate of 20.8% was recorded. The highest score was 16 out of 20 marks while the lowest was 0.

Part (a)

- (i) This part of the question required candidates to explain the meaning of due diligence assignments and to apply this to the scenario in the question.

The following observations were made:

- Most of the candidates addressed the first part of the question explaining the meaning of due diligence but did not describe the need for one in the scenario resulting in the loss of marks attributed to doing so.
- There were many that simply did not know the meaning of due diligence and gave answers that were clearly incorrect.

- (ii) This part of the question required candidates to the matters that should be considered in performing a due diligence assignment for Luangwa Communications Inc. clearly explaining the matters that will be reported on. The matters that should have been explained are clearly stated in the scenario and all candidates needed to do is to apply a little skepticism and explain the matters that that should be considered.

The following observations were made:

- Many candidates discussed issues that are not in the scenario with many discussing risks, internal control weaknesses recommendations to mitigate the weaknesses which did not meet the question requirements.
- Some candidates explained the need for the auditors to have the necessary skills and competences to conduct a due diligence assignment.

Part (b)

- (i) This part of the question required candidates to explain how the changes in Chipangali Ltd would impact on the terms of the engagement discussing how they would be implemented. Candidates should have noted that there were significant changes in the nature of the company having obtained a listing on the stock exchange and also in the scope of the engagement and that this necessitated a change in the terms of the agreement in the letter of engagement

It was disappointing to note that many of the candidates could not realize the need for changes in the terms of the engagement. At the advisory level of the program, candidates are expected to evaluate information in the question and use it to answer the question requirements.

Some of the answers clearly show a lack of evaluation techniques by candidates to deal with question requirements. The following are examples of observations made:

1. There were candidates who discussed risks which were not relevant to the question.
 2. There were candidates that discussed internal control weaknesses and recommendation to mitigate them which had no relevance to the question.
- (ii) This part of the question required candidates to discuss matters of concern in the audit of the financial statements of Chipangali Ltd and suggest how they would be dealt with. Candidates should have noted the following matters that are of concern to the audit:
1. Failure to obtain evidence
 2. Failure to obtain explanations
 3. Poor internal controls and limitation of scope

Candidates at the advisory level should be able to evaluate vast and detailed information in a scenario and answer questions arising from such information.

The following observations were made:

- (i) Most of the candidates failed to identify the matters of concern and discussed issues that were not relevant to the case at hand.
- (ii) There were candidates who discussed subsequent events which were not specifically mentioned in the scenario.
- (iii) There were discussions of disclaimers which were not relevant.
- (iv) There were answers that signified lack of understanding of evaluation skills for example the following were some of the answers given:
 1. Do we have specialized skills, experience & qualified staff to conduct the audit?
 2. Do we have enough resources to conduct an audit?
 3. Do we have relevant knowledge to conduct the valuation of financial instruments in accordance with the relevant accounting skills?
 4. Are we able to perform an audit when internal controls are ineffective?

Most of the above points are relevant in deciding whether to bid for audit services or to accept appointment.

Overall performance of candidates

Highest mark obtained in this paper:	67%
Lowest mark obtained in this paper:	6%
Overall pass rate in this paper:	13.9%

SUBJECT: CA3.4 ADVANCED TAXATION

QUESTION ONE

The general performance on this question was poor. 49 out of the 196 candidates that attempted the question achieved a pass (that is a score of at least 20 out of 40 marks), representing a pass rate on the question of 25%. The lowest score was 1, whilst the highest was 32 out of the 40 available marks.

The question examined international aspects of taxation and financial planning. The question comprised four parts.

In part (a) candidates were required to calculate the amount of income tax payable by a Zambian resident individual receiving income from foreign sources. The following were the challenges faced by the candidates:

- (i) not grossing up the dividends from foreign sources before including them in the computation of taxable income.
- (ii) Including dividends from Zambian sources and GRZ bond interest which suffers WHT which is final in the computation of taxable income.
- (iii) Using the company income tax rate of 30% to compute the income tax payable instead of the graduated personal income tax bands for individuals.
- (iv) Failure to calculate the correct amount of double taxation relief available on the dividends from foreign sources.

In part (b) (i) candidates were required to explain the income tax implications arising from purchase of raw materials, by a Zambian parent company, from a subsidiary resident in a foreign country. The following are the challenges faced by the candidates:

1. Stating that reverse VAT will apply to the transaction which is wrong as reverse VAT only applies on importation of services, where a tax agent has not been appointed in Zambia.
2. Failure to determine the correct amount of the transfer pricing adjustment to be made when computing the taxable business profits, in relation to the imported raw materials.

In part (b) (ii) candidates were required to explain the income tax implications arising from the loan advanced by the Zambian resident parent company to its foreign

subsidiary. Most candidates mistook the interest income received from the foreign subsidiary for interest expense and therefore failed to explain the correct tax treatment.

In part (c) candidates were required to calculate the amount of taxable business profits for the Zambian resident company receiving interest income from foreign sources. The following are the challenges faced by the candidates:

- (i) Failure to determine the correct amount of the transfer pricing adjustment to be made in relation to the raw materials purchased from a foreign subsidiary.
- (ii) Not grossing up the dividends received from a foreign subsidiary before including it in the computation of taxable income
- (iii) Not including foreign interest income received on the loan made to the foreign subsidiary in the computation of taxable income. Most candidates treated this as part of the company's finance cost instead.
- (iv) Failure to compute the Tax EBITDA to determine the amount of the disallowed interest expense.
- (v) Using personal income tax bands to calculate the tax payable instead of the company income tax rate of 30%.
- (vi) Failure to calculate the correct amount of double taxation relief on dividends and interest received from foreign sources.

In part (d) (i) candidates were required to advise, using appropriate calculations, of the VAT implications and income tax implications arising from purchase of manufacturing equipment under a finance lease. The following are the challenges faced by the candidates:

- (i) Failure to calculate the correct amount of input VAT claimable on the manufacturing equipment. Some candidates were using 16% instead of 4/29 as the price was inclusive of VAT, while others were calculating input VAT on the finance lease rentals.
- (ii) Claiming capital allowances on the manufacturing equipment at the rate of 25% instead of 50%, while others were calculating capital allowances on the VAT inclusive cost instead of VAT exclusive cost.

In part (d) (ii) candidates were required to advise on the VAT and income tax implications arising from the purchase of the building using a bank loan. The following were the challenges faced by the candidates:

- (i) Failure to identify that there will be no VAT implications as the building will be acquired from a vendor who is not registered for VAT.
- (ii) Stating that the loan interest and loan processing fees will not allowable being capital in nature, when they qualify as payments that are economically equivalent to interest which should be allowable subject to the 30% tax EBITDA allowable interest limitation rules.
- (iii) Claiming capital allowances on the total cost of land.
- (iv) Failure to determine the components of the building to be classified as an industrial building and the part to be classified as a commercial building.
- (v) Using the wrong rates to compute wear and tear allowances on the buildings.

QUESTION TWO

The general performance on this question was poor. Only 43 of the 137 candidates that attempted the question managed to obtain at least 10 marks out of a total of 20 available marks. A pass rate of 31.4% was recorded. The highest score was 19 out of 20 marks while the lowest was 2.

The question examined tax planning and administration of direct taxes.

In part (a) candidates were required to discuss the differences between tax planning and advise on whether the proposed strategies by the taxpayer to reduce tax liabilities will amount to tax planning that would be accepted by ZRA. Most candidates' answers were limited just to explaining the differences between tax planning and tax evasion, without providing the required advice.

In part (b) candidates were required to advise on the amount of penalties and interest on overdue taxes and tax returns charged and return submission made by the tax payer during the year.

The following are the challenges faced by the candidates:

- (i) Failure to identify the due date when the balance of income tax payable relating to the previous year should have been paid. Candidates consequently failed to

compute the penalties arising on late payment of the tax and penalties arising on the late submission of the self-assessment income tax return.

- (ii) Failure to calculate the correct amount of provisional income tax payable for the tax year and consequently, the quarterly amount of provisional income tax payable. Most candidates mistook the provisional income given in the question for the provisional income tax payable.
- (iii) Failure to identify the due date when the first instalment of provisional income tax for the tax year was supposed to be paid, resulting in a failure to compute the correct amounts of penalties and interest arising for the for late payment of the tax.
- (iv) Failure to identify the correct due date for the submission of the return of provisional income tax resulting in a failure to compute the the penalties for late submission of the return. Some candidates also were charging a penalty of 2000 units per month instead of 1000 units per month as the taxpayer in question was an individual and not a company.

QUESTION THREE

The general performance on this question was very good. 146 of the 191 candidates that attempted the question managed to obtain at least 10 marks out of a total of 20 available marks. A pass rate of 76.4% was recorded. The highest score was 20 out of 20 marks while the lowest was 4.

The question covered taxation of mining operations and was made up of two parts.

In part (a) candidates were required to calculate mineral royalty tax paid during the year. The challenges faced by candidates were as follows:

- (i) Calculating the mineral royalty tax on copper using the old method instead of the rates provided in the examination paper.
- (ii) Using wrong rates to calculate the amount of mineral royalty tax on emeralds and manganese. Some candidates were using 6% as the rate of mineral royalty tax on manganese while other candidates mistook the values of emeralds and manganese to be in US Dollars (US\$) instead of Zambian Kwacha.

In part (b) candidates were required to calculate the amount of taxable mining profits and company income tax payable for the year. The following were the challenges faced by candidates who performed poorly:

- (i) Failure to distinguish allowable expenses from disallowable expenses. Some candidates disallowed mineral exploration expenditure and mine excavation expenditure which are all allowable deductions.
- (ii) Including the forex gain on investment property and forex gain on receivables as taxable income. These gains were not realized, hence do not constitute taxable income.
- (iii) Using the wrong rates to compute capital allowances. Some candidates calculated capital allowances at the rate of 25% while others used the rate 50% instead of the rate of 20% which applies to implements plant & machinery used directly in mining. Some candidates indexed the capital allowances which was wrong as the assets were acquired from within Zambia and paid for in Zambian Kwacha.
- (v) Failure to calculate the correct amount of disallowed interest.
- (vi) Failure to calculate the correct amount of the loss to be relieved against the taxable mining profits.
- (vii) Using personal income tax bands to compute the tax payable instead of the company income tax rate of 30%.

QUESTION FOUR

The general performance on this question was fair. 65 of the 146 candidates that attempted the question managed to obtain at least 10 marks out of a total of 20 available marks. A pass rate of 44.5% was recorded. The highest score was 17 out of 20 marks while the lowest was 0.

This question examined taxation of financial institutions and comprised two parts:

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

- (i) Failure to distinguish allowable expenses from disallowable expenses. Some candidates disallowed loan losses written off, directors' emoluments and pension benefits which are all allowable.
- (ii) Using the wrong rates to compute capital allowances claimable by the bank. some candidates claimed wear and tear on the head office building at a rate of

5% instead of 2% being a commercial building and the rate of used the rate of 20% to claim allowances on the ATM, instead of the rate of 25%.

- (iii) Computing the tax EBITDA for the bank and the amount of interest to be disallowed. However, the 30% of tax EBITDA rules do not apply to commercial banks.
- (iv) Using personal income tax bands to compute the tax payable instead of the company income tax rate of 30%.

In part (b) candidates were required to explain the conditions to be met for a share option scheme to be approved by the Commissioner General. Most candidates misunderstood the questions and explained the procedure to be followed for the share option scheme to be approved by the Commissioner General instead.

QUESTION FIVE

The general performance on this question was poor. Only 42 of the 115 candidates that attempted the question managed to obtain at least 10 marks out of a total of 20 available marks. A pass rate of 36.5% was recorded. The highest score was 17 out of 20 marks while the lowest was 0.

This question examined tax audits and administration of direct taxes.

Part (a) required candidates to explain the difference between a tax audit and a tax investigation. The performance on this part of the question was good by most candidates who attempted it.

In part (b) candidates were required explain the three (3) types of tax defaults that may be uncovered by the tax auditor during a tax audit. Most candidates demonstrated a lack of knowledge of the types of defaults and therefore failed to provide the required responses.

In part (c) candidates were required to advise on the disclosure options that may be available to regularize errors made on tax returns. Most candidates demonstrated a lack of knowledge of the types of disclosure options and therefore failed to provide the required answers.

In part (d) candidates were required to advise on the income tax and VAT implications of the errors made in the tax treatment of free residential accommodation provided to directors, maintenance expenses relating to the accommodation and expenditure on staff refreshments.

Candidates generally failed to identify the relevant VAT and income tax implications and therefore failed to provide the appropriate answers.

Overall performance of candidates

Highest mark obtained in this paper: 78%

Lowest mark obtained in this paper: 15%

Overall pass rate in this paper: 37.8%

SUBJECT: CA3.5: ADVANCED MANAGEMENT ACCOUNTING

QUESTION ONE

The general performance on this question was good. 18 out of the 31 candidates that attempted the question achieved a pass (that is a score of at least 20 out of 40 marks), representing a pass rate on the question of 58.1%. The lowest score was 3, whilst the highest was 28 out of the available 40 marks.

This question required candidates to:

- (a) To assess the financial performance of the company considering growth, profitability, liquidity and credit management.
- (b) To evaluate the non-financial performance of the company and comment on the overall performance of the company.
- (c) Discuss the advantages and disadvantages of ROI and RI to the company as proposed performance measures and explain why the ROI is preferred to RI.
- (d) Evaluating the potential impact of the introduction of the new information system on performance management.

Common mistakes made by the candidates included:

Part (a): Candidates were able to calculate the percentage increase/decrease in growth, profitability, liquidity and credit management but some candidates failed to bring out the implications of the increase or decrease which was critical at this level.

Part (b): Candidates could hardly evaluate the implications of the non-financial performance of the company

They were able to bring out the increases/decreases without explaining the implications of the increases/decreases in the non-financial performance measures.

Some candidates made explanations using classroom knowledge without linking the perspectives to the scenario, thus not attracting good marks.

Part (c): Most candidates were able to explain these performance measures, but the aspect of advantages and disadvantages were not satisfactorily discussed.

Most candidates were able to explain the benefits of the new system.

QUESTION TWO

The general performance on this question was excellent. 23 of the 27 candidates that attempted the question managed to obtain at least 10 marks out of a total of 20 available marks. A pass rate of 85.2% was recorded. The highest score was 18 out of 20 marks while the lowest was 3.

This question required candidates to:

Part (a) required candidates to discuss three performance measures that one would apply to the evaluation of a manager's scheme and how one would use those performance measures to judge the success of the scheme.

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

Part (b) required candidates to evaluate the strengths and weaknesses of quantitative, qualitative, and budget and actual as performance measures.

This part was very well answered and the marks contributed to a high pass rate.

Part (c) required candidates to discuss ways in which benchmarking could be used as a way of measuring and improving performance.

Common mistakes made by the candidates included:

In part (c), most candidates discussed benchmarking in general: internal, external and competitive benchmarking. The question required them to discuss ways in which benchmarking may be used by that *particular hospital* to improve its performance. Full marks were not given for discussing benchmarking in general

QUESTION THREE

The general performance on this question was good. 12 of the 17 candidates that attempted the question managed to obtain at least 10 marks out of a total of 20 available marks. A pass rate of 70.6% was recorded. The highest score was 16 out of 20 marks while the lowest was 7.

Question Three required candidates to:

Part (a): explain the stages of implementing a Business Process Re-engineering (BPR) exercise that an insurance company might undertake. *Candidates performed very well here.*

Part (b): discuss the improvements that the insurance company Board of Directors might expect from applying BPR.

The discussions on the improvements were admissible and full credit was given.

Common mistakes made by the candidates included:

- (i) Part (a): Poorer candidates could not relate their answers to the scenario given. For those who did full credit was given.
- (ii) Part (b): A few candidates waffled on this part.

QUESTION FOUR

The general performance on this question was fair. 11 of the 24 candidates that attempted the question managed to obtain at least 10 marks out of a total of 20 available marks. A pass rate of 45.8% was recorded. The highest score was 14 out of 20 marks while the lowest was 1.

This question required candidates to:

- (a) Evaluate the current budgeting process at RB. *This question was answered well by the majority of candidates.*
- (b) Explain the appropriateness of introducing beyond budgeting. *This subsection was not very well attempted*
- (c) Evaluate the usefulness of this type of benchmarking. *This subsection was well attempted.*

The common mistakes made by the candidates included:

- (i) Part (a): Poorer candidates failed to make use of the scenario when evaluating the current budgeting process at RB. The scenario referred to manual processes, time consuming, rigidity, change to standard costs not permitted thereby discouraging continuous improvement, etc. Some good things: some processes were computerized and participation by all managers. *Future candidates are encouraged to refer to the scenario – this is what is meant by "applying".*
- (ii) Part (b): Most candidates failed to bring out the appropriateness of beyond budgeting (BB) such as BB encouraging flexibility vs rigidity, devolved decision making, use of forecasts rather than detailed variance analysis, etc.
- (iii) But BB was not appropriate at RB because of no rapid changes taking place, management style is centralized, focus is on cost control, hence, no creativity requirement, etc.
- (iv) Part (c): The majority of candidates here suggested all types of benchmarking. However, the scenario referred to "RB carries out benchmarking of *its branches...*" This meant that only internal benchmarking was to be evaluated, citing advantages and disadvantages of this type of benchmarking.

QUESTION FIVE

The general performance on this question was poor. Only 6 of the 17 candidates that attempted the question managed to obtain at least 10 marks out of a total of 20

available marks. A pass rate of 35.3% was recorded. The highest score was 13 out of 20 marks while the lowest was 2.

This question required candidates to:

- (a) identify problems with performance measurement in Not For Profit Organisations and explain their implications in the case of such an organisation. *The problems were ably identified and well related to the scenario. Generally, the pass rate was good.*
- (b) evaluate the use of the current company's key performance indicator (conversion rate of the football players). *There was generally poor performance on this question.*
- (c) explain three main constraints of 'project KPIs' and project constraints in general, that project managers should consider. *The performance was very poor on part (c).*

Common mistakes made by the candidates included:

- (i) Part (a): Poorer candidates could not identify the problems such as multiple objectives, tunnel vision, difficult in measuring output, etc.
- (ii) Part (b): The evaluation of the use of the current key performance indicators (conversion rate of the football players) was not well done. Many candidates failed to understand what was required of them resulting in poor marks.
- (iii) Part (c): The three main constraints of Scope, Time, and Costs were not well answered. In most cases, the explanations were mere guess work.

Overall performance of candidates

Highest mark obtained in this paper: 62.5%

Lowest mark obtained in this paper: 3%

Overall pass rate in this paper: 65.5%

SUBJECT: CA 3.6: ADVANCED FINANCIAL MANAGEMENT

QUESTION ONE

The general performance on this question was poor. 7 out of the 25 candidates that attempted the question achieved a pass (that is a score of at least 20 out of 40 marks), representing a pass rate on the question of 28%. The lowest score was 1, whilst the highest was 26 out of the available 40 marks.

Part (a) required candidates to prepare a corrected statement of the incremental cash flows arising from the expansion project. Candidates committed simple mistakes when calculating costs for Materials, and Labour. Overheads were fixed at K30m. Some candidates did not apply Tax @ 25% on the Cash flow starting from year 2 to Year 5. Some candidates omitted tax savings on capital allowances. This eventually affected the Net Cash flows of Years 2 to 5. Other candidates omitted Working Capital as an inflow in year 5. The initial investment or Capital outlay is K500. However, it is increased by the amount of Working Capital in year 0 and as already stated, it should also be treated as an inflow in year 5. The various mistakes committed by candidates resulted in Net Cash flow figures to be wrong. Computations of tax savings on capital allowances on the cash flow statement, were often incorrect.

Part (b) required the candidates to calculate the cost of capital using the market values of equity and debt. The Cost of capital was not well understood as shown by the so many wrong answers presented by candidates. Equally the Cost of Debt was not well understood for the same reason. The Market values of Equity should have been as follows: Equity (70m x K5.6) = 392 and Bonds (K200m x 1080/1000 = 216.

Part (c) required candidates to evaluate the financial viability of the expansion project using the different investment appraisal techniques. Incorrect computations of the discounted payback period, net present value and internal rate of return were mostly due to usage of incorrect net cash flows. On discounted Payback, candidates exhibited lack of knowledge as evidenced by poor response.

QUESTION TWO

The general performance on this question was good. 16 of the 24 candidates that attempted the question managed to obtain at least 10 marks out of a total of 20 available marks. A pass rate of 66.7% was recorded. The highest score was 16 out of 20 marks while the lowest was 0.

Part (a) the candidates were asked to evaluate the current dividend policy of a company. Most common mistakes of those that responded to this section of the question was the failure to correctly evaluate the current dividend policy of EMMO Limited as asked in the question. In the question, the dividend payouts were clearly stated. It required the candidate to use the summarized table which showed profits, from year 2019 to 2023, investments in 2020 and 2022 and dividends payments from 2019 to 2023 each year.

Part (b) of the question required the candidates to advise on the potential risks with an IPO and what action can be taken to minimise such risks. The candidates answer for this part of the question required them to state the potential risks regarding the Initial Public Offering (IPO) as a preferred source of additional funds as opposed to bank loans. Some candidates did not identify and state risks attached to IPO decision. Some stated risks unrelated to this decision.

Part (c) of the question required the candidates to discuss the concerns of the Director regarding the possible implications of becoming a listed company on dividend, financing and investment strategies and the interrelationship between them. This part of the question requires the candidates answers the implications for EMMO directors in the event that their company becomes listed particularly concerning dividends, financing and investment strategies and their interrelationship. Some responses failed to identify and state the implications. They instead discuss the performance of the company in terms of profits, retained earnings and cash flow.

QUESTION THREE

The general performance on this question was poor. Only 4 of the 23 candidates that attempted the question managed to obtain at least 10 marks out of a total of 20 available marks. A pass rate of 17.4% was recorded. The highest score was 13 out of 20 marks while the lowest was 2.

Part (a) of the question required the candidate to explain three (3) advantages of growth by acquisition. Part (b) of the question required the candidates to assess the effect on the current share price. Part (c) of the question required the candidates to calculate the current conversion value which was mostly done correctly. The few students that answered this question displayed scanty knowledge of the required calculations on mergers and acquisitions in part(b) and part(c). However, part(a), which was theory and required the merits of growth by acquisition, was mostly correctly answered, by the students who attempted it.

QUESTION FOUR

The general performance on this question was very poor. None of the 6 candidates that attempted the question managed to obtain at least 10 marks out of a total of 20 available marks. A pass rate of 0% was recorded. The highest score was 9 out of 20 marks while the lowest was 0.

Part (a) required a candidate to compute the annual spot yield curve for each bond. Calculation of the annual sport yield curve for each bond presented a lot of difficulties to candidates. In arriving at PV 14% and PV @ 16% for Bond A Similarly for Bond B candidates were failing to calculate the correct PV at 14% and @ 23%. The same thing applies to Bond C where PV should have calculated @ 14% and 30%.

IRR: Very few candidates got the IRR correct in all the three Bonds because of calculating wrong PVs of these bonds. This is because the PV calculated at 14% for Bonds A, B and C are part of the formula to calculate IRR

Part (b) required the candidate to evaluate whether or not the swap is likely to be agreed. Candidates got different and wrong differential figures between Zimbabwe and Zambia. The difference arose mainly in calculation of fixed rates and floating rates between the two countries. This resulted in calculating the wrong Net benefit of swap. net differential: Candidates should have been aware that the difference between Fixed rate and floating rate is the net differential of 0.70%.

Part (c) asked candidates to discuss two (2) disadvantages of using interest rate swaps to manage the interest rate risk in the case of Zambia. Candidates exhibited lack of knowledge of the disadvantages of using interest rate swaps.

QUESTION FIVE

The general performance on this question was very good. 16 of the 20 candidates that attempted the question managed to obtain at least 10 marks out of a total of 20 available marks. A pass rate of 80% was recorded. The highest score was 16 out of 20 marks while the lowest was 4.

Part (a) of the question required the candidates to discuss whether you agree with the board chairperson's assessment and the various measures that Government may take to try and prevent the exploitation of the country by multinationals. The common mistakes made by the candidates who attempted this part of the question was that they did not first explain what political risk and how MOBIT International was going to be exposed to this risk as a multinational company. Further, the response required that the candidate's answer discusses fully the measures what the Government would do in order to protect itself against exploitation by multinational companies like MOBIT International.

In part (b), candidates were required to assess the various strategies that MOBIT International can adopt to limit the effects of political and other risks. The response requires candidates' answers to bring out how MOBIT international would hedge against both political and other risks. Some candidates did not identify and state the actions to be taken given the stated risks.

Overall performance of candidates

Highest mark obtained in this paper: 54%
Lowest mark obtained in this paper: 25%
Overall pass rate in this paper: 39.1%

SUBJECT: 3.7: PUBLIC SECTOR AUDITS AND ASSURANCE

QUESTION ONE

The general performance on this question was excellent. 120 out of the 134 candidates that attempted the question achieved a pass (that is a score of at least 20 out of 40 marks), representing a pass rate on the question of 89.9%. The lowest score was 4, whilst the highest was 31 out of the available 40 marks.

Part (a)

This part of the question required candidates to describe how the audit team could plan the audit of SEDA using the Principles of Public Sector Auditing. A good number of candidates scored more than half the available marks in this part of the question.

The following observations were made resulting in some candidates scoring low marks:

- (i) There were candidates that explained fundamental ethical principles which are different from the principles of public sector auditing and no marks were awarded for doing so.
- (ii) A sizeable number of candidates explained factors to consider before accepting the audit which did not meet the question requirement.
- (iii) A sizeable number of candidates simply gave answers that were not related to the principles of public sector auditing, sometimes discussing the requirements of the Lima declaration.

Part (b)

This part of the question required an explanation of the framework for undertaking a performance of SEDA using the value for money principles. Candidates lost marks for not applying the information in the scenario in answering the question.

Part (c)

This part of the question required candidates to describe the type of audit that would be undertaken at PowerCorp. Candidates needed to use their knowledge of the provisions of ISSAI 100 which specifies the types of audits that can be conducted in the public sector.

Most of the candidates performed well in this part of the question but there were others that scored low marks.

There were candidates that could not correctly explain the type of audit that could be conducted and were not able to score maximum marks.

Part (d)

This part of the question required candidates to explain the impact of big data in the audit of PowerCorp. Candidates should have noted that the question required them to

discuss the impact of big data and data analytics on PowerCorp and a sizeable majority overlooked this and answered the question from the point of view of the public sector auditors. There were candidates who discussed the benefits of computerization in general without explaining how big data and data analytics could impact an entity that is highly computerized.

QUESTION TWO

The general performance on this question was good. Only 54 of the 83 candidates that attempted the question managed to obtain at least 10 marks out of a total of 20 available marks. A pass rate of 65.1% was recorded. The highest score was 20 out of 20 marks while the lowest was 2.

This was the highest attempted optional question, and the performance was fair with an average score of 11 and slightly more than half the candidates who attempted the question scoring half or more of the available marks.

Part (a)

This part of the question required candidates to write a report to INTOSAI explaining the extent of compliance with the general requirements for performance auditing by the SAI of Madagascar. In order to answer this question satisfactorily candidates needed to know the general requirements for performance auditing, and they needed to use these in evaluating the extent of compliance of the SAI of Madagascar.

The following observations were made:

- (i) There were candidates who explained the general principles without discussing the extent of compliance as required. Candidates lost marks allocated to doing so.
- (ii) The question required the use of a report form and there were marks awarded for using the correct format. A sizeable number of candidates did not use this format and as a result lost the marks allocated to doing so.
- (iii) There were candidates that discussed the general principles of public sector auditing according to ISSAI 100 with no reference to the information in the scenario.

Part (b)

- (i) This part of the question required candidates to describe the 5 elements of toilet construction project in the performance audit. While a few candidates answered this part of the question correctly, most of the candidates seemed not to know the elements of performance auditing. As a result, they could not apply these to the case in the scenario.

The following observations were made:

1. There were candidates that discussed the elements of assurance engagements in answering this part for which no marks were awarded because they are different from the elements of performance auditing.
2. There were candidates that discussed the three value for money principles which are part of the elements that should have been discussed and so did not score maximum marks.
3. There were many others that simply gave answers that were not correct such as the following:

- (a) Ethical requirements
- (b) Quality control
- (c) Risk assessment
- (d) Monitoring etc.

- (ii) This part of the question required candidates to describe the value for money principles in the performance audit of the toilet's construction project. General answers with no reference to the information in the scenario did not attract maximum marks. Most of the candidates scored well in this part of this question.

The following observations were made:

- (a) There were candidates that discussed the three values for money principles without making any reference to the information in the scenario as expected.
- (b) There were candidates who surprisingly stated that there was no value for money principles because of poor quality of materials, poor workmanship and conflicts of interests.
- (c) A sizeable number of candidates discussed threats to independence which were not the question requirement.

QUESTION THREE

The general performance on this question was fair. Only 53 of the 119 candidates that attempted the question managed to obtain at least 10 marks out of a total of 20 available marks. A pass rate of 44.5% was recorded. The highest score was 15 out of 20 marks while the lowest was 0.

Part (a)

This part of the question required candidates to describe the objectives of undertaking an audit in the Ministry of Foreign Affairs. Most of the candidates were able to explain the objectives of the audits that could be conducted in the Ministry of Foreign Affairs. A few candidates gave answers that were clearly not the objectives of the audits such as the following:

- (i) The auditor has to be objective and should have a skill of competence.
- (ii) The audit will uncover how the procurement committee or department engaged dispatch logistics.
- (iii) To uncover why no report of follow up was done to dispatch.

The above answers were not related to any audit that could be undertaken at the Ministry of Foreign Affairs.

Part (b)

This part of the question required candidates to describe the types of audits that could be undertaken in the Ministry of Foreign Affairs. Most candidates explained the types of audits that could be undertaken at the Ministry of Foreign Affairs. There was a sizeable number of candidates that simply stated the type of audit with no explanation and relation to the information in the scenario which is expected at this level of the examinations.

There were answers that showed a lack of understanding of the types of audits that could be undertaken, for example:

- (i) Financial audits which focus on evaluations being done by government like operations activities, institutions, budgets done in accordance with financial statements with the framework.
- (ii) Performance audit is when there is no evidence of loss report processed to account for the financial loss.

Part (c)

This part of the question required an identification of the matters that should be brought to the attention of management in the Ministry of Foreign Affairs. The performance in this part was poor with most candidates scoring less than half the available marks.

The following observations were made:

- (i) Many candidates gave less than the expected number of issues for the marks available.
- (ii) Many gave answers that were not from the scenario and yet there are issues that should have been explained contained in the scenario.

Part (d)

This part of the question required candidates to recommend suitable action on the matters explained in (c). Because of failure to identify issues to be brought out to the management as required in (c), most of the candidates could not make appropriate recommendations and lost easy marks.

QUESTION FOUR

The general performance on this question was good. Only 49 of the 83 candidates that attempted the question managed to obtain at least 10 marks out of a total of 20 available marks. A pass rate of 59% was recorded. The highest score was 17 out of 20 marks while the lowest was 1.

Part (a)

This part of the question required candidates to explain the fundamental principles of financial auditing.

Most of the candidates ably explained the fundamental principles and scored maximum marks in this part.

Part (b)

This part of the question required candidates to describe the key steps in the framework for auditing financial statements in the public sector. Most candidates explained the elements of an audit which were not the requirement of the question. There were other candidates that explained the responsibilities of management and no marks were awarded for doing so.

Part (c)

This part of the question required candidates to describe the scope/specific auditable areas in the conduct of a financial audit for the Ministry of Water Development and Sanitation.

A majority of candidates failed to explain the scope of auditable areas in the scenario in relation to a financial audit.

Part (d)

This part of the question required candidates to describe the process of audit risk assessment when conducting a financial audit.

While there were good answers to this part of the question, a sizeable number of candidates explained audit risk and the elements of audit risk which did not address the question requirement.

QUESTION FIVE

The general performance on this question was poor. Only 24 of the 117 candidates that attempted the question managed to obtain at least 10 marks out of a total of 20 available marks. A pass rate of 20.5% was recorded. The highest score was 14 out of 20 marks while the lowest was 0.

Part (a)

This part of the question required candidates to describe 2 other types of audits that could be conducted together with the compliance audit in the scenario.

Candidates needed to use the information in the scenario in describing the other two types of audits that could be undertaken and in most cases, candidates simply stated with no explanations. There were candidates that explained all the including compliance for which no marks were awarded.

Part (b)

This part of the question required candidates to explain the significance of compliance auditing in the context of financial statements for ZAQA.

Candidates were expected to explain this in the context of matters that would be subject to the compliance audit. Many candidates concentrated on discussing financial statement audits instead of focusing on compliance issues.

Part (c)

This part of the question required candidates to list and describe 5 elements in the framework for the compliance audit of ZAQA.

Candidates explained elements of assurance engagements which were not the question requirement while others discussed ethical principles for which no marks were awarded.

Part (d)

This part of the question required candidates to describe 2 parties to the compliance audit. Most candidates ably answered this part of the question and scored the maximum two marks.

Overall performance of candidates

Highest mark obtained in this paper:	65%
Lowest mark obtained in this paper:	18.5%
Overall pass rate in this paper:	40%

SUBJECT: CA 3.8: PUBLIC SECTOR FINANCIAL MANAGEMENT

QUESTION ONE

The general performance on this question was poor. 6 out of the 18 candidates that attempted the question achieved a pass (that is a score of at least 20 out of 40 marks), representing a pass rate on the question of 33.3%. The lowest score was 6, whilst the highest was 30 out of the 40 available marks.

- (a) This question required the candidates' responses to first identify and state the three Public Private Partnership Models (PPPs), that can be used by the in addressing the shortfall in electricity production. Some answers did not state these models, some only stated and explained one (1) of the required three (3) PPP models. Candidates did not explain adequately acceptable PPP approaches which include (1) Maintain and Operate Arrangement (b)(1) Implication for public Resources (ii) Implication for Management (b) (iii) Implication for the Residual Asset. Candidates should have noted that Residual asset is government property and ownership rights are not affected by PPP arrangement. Candidates need to state that the residual risk is a major constraint of government arrangement.
- (b) This section of the question required the candidates' answers to the PPP arrangement as identified under (a) stating clearly the implications pf PPP on public resources, for management and what will be the status of the residual asset. Candidates exhibited shallow knowledge of the topic. Candidates should have demonstrated the implication of the following under PPP arrangement: (i)- Implication for Public Resources (ii) Implication for Management an implication for residual asset. Candidates should have explained Divestiture and partial transfer. They should have stated what is the implication for public monies, implication for management and implication for Residual Asset.
- (c) The question required candidates to state what distinguishes the delivery methods of capital expenditure. The question was fairly attempted.
- (d) The question required candidates to explain the characteristics of conversional procurement models and state the commonalities that are found in these types of models. The question was fairly attempted.

QUESTION TWO

The general performance on this question was excellent. 17 of the 18 candidates that attempted the question managed to obtain at least 10 marks out of a total of 20 available marks. A pass rate of 94.4% was recorded. The highest score was 20 out of 20 marks while the lowest was 7.

Part (a) the candidates were asked to explain the difference between revenue and financing. Part (b) of the question required the candidates to explain the sources of financing and potential issues in relying on foreign borrowing as a significant source of revenue financing. Part (c) of the question required the candidates to explain reforms government must implement in order to minimize reliance on foreign borrowing. The questions were entirely theory. However, little or no reference was made to the table of sources of central government revenue included as part of the question scenario. Students who attempted the question generally performed well, except in Part (c), where answers in some instances lacked sufficient discussion points to merit the full twelve marks.

QUESTION THREE

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

Part (a) of the question required the candidate to discuss the possible reasons for the decline of economic growth in Zambia by the end of 2021. (a) Reasons for Economic Decline in Zambia were not well explained and not convincing for some candidates.

Part (b) of the question required the candidates to explain the measures that the government could have put in place to improve economic growth. Candidates should have explained measures put in place by government that have led to positive economic growth such as: (1) Strengthening the fiscal position and restoring fiscal buffers to increase confidence, reducing borrowing, build resilience against external shocks. (2) Engagement of IMF on bailout and external creditors on restructuring debt. (3) Debt management activities to be audited by external auditors. (4) Clarification by the legal framework of the authority to borrow and issue new debt, invest and undertake transactions on the government's behalf.

QUESTION FOUR

The general performance on this question was very good. 4 of the 6 candidates that attempted the question managed to obtain at least 10 marks out of a total of 20 available marks. A pass rate of 66.7% was recorded. The highest score was 16 out of 20 marks while the lowest was 8.

Part (a) required a candidate to explain public debt management. Part (b) required the candidate to explain the purpose of debt strategy policy document and debt sustainability analysis document. Part (c) asked candidates to explain the factors that determine a country's level of borrowing. Lower marks were scored by some students in part (a) because of insufficient answers relative to the question, which required an

explanation of the institutional framework of Zambia's public debt management, and in part(c), where a discussion of the factors that determine a country's level of borrowing was required.

QUESTION FIVE

The general performance on this question was excellent. All the 13 candidates that attempted the question managed to obtain at least 10 marks out of a total of 20 available marks. A pass rate of 100% was recorded. The highest score was 16 out of 20 marks while the lowest was 11.

Part (a) of the question required the candidates to discuss explain expenditure scope of external audit in the public sector.

In part (b), candidates were required to explain the financial report and the external audit scrutiny process in Zambia

In part (c), candidates were required to explain the challenges that most public sector entities face to ensure that they adhere to guidelines of preparing financial reports.

Overall performance of candidates

Highest mark obtained in this paper: 79%

Lowest mark obtained in this paper: 36%

Overall pass rate in this paper: 94.4%