



MARCH 2025 EXAMINATIONS

CHIEF EXAMINER REPORT

CA ZAMBIA

## **CA1.1 FINANCIAL ACCOUNTING**

### **QUESTION ONE**

The general performance on this question was poor. 24 out of the 79 candidates that attempted the question passed (got at least 10 out of the total 20 marks available). The pass rate recorded was 30.4%. The highest mark scored on this question was 16 out of 20 and the lowest was 0 out of 20.

This question had ten multiple choice question parts. Candidates are encouraged to prepare adequately before attempting this paper.

### **QUESTION TWO**

The general performance on this question was very good. 58 out of the 76 candidates that attempted the question passed (got at least 10 out of the total 20 marks available). The pass rate recorded was 76.3%. 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 the partnerships' Income Statement and the appropriation account for the year ended 31<sup>st</sup> December 2024. This part was well answered.

Part (b) required candidates to prepare the partnership statement of financial position as at 31<sup>st</sup> December 2024. Candidates failed to calculate depreciation on motor vehicles by applying 20% on cost instead of using the Net book value. Candidates lost marks on closing capital balances. Candidates are encouraged to use current accounts for adjustments.

### **QUESTION THREE**

The general performance on this question was fair. 26 out of the 59 candidates that attempted the question passed (got at least 10 out of the 20 marks available in total). The pass rate recorded was 44.1%. The highest mark scored on this question was 16.5 out of 20 and the lowest was 1.5 out of 20.

Part (a) (i) required candidates to compare the use of "Historical Cost" and "Current Cost" as measurement bases applied to transactions. This part was poorly answered. Possible reason may be that candidates pay less attention to theory part of the syllabus.

Part (a) (ii) required candidates to explain the meaning of "faithful representation" and "relevance" as qualitative characteristics of financial information. This part was well answered.

Part (b) required candidates to provide two reasons why the accruals basis of preparing accounts in Zambia should be adopted by public sector organizations compared to the cash basis. This part was poorly answered.

Part (c) required candidates to update the given accounting equation from the transactions that occurred in the month. The poor answers showed that candidates had very little understanding of double entry system required in the accounting equation.

#### **QUESTION FOUR**

The general performance on this question was fair. 31 out of the 70 candidates that attempted the question passed (got at least 10 out of the total 20 marks available). The pass rate recorded was 44.3%. The highest mark scored on this question was 20 out of 20 and the lowest was 1 out of 20.

Part (a) (i) required candidates to prepare the journal to correct the errors given. Candidates lost marks by failing to define the account title to each entry made.

Part (a) (ii) required candidates to prepare a suspense account. Poor answers were given. Knowledge of the double entry system is lacking.

Part (a) (iii) required candidates to show the calculations of the corrected net profit. Again, poor answers were given due to lack of knowledge on the relationship between the entries in the ledger and how these entries affect the profit in final accounts.

Part (b) (i) required candidates to redraft the trial balance after making adjustment from the errors given. This part was well answered.

Part (b) (ii) required candidates to explain any three errors that do not affect the trial balance. This part was well answered.

#### **QUESTION FIVE**

The general performance on this question was very poor. 1 out of the 49 candidates that attempted the question passed (got at least 10 out of the total 20 marks available). The pass rate recorded was 2.0%. The highest mark scored on this question was 10 out of 20 and the lowest was 0 out of 20.

Part (a) required candidates to prepare a statement of profit or loss account for the year ended 31<sup>st</sup> March 2024. Knowledge of incomplete records seems to be absent in the candidates hence the poor answers given.

Part (b) required candidates to prepare a statement of financial position as at 31<sup>st</sup> March 2024. Good answers were given in this part for figures that were given in the question paper.

## **QUESTION SIX**

The general performance on this question was very poor. 1 out of the 41 candidates that attempted the question passed (got at least 10 out of the total 20 marks available). The pass rate recorded was 2.4%. The highest mark scored on this question was 10 out of 20 and the lowest was 0 out of 20.

Part (a) required candidates to prepare adjusted payables control account that included necessary adjusting entries. Very poor answers were presented. A possible reason could be that less attention is given to the syllabus section dealing with control accounts.

Part (b) required candidates to prepare a reconciliation of the list of balances to the corrected payables control account balance. Very poor answers were given. See Part (a) reason for poor answers.

Part (c) required candidates to explain two purposes of control accounts. Good answers were given.

Part (d) required candidates to prepare journal entries for selected errors. This part was well done.

## **OVERALL PERFORMANCE OF CANDIDATES**

Highest mark obtained in this paper	73%
Lowest mark obtained in this paper	9%
Overall pass rate in this paper	26.6%

## **CA1.2 BUSINESS STATISTICS**

### **QUESTION ONE**

The general performance on this question was Excellent. 53 out of the 59 candidates that attempted the question passed (got at least 10 out of the total 20 marks available). The pass rate recorded was 89.8%. The highest mark scored on this question was 20 out of 20 and the lowest was 6 out of 20.

This comprised multiple-choice questions 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 to improve performance in this section of the examination.

### **QUESTION TWO**

The general performance on this question was good. 37 out of the 58 candidates that attempted the question passed (got at least 10 out of the total 20 marks available). The pass rate recorded was 63.8%. 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. Part (a) of the question required candidates to use the given scenario on subordinate employee seeking Pay rise. Candidates were required to list two internal and external sources of data that the company can use to affect the pay rise. It was noted that candidates demonstrated good knowledge of the subject and obtained good results in this part.

Part (b) required candidates describe how they would obtain data to successfully sell a new product in the market. A good knowledge of the topic resulted in better performance on this part as candidates were able to share various statistical research methods that can be used in this scenario.

The third Part of the question required candidates to use the given statistical data on two products and determine which one should be. They were required to use mean and standard deviation to assess a good product. It was observed that majority of candidates found the coefficient of variation and made the required conclusion correctly, however some candidates were observed not to be sure how to select the good product using the given data. It is therefore recommended that candidate's study and understand the meaning of the coefficient of Variation.

The last part of the question required candidates to use given data set to compute the 4 – year moving average. Most candidates were able to solve the question correctly except for a few who made computational errors in their solving process.

### **QUESTION THREE**

The general performance on this question was good. 36 out of the 59 candidates that attempted the question passed (got at least 10 out of the total 20 marks available). The pass rate recorded was 61.0%. The highest mark scored on this question was 20 out of 20 and the lowest was 0 out of 20.

This question was attempted by all the candidates with an average performance of 11 out of a total of 20 marks.

The question was on grouped data requiring candidates to find the mean, standard deviation, mode, median and Skewness. The general performance was good as most candidates demonstrated knowledge of solving the given question. There was an observed use of wrong totals in the table for few candidates hence loss of marks. Some candidates were observed to have used wrong principles in determining the median and the mode. They were just selecting the median or modal class rather than calculating the actual value.

### **QUESTION FOUR**

The general performance on this question was very good. 39 out of the 54 candidates that attempted the question passed (got at least 10 out of the total 20 marks available). The pass rate recorded was 72.2%. The highest mark scored on this question was 20 out of 20 and the lowest was 1 out of 20.

This question was attempted by 52 out of 58 candidates with an average performance of 12 out of a total of 20 marks. Part (a) of the question required candidates to use the method of least square regression to find the coefficient of correlation, and also to find the regression line and use the regression line to predict values of dependent variable, given the independent variable. Candidates were further required to find the coefficient of correlation. Most candidates found the coefficient of correlation correctly but those who failed were observed to have been square rooting the coefficient of correlation instead of squaring it.

Part (b) required candidates to use the given ungrouped data to find the interquartile range, mean and mode. It was noted that most candidates failed to find the correct interquartile range, mainly due to finding and using wrong quartiles and it was observed that some who found the correct result went on to divide it by two, demonstrating a lack of knowledge on how the result should be.

## **QUESTION FIVE**

The general performance on this question was very poor. 2 out of the 15 candidates that attempted the question passed (got at least 10 out of the total 20 marks available). The pass rate recorded was 13.3%. The highest mark scored on this question was 20 out of 20 and the lowest was 0 out of 20.

This question was attempted by 15 out of 58 candidates with an average performance of 7 out of 20 marks. The first part of the question required candidates to use the given data on discrete probability distribution to find the expected value and the variance. Majority of candidates failed to obtain full marks on this question as it was observed that they used wrong formula, particularly the formula used to find mean and variance of ungrouped data. This resulted in wrong solutions.

The second question required candidates to use the Time series data that was given to calculate the seasonal variation of the data. Most candidates failed this question as they were observed to have been finding moving averages instead of seasonal variations as required in the question.

The last part of the question required candidates to use the basic formula of finding the mean of ungrouped data to calculate the age of a student given two means and sample sizes of the data. Most candidates failed the question due to lack of understanding of how to work out the mathematical algebra on means involving the given scenario.

## **QUESTION SIX**

The general performance on this question was poor. 18 out of the 49 candidates that attempted the question passed (got at least 10 out of the total 20 marks available). The pass rate recorded was 36.7%. The highest mark scored on this question was 20 out of 20 and the lowest was 1 out of 20.

The first part required candidates to state whether the data is discrete or continuous. Most candidates were able to give correct solutions on this part except a few who mixed up the two concepts.

The second part required candidates to use the given probability distribution data, to show it graphically, find specified probabilities from the table, and the mean and standard deviation. Majority of candidates failed to find the correct specified probabilities and the standard deviation, but were able to find the mean and show the data graphically

## **OVERALL PERFORMANCE OF CANDIDATES**

Highest mark obtained in this paper	95%
Lowest mark obtained in this paper	27%
Overall pass rate in this paper	72.9%



## **SUBJECT CA 1.3 BUSINESS ECONOMICS**

### **QUESTION ONE**

The general performance on this question was fair. 38 out of the 81 candidates that attempted the question passed (got at least 10 out of the total 20 marks available). The pass rate recorded was 46.9%. 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 fair. 36 out of the 81 candidates that attempted the question passed (got at least 10 out of the total 20 marks available). The pass rate recorded was 44%. The highest mark scored on this question was 17 out of 20 and the lowest was 0 out of 20.

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

- (a) This was subdivided into (i), (ii), (iii) and (iv) which required candidates to explain how a change in technology will affect the quantities and process of coffee and tea respectively. There was no requirement to draw graphs, though they would have helped candidates a lot to appreciate what happens. The common mistakes included failure to know which curve is affected, which curve shifts and to what direction. Many answers given lacked this analysis.
- (i) Quantity of tea: Improvement in technology used in production affects the supply curve which shifts to the right.
  - (ii) Price of tea: Rightward shift always leads to reduction in equilibrium price
  - (iii) Quantity of coffee: As a substitute in consumption for tea, a leftward shift in the demand curve for coffee results
  - (iv) Price of coffee: Leftward shift in the demand curve always leads to an increase in equilibrium price.
  - (v)
- (b) This part of the question required candidates to illustrate how technological breakthroughs in the tea industry will affect wage rates for coffee workers in the labour market. This was fairly done though many candidates failed to know that it was the demand curve for coffee which will drive the producers of coffee to require less workers. Many candidates presented a shift in the supply curve for tea which is ok, but the question was on labour and wage rate for coffee industry.
- (c) This was subdivided into two (2) parts namely (i) and (ii) as follows:

- (i) Required candidates to calculate the equilibrium quantity and price using the given equations or functions. This was well answered by almost all candidates.
- (ii) Required candidates to calculate and comment on the new equilibrium quantity and price when a tax charge of K6 is imposed on tea producers. This was poorly done. Only a few candidates got it right. The common challenge was how to treat the tax of K6. Some just added to the equilibrium price found in (c)(i) while others used the demand equation. The tax is a charge on producers and so it is the supply equation to be used.

### QUESTION THREE

The general performance on this question was good. 30 out of the 54 candidates that attempted the question passed (got at least 10 out of the total 20 marks available). The pass rate recorded was 55.6%. The highest mark scored on this question was 14 out of 20 and the lowest was 2 out of 20.

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

(a) This was subdivided into (i), (ii) and (iii):

Performance was very poor for this question. To answer the question parts, candidates needed to derive the long run average cost from the long run total cost function simply by dividing by  $q$  since  $ATC = TC/Q$ . Thereafter, MC must be equated to average cost to determine the market price, and the rest follows the correct market price.

- (i) Required candidates to determine the market price using the given equations
- (ii) Required candidates to calculate how much each firm produces
- (iii) Required candidates to determine the number of firms in the industry in the long run

(b) This part of the question required candidates to explain the relationship between the price and marginal revenue under:

- (i) Perfect competition: majority of the candidates got this right.  $MR = \text{Price}$  always.
- (ii) Monopoly: Majority of candidates has challenges on this. Under monopoly, MR is always less than the price

(c) This required candidates to explain any four (4) arguments against monopoly. This was well answered.

## **QUESTION FOUR**

The general performance on this question was poor. 58 out of the 79 candidates that attempted the question passed (got at least 10 out of the total 20 marks available). The pass rate recorded was 34.4%. The highest mark scored on this question was 20 out of 20 and the lowest was 0 out of 20.

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

- (a) This was subdivided into (i), (ii) and (iii) and required candidates to explain:
  - (i) Public goods: This was fairly done well by majority of candidates. Some even provided very good examples to amplify their explanations.
  - (ii) Market failure: This was fairly done. The common mistake was failure to explain market failure as an economic concept. Many candidates gave common sense answers of when a business does not make profit or when there are no buyers for a good, and so on. Candidates are urged to study the entire syllabus.
  - (iii) Externalities: Again, this was fairly done. However, some candidates merely defined the concept externalities while others could not cover both positive and negative externalities to score the full marks allotted for the question.
- (b) This part of the question required candidates to describe how taxes and subsidies can be used to regulate market failure. This was well done by those candidates who understood what market failure all is about.
- (c) This required candidates to explain why the imposition of a tax may not produce the desired result. Majority of the students failed this part of the question. All that was needed was to appreciate the fact that when a tax is imposed, it would lead to price increases. However, the impact depends on the price, elasticity of demand, and the responsiveness of the buyers to a change in price.
- (d) The last part of this question required candidates to list any five (5) features of a free market economy. This was well answered though a few candidates confused market economy with planned economy in their answers.

## **QUESTION FIVE**

The general performance on this question was poor. 20 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 32.3%. The highest mark scored on this question was 15 out of 20 and the lowest was 2 out of 20.

The question was divided into five (5) sections namely, (a), (b), (c), (d), and (e) as follows:

- (a) Part (a) of the question required candidates to draw the demand curve faced by a perfect competitor. This was fairly done but some candidates drew downward sloping demand curves as opposed to the horizontal demand curve. Others couldn't label their graphs properly.
- (b) This part of the question required candidates to describe the price elasticity of demand faced by a perfect competitor. Performance was mixed here. Some candidates correctly stated the price elasticity of demand as perfectly elastic but could not describe it as required.
- (c) This required candidates to state one (1) example of an industry in Zambia which best meets the characteristics of perfect competition. Many candidates failed to give the correct examples in Zambia. Many examples given are for other market structures rather than perfect competition. To come up with the correct example, candidates need to understand the characteristics of perfect competition as a market structure.
- (d) This part required candidates to explain the effect of freedom of entry and exit under perfect completion. This was largely poorly done. Majority of the candidates simply outlined the characteristics of perfect competition, which were not required! Others provided inadequate effects of freedom pf entry and exit.
- (e) The last part required candidates to explain whether it is necessary for the government to intervene in price setting under perfect competition. Performance on this part of the question was fair. However, a good number of students answered that there is need for government intervention which was wrong. The fact that each seller is a price taker means that none has influence over the selling price. There is no need for government intervention.

## **QUESTION SIX**

The general performance on this question was poor. 18 out of the 46 candidates that attempted the question passed (got at least 10 out of the total 20 marks available). The pass rate recorded was 39.1%. The highest mark scored on this question was 20 out of 20 and the lowest was 0 out of 20.

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

- (a) This part of the question required candidates to outline any three (3) merits or advantages and any three (3) demerits or disadvantages of a free-floating exchange rate. Overall performance was fair. The common mistakes included mere definitions of the free-floating exchange as opposed to outlining the merits and demerits as required. Further, many answers were too general in nature.
- (b) This part of the question required candidates to explain any two (2) impacts of the depreciation of the kwacha on the Zambian economy. This was fairly done by most

of the candidates. However, some candidates merely concentrated on the impact on imports alone.

- (c) This required candidates to outline any four (4) consequences of a current account deficit to a country. The common mistake here was that some candidates confused current account deficit with a budget deficit. Many answers given related to the budget deficit!
- (d) The last part of this question required candidates to explain why trade between Zambia and South Africa was desirable despite Zambia having an absolute advantage in the production of both goods given using comparative advantage theory. Only a few candidates scored the full marks allocated for this question. The common mistakes included failure to calculate the four ratios to determine comparative advantage, failure to interpret the ratios to determine which country has a comparative advantage and in what good. Finally, many just explained the advantages of trade between the countries in question. No credit was given because the question clearly required using comparative advantage theory.

### **OVERALL PERFORMANCE OF CANDIDATES**

Highest mark obtained in this paper	83%
Lowest mark obtained in this paper	20%
Overall pass rate in this paper	54.3%

## **CA1.4 COMMERCIAL AND CORPORATE LAW**

### **QUESTION ONE**

The general performance on this question was very good. 78 out of the 97 candidates that attempted the question passed (got at least 10 out of the total 20 marks available). The pass rate recorded was 80.4%. The highest mark scored on this question was 18 out of 20 and the lowest was 6 out of 20.

The questions were drawn from all topics. Candidates who did well seem to have studied all topics well and were careful in selection of answers to go for the best answer. Those who did not do well did not prepare adequately. Going forward candidates are encouraged to study all topics in depth and always choose the best answer for multiple choice.

### **QUESTION TWO**

The general performance on this question was Excellent. 91 out of the 96 candidates that attempted the question passed (got at least 10 out of the total 20 marks available). The pass rate recorded was 94.8%. The highest mark scored on this question was 20 out of 20 and the lowest was 0 out of 20.

The question was made up of two parts – creation of agency and fiduciary duties of agents as regards duty to avoid conflict of interest and duty not to make secret profits. Candidates answered the questions very well. No problems were observed. 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 excellent. 88 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 93.6%. The highest mark scored on this question was 20 out of 20 and the lowest was 7 out of 20.

The question had two parts. In part (a) candidates answered this question satisfactorily. Their answers revealed that maybe the question was too loaded for the marks allocated to it.

(a) Candidates struggled with this question.

Generally, candidates answered this question satisfactorily.

(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 of companies.

## **QUESTION FOUR**

The general performance on this question was Very good. 35 out of the 42 candidates that attempted the question passed (got at least 10 out of the total 20 marks available). The pass rate recorded was 83.3%. The highest mark scored on this question was 18 out of 20 and the lowest was 4 out of 20.

Question Four was divided into two parts (a) and (b).

(a) This part of the question was based on a reduction of share capital. Only half the number of candidates answered this question. Under this part only half the number of the candidates who attempted the question answered the question correctly. Those who did not answer correctly may not have taken time to go through this topic. Going forward candidates are encouraged to take time to study all topics, including this one which is under corporate law.

(b) Part (I) of this question was well tackled by all candidates.

(c) Under Part (ii) as well was well answered by all candidates.

(d) Under Part (iii) equally, candidates did well.

Overall, under this question most candidates scored above 10 marks. Those below must continue reading widely. The performance averaged 74%.

## **QUESTION FIVE**

The general performance on this question was excellent. 70 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 89.7%. The highest mark scored on this question was 20 out of 20 and the lowest was 0 out of 20.

This question was on public limited companies, dissolution of companies through the office of the PACRA Registrar. It went on to ask about methods of money laundering and finally needed candidates to discuss the difference between sale by description and sale by sample. The question was well answered except for the part that was dealing with money laundering where only about 45% of candidates got it right.

## **QUESTION SIX**

The general performance on this question was good. 56 out of the 76 candidates that attempted the question passed (got at least 10 out of the total 20 marks available). The pass rate recorded was 73.7%. The highest mark scored on this question was 18 out of 20 and the lowest was 0 out of 20.

The question had two parts.

- a) Candidates answered this question satisfactorily.
- b) Candidates answered this question well. They showed a great understanding of the law-making process. However, the mark allocation was a bit too low for the question requirements.

Generally, this part required candidates to refer to the elements of negligence and advise Chuma whether she was going to succeed. 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.

Going forward candidates are encouraged to put more effort into their studies.

## **Overall performance of candidates**

Highest mark obtained in this paper	91%
Lowest mark obtained in this paper	26%
Overall pass rate in this paper	92.8%



## **SUBJECT: CA1.5 MANAGEMENT THEORY AND PRACTICE**

### **QUESTION ONE**

The general performance on this question was good. 24 out of the 42 candidates that attempted the question passed (got at least 10 out of the total 20 marks available). The pass rate recorded was 57.1%. The highest mark scored on this question was 16 out of 20 and the lowest was 2 out of 20.

This question examined the whole syllabus, however, the outcome of the performance in this question clearly indicated that some candidates did not complete their syllabus when preparing for the examination hence take chances at the examinations.

### **QUESTION TWO**

The general performance on this question was good. 26 out of the 41 candidates that attempted the question passed (got at least 10 out of the total 20 marks available). The pass rate recorded was 63.4%. The highest mark scored on this question was 20 out of 20 and the lowest was 0 out of 20.

This question was compulsory in Section B, therefore every candidate attempted this question. The question had two (2) parts; part (a) required candidates to describe Henry Fayol's five (5) functions of management. All candidates performed very well on this part with most of them scoring 100% of the marks allocated.

Part (b) required candidates to list down any five (5) principles of management according to Henry Fayol. This part of the question was well answered, candidates scored highly.

### **QUESTION THREE**

The general performance on this question was Excellent. 40 out of the 41 candidates that attempted the question passed (got at least 10 out of the total 20 marks available). The pass rate recorded was 97.6%. The highest mark scored on this question was 20 out of 20 and the lowest was 0 out of 20.

This question had three (3) parts; part (a) required candidates to describe four (4) main features of a public limited company stating three (3) advantages and three (3) disadvantages. This was answered by many candidates and they scored high marks. Part (b) required candidates to mention benefits and limitations of cooperatives. This part was equally well answered by most candidates as can be seen from the statistics above.

In part (c) candidates were required to define a Public Sector Organisation and give examples. This part of the question was well answered.

#### **QUESTION FOUR**

The general performance on this question was poor. 13 out of the 31 candidates that attempted the question passed (got at least 10 out of the total 20 marks available). The pass rate recorded was 41.9%. 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; part (a), part (b), part (c) and part (d)

In part (a) candidates were expected to describe any four (4) essential skills of a manager. Few candidates were able to describe the essential skills of a manager, while majority of the candidates could not.

Part (b) of this question required candidates to explain the Agency problem. Majority of the candidates managed to explain the concept except a few who struggled.

Part (c) only one candidate managed to discuss the three options available for alignment of interests. This was due to failure to understand the Agency problem in part (b) of this question since part (c) was a follow up question.

Part (d) this part of the question required candidates to distinguish span of control from line of authority. Many candidates failed to differentiate the two management principles. They scored poorly on this part.

#### **QUESTION FIVE**

The general performance on this question was good. 21 out of the 28 candidates that attempted the question passed (got at least 10 out of the total 20 marks available). The pass rate recorded was 75%. The highest mark scored on this question was 19 out of 20 and the lowest was 5 out of 20.

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

Part (a) required candidates to describe five (5) stages of Team formation identified by Tuckman. Many candidates got this part of the question correct. Most candidates could recall the stages but were not putting the stages in order. Secondly, a good number of candidates lost marks on the last stage of adjourning.

In part (b), this part of the question was poorly answered by majority of the candidates.

In part (c), this part of the question required candidates to outline eight (8) features of a team. Most of the candidates answered this part of the question very well.

## **QUESTION SIX**

The general performance on this question was poor. 9 out of the 25 candidates that attempted the question passed (got at least 10 out of the total 20 marks available). The pass rate recorded was 36%. The highest mark scored on this question was 20 out of 20 and the lowest was 0 out of 20.

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

Part (a) this part of the question required candidates to explain the importance of planning. Most candidates managed to explain the importance of planning. Other candidates just defined what planning is without indicating its importance as required in the question.

Part (b) this part of the question required candidates to explain the three (3) levels of planning as suggested by Robert Anthony. Many candidates failed to explain the levels of planning instead they explained the levels of management.

In part (c), majority of the candidates gave the correct four (4) formal relationships that exist in an organisation.

Part (d) of this question was well answered by a good number of candidates while a few of them failed to define research and development.

### **Overall performance of candidates**

Highest mark obtained in this paper	84%
Lowest mark obtained in this paper	10%
Overall pass rate in this paper	66.7%

## **CA 1.6: BUSINESS COMMUNICATION**

The total number of candidates who attempted the examination was 87. The number of students who passed this paper was 78 while only 09 candidates failed. Candidates who failed had poor quality answers which resulted into low grades. This poor performance was also attributed different reasons as given in the subsequent parts of the report

### **QUESTION ONE**

The general performance on this question was poor. 81 out of the 87 candidates that attempted the question passed (got at least 10 out of the total 20 marks available). The pass rate recorded was 93.1%. The highest mark scored on this question was 18 out of 20 and the lowest was 6 out of 20.

Most candidates performed well on multiple choice questions. However, there were other candidates who obtained poor grades in question one.

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 the best answers, However, some candidates were completely off the best options while others were very close to the correct answer, for this reason, they lost marks.

### **QUESTION TWO**

The general performance on this question was good. 60 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 69.8%. The highest mark scored on this question was 18 out of 20 and the lowest was 4 out of 20.

This question required candidates to write a report to the Managing Director of a particular organisation based on the information provided in the scenario of the question.

The common mistakes observed were:

- (i) Main headings were not included.
- (ii) Some parts of the report were missing in the answers
- (iii) Inadequate content and in some cases content did not match with the scenario provided in the question.

- (iv) Information in the answers was not logically presented.
- (v) Wrong format or layout. ie some candidates wrote letters and memos instead of producing a formal report as required.
- (vi) Some candidates simply omitted the compulsory question, and this led to loss of marks

### **QUESTION THREE**

The general performance on this question was good. 3 out of the 6 candidates that attempted the question passed (got at least 10 out of the total 20 marks available). The pass rate recorded was 50%. The highest mark scored on this question was 18 out of 20 and the lowest was 2 out of 20.

This question required candidates to describe any five components that could form part of a comprehensive strategy for ZICB to manage risks to the reliability of data and information within its banking operations. Part (b) requires the candidates to outline any five (5) differences that exist between the brick-and-mortar strategy and the click-and-mortar strategy.

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

- (a) some candidates failed to simply describe any five components that could form part of a comprehensive strategy to manage risks to the reliability of data and information well.
- (b) Inadequate answers were presented ie some candidates only presented two or three components instead of the five as required by the question.
- (c) some candidates mixed up the answer. ie answers meant for the brick-and-mortar strategy were presented as the click-and-mortar strategy or the other way round.

### **QUESTION FOUR**

The general performance on this question was good. 54 out of the 81 candidates that attempted the question passed (got at least 10 out of the total 20 marks available). The pass rate recorded was 66.7%. The highest mark scored on this question was 15 out of 20 and the lowest was 2 out of 20.

This question required candidates to explain two basic skills involved in operating spreadsheet software, which are crucial for any professional who works with spreadsheet software in the first part of the question. Part (b) required them to explain a Transaction Processing System (TPS) and provide two areas in business in which TPS could be used by an organization. In part (C) candidates were required to mention five (5) considerations that an organization such as the University of Zambia should have to implement effective password controls within its information system. The last part of the question (d) required candidates to identify five physical security measures that an organization such as the Medical Association of Zambia can implement to safeguard its assets

The common mistakes observed were:

- (a) some candidates explained basic skills in operations general applications software and not spreadsheet software.
- (b) Some candidates explained on a transaction processing system, but did not provide the correct areas of business in which it could be used by the organization
- (c) Explanations on IT controls were presented as answers instead of password controls. The word 'password control' was mistaken for what a strong password should be like.
- (d) Some candidates mentioned general security measures that an organization should implement to safeguard its assets and not the physical security that the questions required them to write.

## **QUESTION FIVE**

The general performance on this question was excellent. 76 out of the 87 candidates that attempted the question passed (got at least 10 out of the total 20 marks available). The pass rate recorded was 87.4%. The highest mark scored on this question was 18 out of 20 and the lowest was 5 out of 20.

The first part of this question required students to:

Explain the difference between *encoding* and *decoding* in the first part of the question. In part (b) and (c) candidates were required to outline any four (4) roles of

a receiver in the communication cycle and explain any five (5) reasons why feedback is important in communication.

The common mistakes that were observed on this question were:

- (a) Wrong content was provided, for example some candidates simply defined feedback which was not the case.
- (b) Some candidates mixed the differences between encoding and decoding.
- (c) Some candidates also mixed up the roles of the receiver to that of a sender which was not supposed to be the case.
- (d) Some candidates presented answers as purposes of communication which was not correct.
- (e) Other candidates simply reproduced the question again which they were expected to provide a correct answer.

## **QUESTION SIX**

The general performance on this question was excellent. 78 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 90.7%. The highest mark scored on this question was 20 out of 20 and the lowest was 4 out of 20.

Part (a) of this question required candidates to explain any five (5) reasons using graphs in business communication is important and part (b) required them to explain any five (5) key principles that would be considered when designing diagrams and charts to communicate effectively.

The common errors observed on this question were:

- (a) Inadequate content presented as answers leading to loss of marks.  
Mainly wrong answers, content which was not in line with the question that was given. Mixing up of answers meant for 6(b) ie reasons for using graphics were presented as key principals of designing charts and diagrams.
- (b) Candidates presented characteristics of information such as timely, relevant and complete instead of key principles of design charts.
- (c) Repeated answers.
- (d) Some candidates presented attributes of clear and effective communication such as the PASS and The KISS concepts which were not required by the question.



### **Overall performance of candidates**

Highest mark obtained in this paper	77%
Lowest mark obtained in this paper	38%
Overall pass rate in this paper	88.5%

## CA 2.1 FINANCIAL REPORTING

### QUESTION ONE

The general performance on this question was poor. Only 57 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 42.5%. The lowest score was 4, whilst the highest was 30.5 out of the available 40 marks.

The question was divided into two parts with some further sub-requirements. Part (a) The question required candidates to prepare a consolidated statement of financial position for a group of companies including a parent, a subsidiary and an associate.

Part (b) of the question required candidates to explain the accounting implications of a company acquired 100% of shares of another company would pay less than the fair value of net assets, thus creating negative goodwill.

The most common mistakes made by the candidates on each part of the question: Performance was poor in most cases. Most candidates only managed to obtain obvious marks for those amounts of assets and liabilities that are added on a line-by-line basis. Also the intercompany balances to deduct from payables and receivables were correctly done. Common mistakes included:

- (i) Incorrect calculation of value of share-for-share exchange due to omission of the  $\frac{2}{3}$  fraction. Amounts calculated were also added to the share capital, when in fact they had already been accounted for.
- (ii) Incorrect calculation of the value of the deferred cash consideration. The unwinding of interest was mixed up between the initial amount and subsequent amounts. As a result the charges to the retained earnings were also wrong amounts.
- (iii) Candidates could not correctly calculate the amount of depreciation of the fair value increase of the plant and equipment. The carrying amount was not calculated in most cases because it was not given as a percentage, but was given in terms of number of years of the remaining useful life.
- (iv) A number of candidates applied the 25% markup on inventory straight without converting it to the profit margin equivalent when calculating unrealized profit.

Some candidates did not share the impairment loss between the parent and the non controlling interest, while others added the full post-acquisition profits of the associate to the investment in associate instead of accounting for the parent's share only.

## QUESTION TWO

The general performance on this question was poor. Only 5 of the 65 candidates that attempted the question managed to obtain at least 10 marks out of a total of 20 available marks. A pass rate of 7.7% was recorded. The highest score was 16 out of 20 marks while the lowest was 0.

What questions required candidates to do:

The question required candidates to prepare single entity financial statements according to IAS 1 and other appropriate IFRSs.

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

Profit or loss

- (a) A number of candidates wrongly treated the K800 tax in the trial balance as the tax estimate in computing the tax expense.
- (b) Candidates failed to correctly calculate the differed tax movement for inclusion on the income tax expense account. They simply multiplied the temporal difference in note eight (8) with 25% to find the differed tax movement.
- (c) Finance cost received weak responses from candidates who failed to compute amounts for the lease contract liability and the amortized loan redeemable at a premium. This omission meant that carrying amounts for the loan and lease obligation were equally wrongly computed.

Statement of financial position

Many candidates erroneously classified the bank overdraft as an asset showing failure to pay attention to fundamental detail.

## QUESTION THREE

The general performance on this question was poor. Only 66 of the 130 candidates that attempted the question managed to obtain at least 10 marks out of a total of 20 available marks. A pass rate of 50.8% was recorded. The highest score was 17 out of 20 marks while the lowest was 0.

What questions required candidates to do:

The candidates are required to explain the accounting treatment of several transactions including the following:

- (a) Transaction one required candidates to classify and measure a convertible loan. Students were required to demonstrate split accounting knowledge.
- (b) Transaction two required candidates to apply IFRSs 15 revenue recognition knowledge for a bundled sale involving once off and over time revenue.
- (c) Transaction three required candidates to translate transactional currency into functional currency and to compute associated fore gains and losses

The most common mistakes made by the candidates on each part of the question: Poor answers were given under IFRS 15. Most candidates failed to make constructive comments on revenue treatment for one off income and overtime income. Poor responses were given under IAS 21 too, with some candidates failing to translate transaction currency rand into kwacha and computing associated losses and gains. Some candidates could identify the stronger currency between the Kwacha and the Rand and this led to obvious inaccurate translations.

## **QUESTION FOUR**

The general performance on this question was very good. Only 38 of the 47 candidates that attempted the question managed to obtain at least 10 marks out of a total of 20 available marks. A pass rate of 80.9% was recorded. The highest score was 19.5 out of 20 marks while the lowest was 0.

Part a) The question required candidates to calculate some of the regular ratios for a company called Zamveg Plc for the year 31 October 2024.

Part (b) The question required candidates to explain to non-financial board members of the company the differences between financial statements prepared on an accruals basis and those prepared on a cash basis.

Part (c) The question required candidates to explain the limitation of financial statements as the source of information for decision making.

The most common mistakes made by the candidates on each part of the question: Candidates managed to score above average marks because most of them calculated the ratios correctly, and part (a) of the question was allocated majority of marks. Answers to part (b) and (c) of the question were inadequate. For part (b) the answers often included one point just restated in several sentences. For part (c) the answers were unclear as to what each limitation was. In most cases the answers for parts (b) and (c) were missing.

## **QUESTION FIVE**

The general performance on this question was good. Only 27 of the 40 candidates that attempted the question managed to obtain at least 10 marks out of a total of 20 available marks. A pass rate of 67.5% was recorded. The highest score was 20 out of 20 marks while the lowest was 2.0.

What questions required candidates to do:

This question required candidates to prepare a statement of cash flows, using the indirect method in accordance with IAS 7 Statements of Cash Flows.

Part (b) required candidates to explain why it is important for companies to identify cash generated from operations when assessing future liquidity.

This question was generally fairly answered, with a pleasing level of knowledge being displayed regarding cash flow (IAS 7). The main figures that were expected to be calculated by candidates were:

- (i) Cash paid to acquire property, plant and equipment;
- (ii) Taxation paid;
- (iii) Interest paid
- (iv) Depreciation charge for the year;
- (v) Amortised grant for the year;
- (vi) Cash proceeds from issue of equity shares;
- (vii) Disposal proceeds of plant; and
- (viii) Lease rentals paid;

The most common mistakes made by the candidates on each part of the question: Common mistakes/shortfalls included the following:

- (i) Not knowing the format for the statement of cash flow. Knowing the format helps in earning easy marks related to treatment of depreciation charge for the year, working capital changes, profit or loss on disposal of property, plant and equipment, proceeds from issue of shares, cash paid to acquire property, plant and equipment, tax paid and dividends paid just to mention but a few.
- (ii) Adding a profit on disposal of plant and equipment K17, 800, 000 (K48, 000, 000–30,200,000), instead of subtracting (reversing an entry in the statement of profit or loss).
- (iii) Ignoring deferred tax balances in calculating tax paid. Tax paid is computed by taking into account current and deferred tax balances, income tax expense in the profit or loss account.
- (iv) Not subtracting depreciation charge for the year and carrying value of plant disposed of in computing cash paid to acquire property, plant and equipment.
- (v) Showing an increase in warranty provisions as cash flow items under financing activities.
- (vi) Misclassification of cash items. Candidates are advised to be familiar with headings of cash flow.
- (vii) Wrong computation and accounting of reversal of impairment loss.

### **Overall performance of candidates**

Highest mark obtained in this paper	73%
Lowest mark obtained in this paper	18%
Overall pass rate in this paper	47.1%

## CA2.2 MANAGEMENT ACCOUNTING

### QUESTION ONE

The general performance on this question was very poor. Only 6 out of the 72 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 8.3%. The lowest score was 0, whilst the highest was 25 out of the available 40 marks.

This question required candidates to:

- (a) To examine the objectives of calculating manufacturing overhead absorption rates.
- (b) To calculate (i) a machine hour rate for the machining department; (ii) A rate expressed as a percentage of direct wages for the finishing department; and (iii) a budgeted manufacturing overhead cost per unit of a product.
- (c) To explain cost classifications for costs such as (i) period costs; (ii) product costs; (iii) variable costs; (iv) opportunity costs
- (d) To calculate (i) The economic order quantity; v(ii) the number of orders needed per year; and (iii) the total cost of ordering and holding the material for one year.
- (e) To discuss possible reasons for the differences between inventory records and actual physical inventories.
- (f) To discuss the factors in the relevant costs approach to decision making from a management accounting view point.
- (g) To explain the reasons why manager may be reluctant to participate in setting budgets.

Most candidates could not prepare the overhead analysis sheet to determine the overhead costs of the Machining Department and the Finishing Department. Furthermore, they could not calculate the Overhead absorption rates for the Machining Department and the Finishing Department. They mixed up the bases of apportionment and absorption.

(b)(iii) Most candidates could not calculate the budgeted manufacturing overhead cost for producing one unit of Product Z. All that was required was to multiply the rates in (b)(i) by 4 hours and in (b)(ii) by K2.

(c) On period costs most candidates referred to these as costs incurred once in a period.

(e) Concerning the causes of differences between the physical count of inventory and the values on records, most candidates referred to differences in the inventory valuation methods such as FIFO, LIFO and Weighted Average Cost.

## **QUESTION TWO**

The general performance on this question was poor. Only 16 of the 58 candidates that attempted the question managed to obtain at least 10 marks out of a total of 20 available marks. A pass rate of 27.6% was recorded. The highest score was 15.5 out of 20 marks while the lowest was 0.5

Question Two required candidates to explain the importance of identifying the Principal Budget factor when preparing a budget (part(a)); to explain three (3) problems in the budgetary control report prepared by the Assistant Finance Officer(part(b)); and to prepare a revised budget report suitable for budgetary control (part (c))

In part (a) of the question, most candidates did not provide detailed information on the importance of identifying the principal budget factor. Others had no clue on what a principal budget factor is.

In part (c), some candidates calculated variances between the 2023 budget and the 2024 budget. These variances had no meaning. Others repeated the variances shown in the question.

## **QUESTION THREE**

The general performance on this question was poor. Only 28 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 39.4% was recorded. The highest score was 17 out of 20 marks while the lowest was 1.

This question required candidates to:

- (a) Calculate basic variances
- (b) Explain the interrelation between three variances
- (c) Explain what variances will arise when certain performance standards are used

A good number of candidates were able to calculate variances and explain the relationship between variances.

- Some candidates appear to have had no clue of what an interrelationship between variances is. An interrelationship between variances exists where the cause of one variance can be explained wholly or partly by the cause of another variance. Usually the variance signs are opposite, I,e. if one variance is adverse

the other one will be favourable. E.g. an adverse material price variance can be explained by a favourable materials usage variance.

Others were explaining the four types of performance standards. But the question asked for what type of variance would be expected under such standards. E.g. Ideal standards are likely to generate adverse variances.

## QUESTION FOUR

The general performance on this question was poor. Only 8 of the 22 candidates that attempted the question managed to obtain at least 10 marks out of a total of 20 available marks. A pass rate of 36.4% was recorded. The highest score was 15 out of 20 marks while the lowest was 2.5.

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

- (a) prepare the contract account. *Mostly mixed-up debits and credits*
- (b) calculating the profit taken on the contract *Hardly anyone calculated the profit*
- (c) Explain how a loss on a contract is treated in the books of account  
*A good number of candidates scored good marks here as they were able to state correctly how a loss is treated in the books of account*

Some candidates lost 1 mark as they did not know which entries were credits and which ones were debits.

Others failed to calculate the profit to be made on the contract. There was need to know the formula. The formula is not given. Future candidates should learn it.

## QUESTION FIVE

The general performance on this question was fair. 33 of the 61 candidates that attempted the question managed to obtain at least 10 marks out of a total of 20 available marks. A pass rate of 54.1% was recorded. The highest score was 18 out of 20 marks while the lowest was 0.

Question Five required candidates to calculate the expected selling price if the machine time opportunity cost is ignored (part (a)); to calculate the expected selling price if



the machine time opportunity cost is included (part (b)); to explain the concept of responsibility accounting and the four types of responsibility centres.

Common mistakes made by the candidates included:

Many candidates could not clearly explain what is meant by responsibility accounting. The required explanation was This is a system of accounting that segregates revenues and costs into areas of personal responsibility to monitor and assess the performance of each part of an organisation. A good number of candidates could not explain what profit centres and investment centres are.

### **Overall performance of candidates**

Highest mark obtained in this paper	72%
Lowest mark obtained in this paper	12%
Overall pass rate in this paper	36.1%

## **CA2.3 AUDITING PRINCIPLES AND PRACTICE**

### **QUESTION ONE**

The general performance on this question was poor. Only 57 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 42.5%. The lowest score was 4, whilst the highest was 30.5 out of the 40 available marks.

This was a compulsory question that had multiple sub-requirements. In part (a), candidates were required to explain internal control activities in the purchasing and inventory systems of Lukanga Ltd. Candidates were required to use the information in the scenario and to explain the internal control activities in the operations. General answers not relating to the controls in the scenario did not earn maximum marks.

A good number of candidates were able to explain control activities from the text book such as reconciliations and authorizations but lost marks because they could not identify these from the scenario. Others were explaining assertions as control activities.

Most of the candidates did not attempt this question because they could not relate the control objective to control activities.

Part (b) required candidates to explain differences between internal and statutory auditors as well as the roles of the internal auditors of Lukanga Ltd using the information in the scenario.

Some candidates stated that internal auditors set up internal controls to detect and prevent fraud whilst external auditors test the controls set up by internal auditors, which is not the case. Others went on to state that internal auditors are involved in long-term planning and evidence is obtained through enquiries and inspections whilst external auditors perform a lot of procedures in order to obtain sufficient appropriate evidence.

A good number of candidates stated the meaning of controls without referencing the question.

Part (c) required candidates to describe 6 audit procedures for warranty provisions and that for each audit procedure the relevant financial statement assertion required to be stated. The performance in this part of the question was poor and this is similar to poor performance in questions on audit procedures in the past examination. Candidates are reminded that this is a core syllabus area and that it will be examined in future examinations. To score well in questions on audit procedures, candidates require to know the accounting for specific areas under this syllabus.

There were a number of cases where the assertions stated were not related to the audit procedures. Marks were not given in isolation simply by stating any financial statement assertion, consideration was made in the appropriateness of the suggested audit procedure.

There were a few candidates who simply stated or explained methods of obtaining audit evidence without describing how the method would be used to design suitable audit procedures.

Some candidates simply stated their version of audit procedures without indicating the relevant financial statement assertion. For example, verifying or confirming the disclosure of provisions in the financial statements in financial year, enquiring with management and those charged with governance, obtaining sales invoices made regarding warrant provisions and conforming repairs made to mention but a few. Others simply explained assertions suitable for auditing a warranty provision but failed to use the assertions to come up with an audit procedure.

## **QUESTION TWO**

The general performance on this question was poor. Only 5 of the 65 candidates that attempted the question managed to obtain at least 10 marks out of a total of 20 available marks. A pass rate of 7.7% was recorded. The highest score was 16 out of 20 marks while the lowest was 0.

Part (a) of the question required candidates to explain the balances that would be included in the sample for receivables confirmation in the audit of the receivables of Warthog Ltd and describe the steps the audit team requires to take in seeking the receivables confirmation.

A good number of candidates could not explain the type of balances that would be included in a typical receivables' confirmation of Warthog Limited such as credit balances, debit balances, nil balances round sum payments. Other candidates included sales balances, perform a recalculation of the receivables balances, balances brought forward, net cash balances.

Instead of describing the steps the audit team required to take in seeking the receivables confirmation, some candidates provided substantive audit tests such as comparing the total receivables balances in the age analysis to the total balances in the trial balances, comparing balances if they are agreeing, casting the age analysis to ensure that it is accurate and reviewing the board minutes as any material balance should be discussed.

Part (b) required candidates to explain the meaning of reasonable assurance in the first part and in the second part to explain the characteristics of reasonable assurance while part (c) required them to suggest control activities system in the given scenario.

It was noted that most of the candidates struggled with identifying control activities from the information contained in the scenario! Some candidates seemed not to pay to reading the facts in the question but rather read the requirements of the question without knowledge of the facts contained in the background data and information.

Furthermore, it candidates could not state the control objectives with their related tests of control for the sales and receivables system of Warthog Limited!

### **QUESTION THREE**

The general performance on this question was good. Only 66 of the 130 candidates that attempted the question managed to obtain at least 10 marks out of a total of 20 available marks. A pass rate of 50.8% was recorded. The highest score was 17 out of 20 marks while the lowest was 0.

The question was divided into four parts. Part (a) required candidates to explain benefits to the client company of having its financial statements audited by external auditors while part (b) required them to define the term precondition for an audit.

Some candidates could not explain the benefits of having financial statements being audited, which is the main essence of the having a financial audit. Others confused an engagement letter with the elements of an assurance engagement because they simply listed and explained issues such as the subject matter, suitable criteria, evidence gathering and reporting as contents of an engagement letter.

Part (c) required candidates to explain 5 weaknesses in the governance structure of the company in the given scenario. Most candidates are noted to have had difficulties in using the information contained in the scenario to their advantage as they brought out weakness in the governance structure of KSL Ltd from other sources only known to themselves such as the payroll was handled by the trainee human resources who had no experience in payroll work, increases in labor turnover, preparation of engagement letter by a trainee accountant, written representations. These matters are all operational in nature and do not require board oversight to say the least!

There were candidates that suggested recommendations to the weaknesses observed which was NOT part of the question requirement. This was a waste of valuable examination time.

Part (d) was a knowledge based question that required candidates to explain 3 rights of the auditor and two duties of the auditors. The general performance on this part was good.

### **QUESTION FOUR**

The general performance on this question was very poor. Only 1 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 1.5% was recorded. The highest score was 11 out of 20 marks while the lowest was 0.

The performance in this question was very poor with most of the candidates scoring far less than half the available marks. The question was on reviews and subsequent events. Candidates required to know the provision of IAS 10 *Events after the reporting period* and ISA 560 *Subsequent events*. It was clear from the answers that a majority of the candidates did not know the meaning and accounting for subsequent events.

## **QUESTION FIVE**

The general performance on this question was good. Only 95 of the 130 candidates that attempted the question managed to obtain at least 10 marks out of a total of 20 available marks. A pass rate of 73.1% was recorded. The highest score was 17.5 out of 20 marks while the lowest was 2.

Part (a) of the question required candidates to explain weaknesses in the internal control activities in Muchinga Ltd and to suggest suitable improvements for each weakness while part (b) required them to describe 4 methods of obtaining evidence that may be used in the audit of the financial statements of Muchinga Ltd. Some candidates were indicating that that an auditor needs to collect audit evince by observing sales while others commented that auditors need to perform audit inventory and confirm any existing chute.

## **Overall performance of candidates**

Highest mark obtained in this paper	69%
Lowest mark obtained in this paper	14%
Overall pass rate in this paper	43.3%

## **CA2.4 TAXATION**

## **QUESTION ONE**

The general performance on this question was fair. 66 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 49.3%. The lowest score was 0, whilst the highest was 33.5 out of the available 40 marks.

This question covered taxation of unincorporated business for a sole trader engaged in farming and retail operations and was subdivided into four parts.

Part (a) required candidates to calculate the amount of provisional income tax paid by the sole during the year.

The most common mistakes made by candidates included:

- (i) Not aggregating the retail profits and farming profits before computation of provisional income tax.
- (ii) Not taxing the retail profits first by using the graduated tax bands for individuals before computing provisional income tax on farming profits at 10%.
- (iii) using the company income tax rate of 30% to compute the provisional income tax instead of the graduated personal income tax bands for individuals

In part (b) candidates were required to compute the maximum amount of capital allowances claimable for year.

The most common challenges included the following:

- (i) Failure to compute the income tax value of the Ford Ranger when calculating the amount of the balancing allowance arising on the disposal of the vehicle.
- (ii) Failure to capitalise the cost of the initial repair of the Mitsubishi delivery truck which was capital in nature but was treated as revenue expenditure in the statement of profit or loss.
- (iii) Calculating wear and tear allowances on assets whose ITV was nil at the beginning of the tax year.
- (iv) Using the wrong rates to compute the wear and tear allowances available.

Part (c) required candidates to calculate the actual taxable profit for the year.

- (i) Failure to identify the relevant disallowable items to add back in computing taxable profit.
- (ii) Grossing up consultancy fees and copyright royalties before deducting them when computing taxable profits.
- (iii) Failure to restrict the motor vehicle running expenses disallowed to 40% given that the vehicle was only used 60% for business purposes.

Part (d) required candidates to compute the final amount of income tax payable

The most common challenges included:

- (i) Not taxing the non-farming income separately first using the personal income tax bands before taxing the farming income
- (ii) Failure to deduct loss relief from farming income and instead deducting it from income tax on farming profits.
- (iii) Failure to calculate the correct amount of withholding tax on investment income.
- (iv) Using the wrong rates to compute the income tax arising

## **QUESTION TWO**

The general performance on this question was poor. Only 34 of the 100 candidates that attempted the question managed to obtain at least 10 marks out of a total of 20 available marks. A pass rate of 34% was recorded. The highest score was 18.5 out of 20 marks while the lowest was 1.5.

This question covered taxation of employment income and international aspects of personal income tax. It was comprised of two parts

Part (a) required candidates to explain why the individual in the scenario would be regarded as resident and ordinarily resident in Zambia and generally answered well. Only a few candidates failed to provide the required explanations.

Part (b) required candidates to compute the personal income tax payable for the year.

The most common challenges included:

- (i) Failure to distinguish taxable from exempt benefits when computing the taxable income
- (ii) Failure to include lease rentals and subscriptions to the local fitness gym paid by the company on behalf of the director as part of the taxable income.
- (iii) Failure to compute the correct amount double taxation relief available on income from foreign sources.

## **QUESTION THREE**

The general performance on this question was excellent. 89 of the 99 candidates that attempted the question managed to obtain at least 10 marks out of a total of 20 available marks. A pass rate of 89.9% was recorded. The highest score was 20 out of 20 marks while the lowest was 0.

This question examined presumptive tax for transporters and property transfer tax and was subdivided in three parts.

Part (a) asked candidates to explain the types of persons required to pay presumptive taxes and was generally answered well.

Part (b) required candidates to compute the amount of presumptive tax payable. Only a few candidates failed to determine the correct amount of the presumptive taxes paid using the tax table provided in the question paper.

Part (c) required candidates to explain the property transfer tax (PTT) implications of various transactions and compute the amount of any PTT arising.

The most common challenges included:

- (i) Failure to determine the correct realized values for chargeable transfers.
- (ii) Using the wrong rates to compute PTT on chargeable transfers.
- (iii) Computing PTT on exempt transfers.

#### **QUESTION FOUR**

The general performance on this question was good. 50 of the 82 candidates that attempted the question managed to obtain at least 10 marks out of a total of 20 available marks. A pass rate of 61% was recorded. The highest score was 18.5 out of 20 marks while the lowest was 1.

This question covered Value Added Tax.

Part (a) required candidates to identify in which sector the tax payer would be required to register for VAT from three different sectors provided. Some candidates demonstrated a lack of knowledge of the VAT registration requirements and therefore failed to provide the required explanations.

Part (b) required candidates to compute VAT payable or refundable if the taxpayer operated in each of the three sectors. Most candidates failed to provide the required computations to determine the amount of VAT arising in each sector

Part (c) required candidates to state the five obligations of a VAT registered supplier. Some candidates gave explanations of general tax obligations as opposed to specific VAT registered obligations, while others demonstrated a lack of knowledge on the subject matter and failed to provide the required explanations.

#### **QUESTION FIVE**

The general performance on this question was good. 76 of the 113 candidates that attempted the question managed to obtain at least 10 marks out of a total of 20



available marks. A pass rate of 67.3% was recorded. The highest score was 20 out of 20 marks while the lowest was 1.

This question examined tax evasion and customs & excise duty.

Part (a) required candidates to explain the meaning of tax evasion and state any four practices which may constitute tax evasion and was generally answered well

Part (b) required candidates to state three consequences of tax evasion in the economy and was equally answered well.

Part (c) required candidates to compute import taxes paid on a second hand and a new motor vehicle.

The most common challenges faced by candidates included the following:

- (i) Including costs incurred within Zambia when computing the VDP.
- (ii) Using the wrong exchange rate to convert the VDP into Zambian Kwacha.
- (iii) Failure to read apply the correct specific customs duty and excise duty from the tax tables for the secondhand vehicle.

### **Overall performance of candidates**

Highest mark obtained in this paper	79%
Lowest mark obtained in this paper	17%
Overall pass rate in this paper	65.7%

## **CA 2.5 FINANCIAL MANAGEMENT**

### **QUESTION ONE**

The general performance on this question was poor. Only 39 out of the 117 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 0, whilst the highest was 28 out of the available 40 marks.

Part (a) required candidates to calculate the weighted average cost of capital. Some candidates failed to calculate cost of equity using the dividend model. Others failed to calculate the cost of debt by mistaking irredeemable for redeemable debt. Subsequently, this affected the overall cost of capital.

Part (b) required the candidates to evaluate whether the company should close the factory immediately or continue until the end of the lease period using the NPV. Candidates were also required to state the reason for including each relevant cash flow in the evaluation. Common mistakes included:

- (i) There lease rentals were treated as cash inflows instead of cash outflow as it is an opportunity cost.
- (ii) Most candidates failed to add back depreciation of K850,000 to operating profits to arrive at cash flows
- (iii) To calculate cost of debt, candidates were using IRR which is used if the debt is redeemable instead of just dividing market price into interest.
- (iv) Candidates also failed to calculate the interest to be used to determine cost of debt which was supposed to be  $10\% \times K1,000$  and not  $10\% \times K100$ .

Part (d) required candidates to discuss the validity of the observation made by the marketing director in relation to the financial gearing. Majority of candidates exhibited lack of the impact of high gearing on P/E ratio.

## **QUESTION TWO**

The general performance on this question was fair. 60 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 56.1% was recorded. The highest score was 16 out of 20 marks while the lowest was 3.

Part (a) required candidates to evaluate whether the company should invest in the machine or invest its money at the rate of 20%. The common mistakes by the candidates was to net off the allocated fixed costs of K100,000 from the contribution each year. This should not have been the case because these costs were not relevant. In order to calculate the yearly contribution per unit (contribution margin), the candidates were expected to deduct the variable cost per unit for the selling price, which was K50. Upon this determination, the resultant amount was to be multiplied by the yearly quantities sold as tabulated in the question. This was to obtain the contribution. Using a given tax rate of 30%, the resultant contribution was then

expected to have been discounted at the 20%. Some candidates did not use the 30% tax but another tax rate of 20% instead and some answers used a different discount rate instead of the one provided in the question of 20%.

Part (b) of the question required the candidates to discuss the advantages and disadvantages of retained earnings as a source of finance for the proposed investment. The most common mistakes for those students that incorrectly responded to this question was their inability to clearly state the advantages and disadvantages of using retained as a source of finance of the proposed investment of the New Machine by BAU Ltd. In some responses, some candidates were instead explaining the advantages and disadvantages of short-term bank loans.

### **QUESTION THREE**

The general performance on this question was very poor. Only 14 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 18.9% was recorded. The highest score was 13 out of 20 marks while the lowest was 1.

The question required candidates to estimate the value of the company using the (a) Price/earnings ratio, (b) Dividend growth valuation model and cash flow valuation. A good number of candidates did not calculate the price earnings ratio correctly. Calculation of the model proved a challenge to a number of candidate. Candidates did not use the historical growth model. Most of them were failing to find the growth (g) and cost of equity ( $k_e$ ).

### **QUESTION FOUR**

The general performance on this question was fair. 43 of the 93 candidates that attempted the question managed to obtain at least 10 marks out of a total of 20 available marks. A pass rate of 46.2% was recorded. The highest score was 16 out of 20 marks while the lowest was 2.

Part (a) asked candidates to calculate the working capital cycle (cash collection cycle). Part (b) required candidates to explain the implication of a positive and negative working capital cycle. Part (c) asked candidates to calculate the target quick ratio (acid test ratio) and the target ratio of sales to net working capital. Part (d) asked candidates to analyse the current asset and current liability positions and how the working capital financing policy of the company would have changed.

### **QUESTION FIVE**

The general performance on this question was poor. Only 19 of the 76 candidates that attempted the question managed to obtain at least 10 marks out of a total of 20 available marks. A pass rate of 25% was recorded. The highest score was 14 out of 20 marks while the lowest was 0.

Part (a) of the question required the candidates to calculate the Net Present Value and part(b) the sensitivity of required rate of return, selling price and level of demand. Most common mistake was the inability to calculate the annual contribution. Some candidates, deducted the scrap proceeds instead of adding to the contribution. This resulted into a wrong determination of the Net Present Value. Some candidates used a different rate of the discount rate, instead of using 15%, they used 20%. Most candidates did not attempt part (b) of the question. This could be as a result of lack of adequate preparedness of the sensitivity topic.

In part (c), the candidates were required to explain how the company can manage the trade receivables. Some candidates failed to identify the ways trade receivables can be managed.

### **Overall performance of candidates**

Highest mark obtained in this paper	63%
Lowest mark obtained in this paper	11%
Overall pass rate in this paper	16.2%

## **CA2.6 STRATEGIC BUSINESS ANALYSIS**

### **QUESTION ONE**

The general performance on this question was good. 66 out of the 126 candidates that attempted the question managed to obtain at least 20 out of 40 marks,

representing a pass rate on the question of 52.4%. The lowest score was 2, whilst the highest was 37 out of the available 40 marks.

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

Part (a) of the question required candidates to discuss how Multiple Stakeholder Obligations Stance contribute to Absa's competitiveness. This part was well answered as candidates correctly discussed how CSR approach at Absa contributes to its competitiveness in Zambia.

Part (b), this part of the question required candidates to demonstrate how carrying out social audits can help Absa achieve its objectives. This part was also well answered by many candidates.

Part (c), this part of the question required candidates discuss the three (3) levels of strategic information systems. This part of the question was poorly answered as many candidates mistook this to the levels of strategy i.e. corporate level strategy, business level strategy and operational strategy.

Part (d), this part required candidates to explain how SMEs can leverage on the use of Information Communication Technology. This part was well answered by many candidates.

## **QUESTION TWO**

The general performance on this question was fair. 46 of the 86 candidates that attempted the question managed to obtain at least 10 marks out of a total of 20 available marks. A pass rate of 53.5% was recorded. The highest score was 20 out of 20 marks while the lowest was 0.

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

In part (a) candidates were expected to identify three (3) elements that are evident in quality government policy which include Infrastructure, social infrastructure and market infrastructure. The candidates performed poorly on this part of the question because their answers were general in nature and lacked specificity.

Part (b) required candidates to explain the strategies for rapid change that should be appropriate to redeem the company in question. The candidates did not clearly explain the two possible strategies asked for in the question thereby scoring low marks.

Part (c) required candidates to suggest practical ways of reducing direct costs and practical ways for revenue generation. Almost all candidates that attempted to answer this question came up with very good and correct answers. All candidates scored very good marks on this part of the question.

### **QUESTION THREE**

The general performance on this question was fair. 54 of the 102 candidates that attempted the question managed to obtain at least 10 marks out of a total of 20 available marks. A pass rate of 52.9% was recorded. The highest score was 20 out of 20 marks while the lowest was 0.

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

Part (a) required candidates to explain how OECD guidelines on corporate governance could be used to improve operations of a company referred to in the scenario. The candidates did not seem to understand OECD and because of that many candidates did not give satisfactory answers.

Part (b) candidates were asked to explain five (5) corporate governance principles. Almost all who attempted this part of the question got full score of the marks in part (b).

Part (c) The candidates were to identify operational risks that could affect the company. Most of the candidates answered this part of the question well.

### **QUESTION FOUR**

The general performance on this question was poor. Only 35 of the 94 candidates that attempted the question managed to obtain at least 10 marks out of a total of 20

available marks. A pass rate of 37.2% was recorded. The highest score was 20 out of 20 marks while the lowest was 0.

This question had three parts.

Part (a), this part of the question required candidates to discuss five (5) ethical problems the senior official would face in the department. Many candidates gave correct ethical problems while a few had challenges I discussing these problems.

Part (b), this part of the question required candidates to evaluate social responsibilities approaches as suggested by Carrol. Majority of the candidates failed to evaluate these approaches their answers were just general outside what Carrol suggested. The performance was poor on this part of the question.

Part (c), this part required candidates to mention one advantage of ethics in management. Many candidates managed to mention one advantage of ethics in management.

## **QUESTION FIVE**

The general performance on this question was poor. Only 21 of the 96 candidates that attempted the question managed to obtain at least 10 marks out of a total of 20 available marks. A pass rate of 21.9% was recorded. The highest score was 20 out of 20 marks while the lowest was 0.

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

Part (a) many candidates had difficulties to give the correct three (3) factors the director and organisation depend on when approaching risk. Thus, many candidates scored low marks on this part of the question. Only very few candidates managed.

Part (b) on this part of the question again majority of the candidates had challenges giving examples of significant strategic risks.

Part (c), most candidates managed to discuss atleast two (2) out of the four (4) corporate governance roles of the CEO.

NOTE: The performance on this question was very bad especially on part (a) and part (b).

## **Overall performance of candidates**

Highest mark obtained in this paper 73%

Lowest mark obtained in this paper 4%

Overall pass rate in this paper      42.1%

## **CA 3.1 ADVANCED FINANCIAL REPORTING**

### **QUESTION ONE**



The general performance on this question was good. 79 out of the 150 candidates that attempted the question achieved a pass (that is a score of at least 20 out of 40 marks), representing a pass rate on the question of 52.7%. The lowest score was 1.0, whilst the highest was 39 out of the available 40 marks.

The general performance on the question:

The performance on this question was good at a pass rate of only 53%. It was one of the two questions that propelled those that passed the examination to success. Though the lowest score was 3%, the highest amounted to 98% and the average score was 50%.

The question had two (2) parts. Part (a) of the question asked candidates to discuss the principles behind the classification of cash flows in the statements of cash flows and Part (b) asked candidates to prepare a consolidated statement of cash flow using the indirect method in accordance with the requirements of IAS 7 'Statement of cash flows'. The tax paid and depreciation figures were well treated by most of the candidates.

The most common mistakes made by the candidates:

- (i) Added revaluation gain of K148 million, which was reported in other comprehensive income.
- (ii) Deducted employee benefits paid (K144 million) as cash outflow, instead of contributions (K60 million).
- (iii) Some candidates started with profit after tax (K2 million), but failed to adjust for the tax expense (K340 million), in order to come up with profit before tax of K2, 340 million).
- (iv) Added share of associate profit (K360 million), the profit should have been subtracted (reversed) since it was added when profit was determined.
- (v) Failed to reconcile other income in order to determine the investment income received.
- (vi) Translated \$1 million wrongly (divided instead of multiplying), hence computed wrong exchange gain.
- (vii) Ignoring deferred tax balances in calculating tax paid. Tax paid is computed by taking into account both current and deferred tax balances, and income tax expense in the profit or loss account.
- (viii) Swapped the balances brought forward and balances carried forward. Further, few candidates indicated balances on a wrong side of the ledger accounts. For future examinations, you are advised to use narrative if you are not comfortable with ledger accounts. Take note that both narrative and ledger accounts are acceptable.

- (ix) Misclassification of cash items. Candidates are advised to be familiar with headings of cash flow.
- (x) Wrongly revised distribution and administrative costs (K1,880 million) which was charged in the statement of profit or loss.
- (xi) Treated convertible loan as cash outflow, the correct treatment should have been to debit loan notes and credit share capital.

Candidates are encouraged to revise the principles and format of group cash flows as this was an area of weakness for those who did not perform well. Brought forward knowledge from financial reporting and financial accounting is cardinal at advisory level. Knowing the format helps in earning easy marks related to treatment of depreciation charge for the year, working capital changes, profit or loss on disposal of property, plant and equipment, proceeds from issue of shares, cash paid to acquire property, plant and equipment, tax paid and dividends paid just to mention but a few.

## **QUESTION TWO**

The general performance on this question was poor. Only 36 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 30.8% was recorded. The highest score was 18 out of 20 marks while the lowest was 0.

Candidates were required to evaluate the comments made by the directors regarding accounting for several transactions with reference to applicable IFRSs and consistency of specific accounting standards with the conceptual framework.

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

- (a) Under proposal three, most candidates agreed with the wrong position of Managing director of treating a change in accounting estimates retrospectively. IAS 8 states that accounting estimates are to be treated prospectively. No candidate was able to point out that accounting estimate can only be treated retrospectively if there was an omission in the previous year.
- (b) Candidates failed to demonstrate a good understanding of the conceptual framework in relation to the scenarios provided and most of them only ended at citing the standards without making comparisons with the scenario thereby failing to provide concrete advice to the managing director. This resulted in the loss of easy marks.

## **QUESTION THREE**

The general performance on this question was very poor. Only 1 of the 113 candidates that attempted the question managed to obtain at least 10 marks out of a total of 20

available marks. A pass rate of 0.9% was recorded. The highest score was 11 out of 20 marks while the lowest was 0.

What questions required candidates to do:

Part (a) required candidates to comment on the correct treatment of adjusting and non – adjusting items according to IAS 10.

Part (b) required candidates identify, classify and measure a discontinued operation in accordance with IFRS.

Part (c) required candidates to explain accounting for a previously impaired item of PPE following reversal of a past impairment.

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

Under transaction one, a good number of candidates failed to see that the examiner's focus was on events after the reporting period under IAS 10. This greatly affected their ability to provide constructive answers and therefore gain easy marks. A good number of candidates cited IAS 37 instead of IAS 10. For instance, instead of recommending a receivable write off as this is an adjusting item in the question, candidates simply suggested that a provision for doubtful debts be recognized. Some candidates wrongly recommended that shares issued outside the reporting period be recognized. Perhaps a huge mistake made on this section was to assume that damages awarded to the reporting entity by the firm was a liability instead of an asset. Clearly students did not pay attention to detail here.

On transaction two, a good number of candidates suggested that legal fees under fair value measurement of the asset held for sale be expensed in the profit or loss instead of being deducted from the gross fair value amount.

## **QUESTION FOUR**

The general performance on this question was very poor. Only 8 of the 52 candidates that attempted the question managed to obtain at least 10 marks out of a total of 20 available marks. A pass rate of 15.4% was recorded. The highest score was 18 out of 20 marks while the lowest was 0.5

This question had three (3) parts. Part (a) required candidates to advise the appropriate accounting treatment of the share based payment transaction where the entity has a choice of settlement.

Part (b) required candidates to explain how the bonds must be accounted in the financial statements, including any adjustments to the draft financial statements.

Part (c) required candidates to explain how to account for share options.

The most common mistakes made by the candidates on each part of the question:  
Only a few candidates attempted this question, and the following were the common mistakes:

- (i) Failed to conclude that the first transaction (part a) was a cash settled share-based payment, because the entity's past practice of always settling in cash had created a valid expectation in employees that they will receive cash. Therefore, there was a constructive present obligation for Mwense plc to settle in cash.
- (ii) Failed to spread the cost over the vesting period.
- (iii) To come up with senior management team/senior executives, candidates wrongly subtracted only those who left, instead of expected leavers over the vesting period (the best estimate at each year end should be used).
- (iv) Added (credited) transaction costs to the bond (liability), the correct treatment should have been to debit the bond.
- (v) Some candidates treated the bond as convertible bond despite the question clearly stated that the bonds were no derivative liability, hence they had wrongly separated between liability and equity. Further, they charged the coupon rate on the carrying amount instead of the principal amount.
- (vi) The market based vesting condition (no options will vest unless the share price at 30<sup>th</sup> September 2024 exceeds K10) was not ignored for part b of the question, hence made a wrong conclusion and computation.

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 FIVE**

The general performance on this question was fair. 58 of the 130 candidates that attempted the question managed to obtain at least 10 marks out of a total of 20 available marks. A pass rate of 44.6% was recorded. The highest score was 17.2 out of 20 marks while the lowest was 0.5

The question required candidates to prepare a report to directors that evaluated the financial performance and position of a company, Zamtech. The report was to include the impact of specified operational and strategic decisions that directors had taken in the two successive years that were being compared.

The performance on this question was poor, below average in most cases. Candidates calculated some ratios but majority of marks were allocated to logical explanations of not only the change in the ratio but also in outlining the possible cause of the change in the ratio. The following were the common mistakes made:

- (i) The majority of candidate did not add back financial costs to profit before tax, before calculating operating profit margin
- (ii) Some candidates did not calculate correctly the borrowing ratios because they did not remove employee benefits and deferred tax in the denominators of the gearing ratio. They did not know that Prior charge capital comprised interest borrowing financial instruments such as unsecured loan.
- (iii) Most candidates commented on the general trend of ratios reducing but could not state which of the factors possibly caused the decline in trend.  
Candidates got some ratios right, but the comments fell short of expectations because of the reason state in iii) above.

### **Overall performance of candidates**

Highest mark obtained in this paper 78%  
Lowest mark obtained in this paper 8%  
Overall pass rate in this paper 21.3%

## **CA3.2 ADVANCED AUDIT AND ASSURANCE**

### **QUESTION ONE**

The general performance on this question was good. 106 out of the 165 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 64.2%. The lowest score was 1, whilst the highest was 34 out of the available 40 marks.

There were a significant number of candidates lost marks because they left some parts of the question unattempted.

Others lost marks because their answers were poorly presented. Some even failed to clearly label the questions they attempted.

Part (a) of the question required candidates to describe 5 business risks faced by ZAMEFA Co.

The performance in this part of the question was good with a majority of candidates scoring maximum marks.

The following observations were observed from the candidates that scored low marks: Most candidates in this category simply stated the general headings of risk categorizations such as product quality risk, insurance risk, control risk, financial risk and market risks without relating to how the business objectives of ZAMEFA Co. would ultimately be affected.

Most candidates who failed to score good marks in this part of the question showed their inability to identify and evaluate business risks from the information contained in the scenario!

A good number of candidates were explaining ethical threats such self-review and familiarity threats which were completely wrong, for example that the former employee of the company will result in self-review threats.

Another incorrect answer included reasons that this is the first time audit and therefore can result in a business risk.

Part (b) of the question required candidates to identify and explain risks of material misstatements in the audit of the financial statements of ZAMEFA Co. To answer this question satisfactorily candidates needed to understand the difference between audit risk and the risk of material misstatement which the risk that the financial statements would be misstated before the audit. This means the candidates needed to discuss any matters related to detection and control risks and not detection risk.

The performance in this part of the question was satisfactory with most candidates scoring half or more of the available marks.

A number of candidates explained detection risk explaining the fact that the Audit manager is new and hence the risk of not detecting misstatements was high and no marks were awarded for explaining this.

Other candidates explained that control risk failure to detect weaknesses in internal control and product quality in the processes and production necessitated the risk of material misstatements in the financial statements as a result no marks were awarded.

Just like in part (a) above, candidates could not identify and explain how risk factors in the scenario could potentially result in material misstatements for consideration in planning and executing the planning of the audit of ZAMEFA Co.

Some of the candidates were mistaking audit risks for weakness in internal controls such as other explained that because the manager lacked experience therefore it can result in a business risk.

Part (c) of the question required candidates to explain 4 substantive audit procedures for the insurance claim made at the end of the period.

Assessing whether the claim was valid by evaluating whether there was a duty of care, breach of duty of care and loss due to the breach of duty an audit test which did not earn any marks.

Stating an audit assertion such as completeness without details of how that completeness can be tested.

Others explained that obtain the cash book to verify payments recorded. This could not be true as the claim has not yet been paid.

Others stated that obtain the financial reports such as profit and loss accounts to confirm how much has been reflected in the financial statements when the claim is still in the process of being made.

Part (d) required candidates to discuss 3 ethical matters in the audit of the financial statements of ZAMEFA Co and suggest suitable safeguards as necessary.

A majority of the candidates scored half or more of the available marks. The following observations were made from candidates who scored less than half the marks:

The Audit Manager was offered the position of Finance Manager for ZAMEFA Co. This brings self-review. The safeguard is that the manager should not take up the position. The suggestion that the manager should not take up the position is inappropriate because the question expressly states that they have taken up the position. Ethical issues should be considered from the point of view of the auditors and not the client. Professional competence and due care whereby auditors should be qualified and experienced, hence skill to perform the duties professionally.

Professional behavior where auditors should comply with laws and regulations and not discredit the profession.

Part (e) question required candidates to describe the use of analytical procedures as part of the overall review at the end of the audit of the financial statements of ZAMEFA Co as well as to explain the other two stages of the audit where analytical procedures can be used during the audit of the financial statements of ZAMEFA.

Part (f) required candidates to describe 4 ways in which the audit firm will have met the requirements on quality control in accordance with the provisions of the auditing standard on quality control at the individual audit level.

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

Most candidates could not bring out ways in which quality control provisions of ISA 220 Quality Control for Audits of historical financial statements but general knowledge of auditing such review of working papers, planning of audit work, internal controls and so on instead of talking about leadership and responsibility for quality control, ethical requirements, assignment audit team members, continuance assessment and engagement performance. Others stated that audit seniors check audit evidence to confirm quality.

## **QUESTION TWO**

The general performance on this question was poor. Only 34 of the 124 candidates that attempted the question managed to obtain at least 10 marks out of a total of 20 available marks. A pass rate of 27.4% was recorded. The highest score was 16 out of 20 marks while the lowest was 0.

The following common mistakes were noted:

- (i) Failure to link matters contained in the scenario to appropriate and relevant International Accounting Standards (IAS) such as IAS 23 Borrowing Costs, IAS 16 Property Plant and Equipment, depreciation.
- (ii) Other candidates unfortunately put forward matters such as checking for the ownership after the completion of the building through company documents and invoices that are in the company name.
- (iii) Instead of citing audit evidence such as breakdown/schedules of capitalized costs, support documentation, approved budgets and loan agreements, most candidates explain the substantive audit procedures such as obtaining a copy of the title deed to check for the ownership, Inspecting new buildings, getting legal documents from the legal officer, and the correct treatment of construction contracts according to IFRS.



- (iv) Some candidates confused an audit proposal with an engagement letter. As a result, they provided the contents of an engagement letter instead of an audit proposal. They included things such as the responsibility of an auditor and management.
- (v) Other candidates stated that an audit proposal may include items such as contact information of previous auditors, access to all materials which will be deemed necessary for the audit as well as declaration of self-interest in both the audit firm and the client and didn't get any marks for such.
- (vi) Some candidates who appeared not to be familiar with the provisions of International Federation of Accountants (IFAC) stated that it is unethical for audit firms to engage in lowballing which is not the case. The ethical guidance on the contrary states that audit firms are not prohibited to charge low audit fees in order to attract clients but are encouraged to demonstrate that they will ensure that the audit shall be conducted in accordance with ISAs and suitable staff and resources will be allocated to the assignment.

### **QUESTION THREE**

The general performance on this question was poor. Only 33 of the 116 candidates that attempted the question managed to obtain at least 10 marks out of a total of 20 available marks. A pass rate of 28.4% was recorded. The highest score was 16 out of 20 marks while the lowest was 0.

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

This part of the question required candidates to describe 5 additional information which should be made available for the due diligence review and to explain the need for the information. It also required them explain 4 procedures that should be put in place by the audit firm in relation to the anti-money laundering program among other requirements.

The following observations were made:

- (i) Most of the students who attempted this question gave vague answers to what is meant by the term additional information.
- (ii) Others mistook this additional audit procedure such as inspecting the company books of accounts to find out if it is making profits.
- (iii) Some argued wrongly that the auditor should obtain the bank statement to find out if the company has any money in the bank before it could be bought.
- (iv) Others just define due as the process undertaken by the auditors before being appointed by the client and missing the point.

- (v) Others attempted correctly to mention some correct answers to the first part of the question but failed to explain the need for such information, which was the last part of the question requirement.

## **QUESTION FOUR**

The general performance on this question was fair. Only 64 of the 140 candidates that attempted the question managed to obtain at least 10 marks out of a total of 20 available marks. A pass rate of 45.7% was recorded. The highest score was 16 out of 20 marks while the lowest was 0.

A number of candidates gave less than the four required matters that should be considered. This was largely a knowledge based question for this level and candidates should have scored the maximum available marks.

Candidates were expected to discuss the reliance on the work of internal audit and seeking direct assistance of internal audit. There were a sizeable number of candidates that described these two concepts by explaining the examples of how reliance on the work of internal audit could be made and also how direct assistance could be sought and marks were awarded for doing so.

## **QUESTION FIVE**

The general performance on this question was very poor. Only 21 of the 94 candidates that attempted the question managed to obtain at least 10 marks out of a total of 20 available marks. A pass rate of 22.3% was recorded. The highest score was 18 out of 20 marks while the lowest was 0.

The question required candidates to recommend 4 procedures to be performed to obtain assurance on the validity of the performance information in the Corporate Social Report of the Community Development Foundation using extracts of information from the report. It also examined report.

Instead of recommending audit procedures, some candidates suggested the procedures such as requesting the scholarship advert which the company responded to, interviewing the in-charge at the authorities of the universities and confirming receipt of funds by writing to local universities.

Other candidates indicated that visiting the five (5) universities to get information on how the donations received were utilized and how it has benefited the university would be an audit procedure rather than agreeing a sample of donations to a cash book and

bank statement, checking the authorization of huge donations, reviewing correspondence with the universities and so on.

A majority of the candidates showed lack of understanding of the topic of audit reporting. For a total of 16 marks, this suggested that there are 4 available marks for each of the four audit clients.

### **Overall performance of candidates**

Highest mark obtained in this paper	72%
Lowest mark obtained in this paper	16%
Overall pass rate in this paper	46.7%

## **CA3.4 ADVANCED TAX**

### **QUESTION ONE**

The general performance on this question was good. 65 out of the 113 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 57.5%. The lowest score was 2, whilst the highest was 38.5 out of the available 40 marks.

The question covered tax planning for individuals running a family business.

In part (a) candidates were required to compute the income tax and NAPSA contributions payable by each individual if the business as a sole trader.

The following are the challenges faced by the candidates:

- (i) Not deducting salaries payable to each family member to be employed in the business when computing taxable profits.
- (ii) Not restricting the allowable employer's and employee's contribution to the NAPSA ceiling.
- (iii) Using the wrong rates to compute capital allowances claimable.
- (iv) Using the wrong rates to compute the income tax payable by each individual.

In part (b) candidates were required to calculate the amount of income tax payable by each individual if the business was being run as a partnership. The following are the challenges faced by the candidates:

The most common challenges faced by the candidates included:

- (i) Using the wrong rates to compute amount of capital allowances available on the vehicles used in the business.
- (ii) Failure to calculate the correct amount of income tax payable by the partners. Some candidates were using a flat income tax rate of 30% instead of personal income tax bands.

In part (c) candidates were required to compute the income tax and NAPSA contributions if the business was run as a limited company.

The common mistakes were:

- (i) using the company income tax rate of 30% to compute the income tax payable by each individual instead of personal income tax bands.
- (ii) Not restricting the allowable employer's and employee's contribution to the NAPSA ceiling.
- (iii) Not making the adjustments for personal to holder car benefit for the vehicle provided to one of the family members.

- (iv) Using the wrong rates to compute amount of capital allowances available on the vehicles used in the business.

In part (d) candidates were required to advise the family on the best alternative of running the business from a taxation point of view. Most candidates failed to make appropriate computations of the amount of net income arising under each option in giving the required advice.

## **QUESTION TWO**

The general performance on this question was poor. Only 20 of the 73 candidates that attempted the question managed to obtain at least 10 marks out of a total of 20 available marks. A pass rate of 27.4% was recorded. The highest score was 17.5 out of 20 marks while the lowest was 1.

The question examined tax planning and administration of direct taxes.

In part (a) candidates were required to explain the ethical implications arising from non-disclosure of and under declaration of mineral royalty tax. Most candidates were explaining the five (5) ethical principles in general instead of discussing the ethical issues in the scenario.

In part (b) candidates were required to evaluate the ethical threats arising from provision of tax services to the client. Most candidates failed to identify the relevant ethical threats and recommend relevant measures to manage the threats to acceptable levels.

In part (c) candidates were required to advise the directors of the amount of penalties and interest on overdue tax arising from late payment of mineral royalty tax and late submission of returns.

The most common challenges were as follows:

- (i) Failure to apply the mineral royalty rates to calculate the correct amount of mineral royalty paid for the second and third quarters.
- (ii) Failure to identify the correct due dates for the payment of the MRT on the minerals sold at the end of each quarter.
- (iii) Failure to calculate the correct amount of penalties and interest on overdue tax
- (iv) Failure to calculate the correct amount of penalties for late submission of mineral royalty tax returns as some candidates were using the penalty units for individuals.

## **QUESTION THREE**

The general performance on this question was good. Only 49 of the 90 candidates that attempted the question managed to obtain at least 10 marks out of a total of 20 available marks. A pass rate of 54.4% was recorded. The highest score was 18.5 out of 20 marks while the lowest was 0.5

This question covered taxation of financial institutions and was made up of two parts.

In part (a) candidates were required to explain the nature and income tax implications of the whole of life assurance, critical illness insurance and permanent health insurance. Some candidates demonstrated lack of knowledge of personal financial protection products. As a result, they failed to explain the nature of whole life assurance, critical illness insurance and permanent health insurance.

In part (b) candidates were required to calculate the amount of taxable business profit and the amount of income tax payable by a bank. The following were the challenges:

- (i) Failure to differentiate between allowable expenses and disallowable expenses.
- (ii) grossing up the amounts of investment income before deducting it when computing taxable profits.
- (iii) calculating initial and investment allowances on the head office building, which is a commercial building and using the wrong rates when computing capital allowances on implements, plant and machinery.
- (iv) Failure to aggregate the taxable business profits with the grossed up amount of royalties to compute the total taxable income for the bank.
- (v) Not deducting the 5% discount for issuing more than one-third (1/3) of the shares to indigenous Zambians from the company income tax rate of 30% to arrive at the correct rate to use in computing the amount of tax payable by the bank.

#### **QUESTION FOUR**

The general performance on this question was very poor. Only 9 of the 62 candidates that attempted the question managed to obtain at least 10 marks out of a total of 20 available marks. A pass rate of 14.5% was recorded. The highest score was 18 out of 20 marks while the lowest was 0.

This question was on international aspects of taxation. It was made up of two parts.

In part (a) candidates were required to calculate the amount of income tax payable by a Zambian resident company receiving dividend income from foreign sources.

The following were the most common challenges:

- (i) Not grossing up dividends received from foreign sources before including them in the computation of the total amount of taxable income.

- (ii) Failure to make the correct transfer pricing adjustments in relation to goods exported to a foreign based related company.
- (iii) Failure to calculate the amount of double taxation relief available on the income received from foreign sources.

In part (b) 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) Failure to gross up these dividends from foreign sources before including the income in the computation of total taxable income.
- (ii) Including dividends from Zambian sources which is subjected to withholding tax which is final in the computation of taxable income.
- (iii) Failure to calculate the correct amount of double taxation relief available on the dividends received from foreign sources.

## **QUESTION FIVE**

The general performance on this question was very poor. Only 23 of the 100 candidates that attempted the question managed to obtain at least 10 marks out of a total of 20 available marks. A pass rate of 23% was recorded. The highest score was 14.5 out of 20 marks while the lowest was 2.5.

This question examined tax planning involving alternative remuneration packages available to an employee.

In parts (a) (i) and (ii) candidates were required to compute the amount of income tax payable by the individual under each offer.

The following were the challenges faced by the candidates:

- (i) Failure to differentiate between taxable employment benefits and exempt employment benefits. Some candidates treated medical allowance, education allowance, payment rentals by the employer as exempt benefits.
- (ii) Using the wrong rate of 25% to compute capital allowances available on the private motor car to be used partly for employment purposes.
- (iii) Leaving out school fees and security fees, when computing taxable income when computing taxable income under the second remuneration package and including

exempt benefits which included the person-to-holder car, payment of motor car running expenses on the personal to holder motor car benefit and accommodation benefit

(iv) Not deducting professional fees payable by the employee under the second remuneration package when computing taxable income under the second package.

In part (b) candidates were required to advise on which offer of employment was more beneficial from the taxation point of view. Most candidates failed to compute the correct amount of net income arising under each remuneration package in giving the advice.

### **Overall performance of candidates**

Highest mark obtained in this paper	81%
Lowest mark obtained in this paper	9%
Overall pass rate in this paper	38.1%

## **CA3.5 ADVANCED MANAGEMENT ACCOUNTING.**

### **QUESTION ONE**



The general performance on this question was very poor. 2 out of the 17 candidates that attempted the question achieved a pass (that is a score of at least 20 out of 40 marks), representing a pass rate on the question of 11.8%. The lowest score was 7, whilst the highest was 23 out of the available 40 marks.

Performance was extremely poor.

Question One examined traditional absorption costing (TAC) and Activity Based Costing (ABC) in parts (a), (b) and (c). Part (d) examined the role of JIT and TQM in modern manufacturing environments and the recommendation of critical success factors to assist the achievement of future success whilst part (e) required the evaluation of four approaches to system changeover.

Common mistakes made by the candidates included:

- (i) Inability to calculate TAC and ABC costs. Only direct costs (already given) could be shown. Overhead costs were wrongly calculated.
- (ii) Failure to explain how ABC systems could be developed using the information in the scenario.
- (i) Failure to recommend critical success factors. The candidates should have mentioned product quality, innovation, low-cost producers and adequate skilled labor.
- (ii) Other candidates lost marks because they did not attempt the question in full.

## **QUESTION TWO**

The general performance on this question was fair. 8 of the 15 candidates that attempted the question managed to obtain at least 10 marks out of a total of 20 available marks. A pass rate of 53.3% was recorded. The highest score was 16 out of 20 marks while the lowest was 6.

This question required candidates to:

- (a) Evaluate the impact of political climate change, market conditions and funding on the performance of the company
- (b)
  - (i) distinguish between concepts of missions and objectives
  - (ii) illustrate how missions could be translated into strategic objectives.

Some of the common mistakes made by the candidates included bring out points despite being given the scenario from which they could have answered the question. Some struggled to explain how missions could be translated into objectives.

## **QUESTION THREE**

The general performance on this question was good. 7 of the 12 candidates that attempted the question managed to obtain at least 10 marks out of a total of 20 available marks. A pass rate of 58.3% was recorded. The highest score was 12.5 out of 20 marks while the lowest was 2.

Question Three required candidates to:

- (a) Explain how an organisation can make use of the following:
  - (i) Information systems (IS) strategy
  - (ii) Information Technology (IT) strategy
  - (iii) Information management (IM) strategy
- (b) To discuss the CEO's analysis of ways of overcoming potential problems in the implementation of information technology.
- (c) To identify the main individuals and groups which the Human Resources Department should target first for training.

Common mistakes made by the candidates included:

- (i) Failing to apply Information Systems strategy, Information Technology (IT) strategy and Information Management strategy concepts to the company in the scenario.
- (ii) In part (b) most answers lacked the detailed information in respect of the following three areas or aspects that needed to be managed. In part (c), some candidates failed to mention the main individuals/groups to target for training. The candidates should have mentioned individuals/groups such as senior management, head office finance staff and operational staff.

## **QUESTION FOUR**

The general performance on this question was very poor. Only 2 of the 14 candidates that attempted the question managed to obtain at least 10 marks out of a total of 20 available marks. A pass rate of 14.3% was recorded. The highest score was 11 out of 20 marks while the lowest was 2.

This question required candidates to:

- (a) Explain two roles that the modern strategic management accountant would play in an economy.
- (b) Explain how the forces exerted in a customer- supplier relationship led Michael Porter to conclude that firms compete with their customers and suppliers.

- (c) discuss the issues to be considered when negotiating and agreeing transfer prices between Strategic Business Units(SBU's).

Common errors were as follows:

- (i) Most candidates stated the role of an ordinary management accountant playing his/her role at a company level providing management accounting reports, number crunching.
- (ii) Explaining all the five Porter's forces instead of concentrating on the customer supplier relationship. This required sticking to the bargaining power of costumers and bargaining power of suppliers.
- (iii)In part (c), discussing irrelevant issues relating to international transfer pricing such as repatriation of profits, taxation, embargoes, excise duty, etc. The question invited a discussion of issues to be considered when negotiating and agreeing transfer prices between SBU's.

## **QUESTION FIVE**

The general performance on this question was very poor. Only 1 of the 9 candidates that attempted the question managed to obtain at least 10 marks out of a total of 20 available marks. A pass rate of 11.1% was recorded. The highest score was 10 out of 20 marks while the lowest was 4.

The question required candidates to evaluate the long term goals position of the Finance Director and the short-term goals position of the Chief Executive Officer (CEO) and to show how the two schemes are in conflict.

They were further required to evaluate three methods that may be used for accounting for environmental costs and explain the term business process re-engineering as well as evaluate how its application might have enabled overall business performance the cited organisation.

Poorer candidates did not realise that the Finance Director took a long-term view whilst the CEO took a short-term view. The conflict arose from profit alone being used as the measure of successful performance.

In part (b), almost all candidates did not know the methods used to account for environmental costs. These methods are covered in the CA3.5 study textbook. They include input/output analysis, environmental ABC, Life Cycle Costing and Flow cost accounting.

Candidates also lost marks due to lack of detailed information on Business Process Re- engineering and how the process can work.

### **Overall performance of candidates**

Highest mark obtained in this paper	52%
Lowest mark obtained in this paper	30%
Overall pass rate in this paper	23.5%

## **CA3.6 ADVANCED FINANCIAL MANAGEMENT**

### **QUESTION ONE**

The general performance on this question was very poor. 2 out of the 21 candidates that attempted the question achieved a pass (that is a score of at least 20 out of 40 marks), representing a pass rate on the question of 9.5%. The lowest score was 0, whilst the highest was 24 out of the available 40 marks.

Part (a) required candidates to evaluate the financial viability of the proposed investment using the APV. Most candidates didn't include the component of debt in the calculation of Asset Beta, when Beta Factor of debt is given the component of debt should be included to reflect the risk associated with debt as follows;

Pre – Tax operating Cash Flows of K500 Million given is for year 1 which means inflation should start in year 2. But most candidates start inflating in year 1, which is wrong.

Capital allowances were wrongly calculated and equally affected Tax saving and this was because of using the wrong figure on which Capital allowance is claimed. The correct amount to be used is K1, 000 and not K2, 500.

The financing impact was wrongly calculated by most candidates.

The pre – tax interest was supposed to be calculated as follows:  $7.5\% + 2.5\% = 10\%$   
Issue Cost: Candidates failed to gross up the amount on which issue cost should be based and this resulted in wrong answers.

Part (b) required the candidates to discuss the reasons new equity issues in general will be more common when share prices are high than when share prices are low. Lack of understanding of the requirement made most candidates give wrong responses on this question.

## **QUESTION TWO**

The general performance on this question was excellent. 18 of the 21 candidates that attempted the question managed to obtain at least 10 marks out of a total of 20 available marks. A pass rate of 85.7% was recorded. The highest score was 17 out of 20 marks while the lowest was 9.

Part (a) required candidates to discuss the major factors that should be considered when deciding on the appropriate mix of long-term and short-term borrowing necessary to finance the expansion programme. Most candidates failed to identify the factors to be considered, instead some merely explained what was meant by short-term and long-term borrowing.

Part (b) of the question required the candidates to discuss the major factors that a lender should take into account when deciding whether to grant a long-term loan to the business. Some candidates were unable to identify the factors that a lender was

to take into account when deciding to grant a long-term loan to a business. Some of the candidates stated factors that the lender considers for short terms loans instead of long-term loans as per question.

Part (c) required to identify three conditions that might be included in a long-term loan agreement, and state the purpose of each. Some candidates failed to state clearly the three (3) conditions that a long-term loan agreement and their purpose.

Part(d) required candidates to discuss the reasons profit maximisation as a primary objective would be insufficient for investors. Common Mistakes was the inability of some candidates to express clearly the reasons why profit maximization as the primary objective would be insufficient for investors. Candidates should have explained what is meant by maximizing profit for a firm. In their explanation, the candidates should have stated our investors objectives that can be considered.

### **QUESTION THREE**

The general performance on this question was fair. 8 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 47.1% was recorded. The highest score was 19 out of 20 marks while the lowest was 2.

Part (a) required candidates to evaluate the project using APV. Candidates failed to calculate the PV of Annuity Cash Flow of K3.5million.

The interest on 8% Loan was supposed to be calculated as  $8\% \times K5m = K400,000$ .

Splitting the Capital structure of K25million based on % given was an issue.

When calculating Issue Costs on debt and Equity, debt and equity amounts were not to be grossed up because they were already grossed gross. Most candidates grossed up the amounts.

Part (b) required the candidates to comment upon the circumstances under which APV might be a better method of evaluating a capital investment than NPV. Candidates who attempted this question did well. Despite a few giving advantages of NPV instead of explaining the reason APV is better than NPV.

### **QUESTION FOUR**

The general performance on this question was very poor. Only 0 of the 3 candidates that attempted the question managed to obtain at least 10 marks out of a total of 20

available marks thereby resulting in a 100% failure rate. The highest score was 6 out of 20 marks while the lowest was 0.

Part (a) asked candidates to advise the directors on the matters that they would have to consider in determining the extent of economic exposure. Part (b) required candidates to evaluate the validity of the director's concern that "translation gains and losses on the US\$ bank balance are visible to shareholders, whereas the offsetting of economic exposure is not and so their hedging policy may be misunderstood". Part (c) required candidates to calculate 95% daily VaR, 95% 30 day VaR and advise the directors on the relevance of the VaR statistic to their consideration of risks. The candidates generally exhibited lack of knowledge of VaR.

### **QUESTION FIVE**

The general performance on this question was poor. Only 9 of the 21 candidates that attempted the question managed to obtain at least 10 marks out of a total of 20 available marks. A pass rate of 42.9% was recorded. The highest score was 14 out of 20 marks while the lowest was 7.

Part (a) of the question required the candidates to Assess the different categories of risks that FAWK International may be exposed to as a result of its foreign business operations. Common Mistakes for those candidates that responded to this question included the inability to state clearly the various international risk profile for international transactions and business operations.

In part (c), the candidates were required to discuss the main arguments for hedging risks using derivatives by FAWK International. Some candidates failed to provide adequate response regarding the arguments for hedging derivatives.

### **Overall performance of candidates**

Highest mark obtained in this paper	66%
Lowest mark obtained in this paper	17%
Overall pass rate in this paper	23.8%

## **CA3.7 PUBLIC SECTOR AUDITING AND ASSURANCE**

### **QUESTION ONE**

The general performance on this question was poor. 33 out of the 84 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 39.3%. The lowest score was 4, whilst the highest was 32 out of the available 40 marks.

This was a multi-requirement question that among other areas examined on ethical matters and their suitable safeguards, engagement letter in the audit of Mwala Cement Ltd and to suggest suitable safeguards for each issue. Candidates were also required to suggest action to be taken in view of the non-existence of the preconditions in the given scenario.

Some of the candidates were able to identify threats and matched these threats with related safeguards while a good number did not score good marks because they could not use the information in scenario to identify the ethical matters in the audit.

Some candidates simply listed the fundamental ethical issues for professional accountants such as objectivity, integrity, competence, and professional behavior instead of relying on what was contained in the scenario.

Some candidates seemed not to know that an engagement letter for a private audit is much the same as that of a public sector audit while others mistook a letter of engagement for a letter of representation.

There were candidates that did not score maximum marks on this question failed to appreciate the fact that there is a difference between the application of pre-conditions for an audit for private sector audits and public sector audits conducted by the Supreme Audit Institution.

## **QUESTION TWO**

The general performance on this question was good. Only 38 of the 59 candidates that attempted the question managed to obtain at least 10 marks out of a total of 20 available marks. A pass rate of 64.4% was recorded. The highest score was 14 out of 20 marks while the lowest was 0.

The question was divided into parts (a) and (b). Part (a) required candidates to suggest a suitable opinion for each of the district councils in the scenario using the information given.

Candidates who scored low marks on part (a) failed to suggest an appropriate audit opinion for each of the two affected local authorities as well as their inability to provide reasonable grounds for their proposed audit opinions.



Part (b) required candidates to explain with justification the type of audit that should be conducted according to the provisions of ISSAI 100: Principles of public sector auditing as well as to describe regularity and propriety in compliance auditing using information in the scenario. Candidates were also required to explain the criteria that may be used in the audit to be conducted by the Supreme Audit Institution and identify 6 substantive audit procedures that should be performed in the public sector audit using the information in the scenario.

The performance was generally well. Candidates that scored below average marks on the question were listing all the types of audits SAI could undertake including financial audits, compliance audits, performance audits, forensic audits and IT audits. Such candidates failed to pick out one appropriate audit which was suitable under the circumstances and to provide justifications.

### **QUESTION THREE**

The general performance on this question was poor. Only 16 of the 48 candidates that attempted the question managed to obtain at least 10 marks out of a total of 20 available marks. A pass rate of 33.3% was recorded. The highest score was 14 out of 20 marks while the lowest was 1.

Part (a) of the question required candidates to explain 3 matters that should be considered when planning the value for money audit of the operations of the road construction project.

The following were observed:

Most candidates answered this question very well except for a few who provided explanation they deemed fit with answers such as availability of the topic, availability of information, risk assessment. Planning the audit and reporting on the outcome. Obviously these matters have nothing to do with planning the value for money audit and a result no marks given.

The first part of (b) required candidates to describe 2 tasks that should be performed during the planning stage of the performance audit. Instead of describing that fact that a pre-study which entails obtaining an understanding of the project or programme to be audited and designing appropriate audit procedures, most candidates failed highlight the later as one task that should be performed during the planning stage of the performance audit.

In part (b)(ii), candidates were required to suggest four suitable criteria to be used in the planned performance audit of the road construction project. Instead of highlighting the average cost of bitumen, agreed length of the road, average cost per kilometer of road and road specifications, most some candidates were mentioning project

guidelines, country's standards and approved road standards as well as Consistency Development Fund guidelines.

The final part of (b) required candidates to describe 2 substantive audit procedures for each of the three value for money principles in the audit of the road construction project. Most candidates were able to state the three values for money principles in the audit of road construction project, namely economy, efficiency and effectiveness. The challenges were to describe the two (2) substantive audit procedures for each heading a failure which led to the candidates not getting full credit.

#### **QUESTION FOUR**

The general performance on this question was poor. Only 26 of the 69 candidates that attempted the question managed to obtain at least 10 marks out of a total of 20 available marks. A pass rate of 37.7% was recorded. The highest score was 16 out of 20 marks while the lowest was 1.

The question was divided into four parts (a, b, c and d). Part (a) required candidates to explain the objective and purpose of the financial audit of the SAI of Trinidad while part (b) required them to evaluate the performance of the SAI of Trinidad against the provisions of ISSAI 20: Principles of Transparency and Accountability.

Some of the candidates failed to explain accountability, transparency, resource stewardship and independent's assurance as reasons why an audit in a public organization is carried out

Others simply stated that the objective is to form an opinion without explaining that how that is done.

Others only explained that the Office of the Auditor's general is mandated to perform a financial, compliance, and Performance audit in a public sector entity.

A good number of candidates did not know what ISSAI 20 is and simply explained the explained why it is important for the SAI to be independent.

There were a few cases where some answers stated that the SAI should be evaluated against the Zambian laws as enshrined in the constitution of Zambia and not Trinidad.

In part (c) candidates were required to evaluate the performance of the SAI of Trinidad against the provisions of the Lima declaration. Some of the answers included explanations of the content of Lima declarations only without weighing whether the entity in question followed the Lima declaration or not.

Part (d) of the question required candidates to explain 4 possible uses of Computer Audit Assisted Techniques in the audit of the financial statements of the SAI of Trinidad. A good number were able to get some good marks on this part of the question except a few candidates who did not even know what CAATs are.

Others thought this was about the benefits of CAATs to the entity being audited when in fact it is the SAI that will benefit from the use of CAATs.

In certain cases, some answers stated that CAATs can be used as a measure to prevent fraud and errors while the expected explanation was that CAATs are used for detecting fraud and errors and not for preventing errors.

## **QUESTION FIVE**

The general performance on this question was good. Only 43 of the 70 candidates that attempted the question managed to obtain at least 10 marks out of a total of 20 available marks. A pass rate of 61.4% was recorded. The highest score was 20 out of 20 marks while the lowest was 1.

Part (a) of the question required candidates to describe the objective of the value for money audit of the newly installed Information Technology System in the scenario.

Some candidates were simply explaining the elements of Value for Money such as economy, efficiency, effectiveness, equity and sustainability without relating them to the newly installed Information Technology System. Other candidates explained the use of Information technology in the audit of a public sector entity.

The second part of (a) required candidates to describe cyber security threats that face Kirkstan on account of the newly installed IT System.

A good number of candidates were able to state the actual threat but provided insufficient details of such threats and how they affect the newly installed IT System. Others stated that CCTV cameras are required before Information Technology is implemented.

Part (b) of the question required candidates to explain the objective of the intended forensic investigation on the misappropriation of public funds as well as describe the work that should be performed in the forensic investigation by the audit team in accordance with the key stages for forensic investigations.

Most of the students could not realize that the objectives of a forensic investigation involve 4 stages namely identifying fraud, quantifying losses, establishing

accountability and then providing recommendations. Others simply define forensic audit without and details about objectives of forensic investigations.

A good number of candidates did not realize that the work involving forensic audit is carried out chronologically beginning with determining the scope of an audit an ending with drawing conclusions and reporting.

Others mixed up the stages which did not make audit sense. For instance, one cannot start with reporting and conclusion and then define the scope of work to be done.

### **Overall performance of candidates**

Highest mark obtained in this paper	68%
Lowest mark obtained in this paper	15%
Overall pass rate in this paper	48.8%

## **CA3.8 PUBLIC SECTOR FINANCIAL MANAGEMENT**

### **QUESTION ONE**

The general performance on this question was very poor. None of the 2 candidates that attempted the question achieved a pass (that is a score of at least 20 out of 40 marks), representing a failure rate of 100%. The lowest score was 3, whilst the highest was 11 out of the available 40 marks.

Part (a) required candidates to explain the features of the full private provision delivery method.

Part (b) required candidates to explain the benefits and drawbacks of the full private provision delivery method. Candidates showed lack of knowledge of the full private provision delivery method.

Part(c) required the measurement of sensitivity of the proposed project to some identified variables. Part (d) required the candidates to interpret the results of the computations obtained in (c) above. Candidates had challenges PV of the variables to use in the measurement of sensitivity. They also failed to measure sensitivity of cost of capital using IRR.

## **QUESTION TWO**

The general performance on this question was excellent. Both 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 scored 18 out of 20 marks while the lowest had 14.

Part (a) required candidates to discuss the information covered by each of the seven pillars of PEFA framework. Part (b) of the question required the candidates to discuss with examples and justification of the charging methods that central or local government department can use in the pricing its services or goods. Candidates showed good understanding of the topics in this question.

## **QUESTION THREE**

The general performance on this question was excellent too as both 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 11 out of 20 marks while the lowest was 10.

Part (a) required candidates to explain in detail the meaning of market failure and give examples of market failure. Part (b) required candidates to discuss six key areas of local government public expenditure in Zambia in line with the local Government Act 1991. Part (c) required candidates to explain the functions of the two main divisions

at the Ministry of Finance. The candidates had a fair attempt on this question although they had challenges with part (b) and market failure.

#### **QUESTION FOUR**

The general performance on this question was fair. 1 of the 2 candidates that attempted the question managed to obtain at least 10 marks out of a total of 20 available marks. A pass rate of 50 % was recorded. The highest score was 14 out of 20 marks while the lowest was 7

Part (a) asked candidates to explain the key factors which the Secretary to the Cabinet considers before the authorisation to invest in public funds is granted. Candidates had challenges identifying the factors.

Part (b) required candidates to discuss the financial instruments according to the public finance management Act 2018, which the Secretary to the Treasury is authorized to invest in. Candidates struggled to discuss the financial instrument. Part (c) required candidates to state the various temporary cash surplus investment portfolios and strategies for SOEs.

#### **QUESTION FIVE**

No candidate attempted this question.

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

Highest mark obtained in this paper	53%
Lowest mark obtained in this paper	35%
Overall pass rate in this paper	50%