



MARCH 2025 EXAMINATIONS

CHIEF EXAMINERS REPORTS

DIPLOMA IN ACCOUNTANCY

DA 1: FINANCIAL ACCOUNTING

QUESTION ONE

The general performance on the question was very poor. Of the 36 that attempted the question, only 6 managed to obtain at least 10 out of the available 20 marks. A pass rate of 16.7% was recorded. The highest score was 16 while the lowest was 2 out of 20.

This question had ten multiple choice part questions. Candidates had challenges in theory part questions.

QUESTION TWO

The general performance on the question was very poor. Of the 26 that attempted the question, only 5 managed to obtain at least 10 out of the available 20 marks. A pass rate of 19.2% was recorded. The highest score was 13.5 while the lowest was 1.5 out of 20.

Part (a) required candidates to draw up journal entries necessary to correct the given errors. Candidates failed to answer item (2) on heat and light which required doubling.

Part (b) required candidates to write up a suspense account. Candidates failed to establish difference in books for the suspense account. Entries on credit side were posted to the debit side.

Part (c) required candidates to show adjustments to the profit figure. Poor answers presented. Knowledge of the relationship between ledger entries and net profit is a challenge

Part (d) required candidates to prepare a statement of financial position as at 31st December 2023. This was answered well.

QUESTION THREE

The general performance on the question was very good. Of the 33 that attempted the question, only 25 managed to obtain at least 10 out of the available 20 marks. A pass rate of 75.8% was recorded. The highest score was 19.5 while the lowest was 2 out of 20.

Part (a) required candidates to explain six (6) main books of prime entry and their source documents. This was well answered.

Part (b) required candidates to differentiate between the receivable ledger and the payables ledger. Good answers were given.

Part (c) required candidates to prepare the corrected receivable ledger control account. Poor answers were given. Candidates are encouraged to pay attention to this part of syllabus.

QUESTION FOUR

The general performance on the question was excellent. Of the 34 that attempted the question, only 29 managed to obtain at least 10 out of the available 20 marks. A pass rate of 85.3% was recorded. The highest score was 20 while the lowest was 2 out of 20.

Part (a) required candidates to prepare a statement of profit or loss appropriation account. This part was well answered.

Part (b) required candidates to prepare the partners' current accounts. No common mistake was observed.

QUESTION FIVE

The general performance on the question was very poor. None of the 12 candidates that attempted the question managed to obtain at least 10 out of the available 20 marks thereby resulting in a 100% failure rate. The highest score was 9.5 while the lowest was 0 out of 20.

The question required candidates to prepare a statement of cash flow. The few candidates who attempted the question had challenges on the format, establishing values requiring calculations as well as the sub-headings within the cash flow statement.

QUESTION SIX

The general performance on the question was very good. Of the 35 candidates that attempted the question, 28 managed to obtain at least 10 out of the available 20 marks. A pass rate of 80% was recorded. The highest score was 20 while the lowest was 6 out of 20.

Part (a) required candidates to prepare a statement of profit or loss for the year ended 31st March 2023. This part was well answered.

Part (b) required candidates to prepare a statement of financial position as at 31st March 2023. Good answers were given.

OVERALL PERFORMANCE OF CANDIDATES

Highest mark obtained in this paper: 72%

Lowest mark obtained in this paper: 23%

Overall pass rate in this paper: 63.9%

DA 2 QUANTITATIVE ANALYSIS

QUESTION ONE

The general performance on the question was very poor. Only 11 out of the 34 candidates that attempted the question managed to obtain at least 10 out of the available 20 marks. A pass rate of 32.4% was recorded. The highest score was 16 while the lowest was 2 out of 20.

This was a multiple choice question that covered variety of topics from the syllabus. The performance was not so good on this section. In most cases, candidates lost marks for using wrong formulae when computing the required tasks. The question covered the entire syllabus hence students had a wide range of questions to answer.

QUESTION TWO

The general performance on the question was very poor. None of the 10 candidates that attempted the question managed to obtain at least 10 out of the available 20 marks therefore resulting in a 100% failure rate. The highest score was 9 while the lowest was 0 out of 20.

This question was divided into two parts. Part (a) required candidates to use the internal rate of return to solve a problem involving compound interests. The general performance in this part of the question was poor because candidates were observed to be using the wrong formulae and most of them did not even attempt it, instead they only attempted part (b) of the question. There is need to emphasize differences between simple interest, compound interest and annuities to help candidates adequately prepare solving problems involving monetary investment and interest rates.

Part (b) required candidates to use the method of normal distribution to solve a given scenario. There was a fairly good performance in this problem though it was observed that some candidates failed to correctly use the Z tables in finding probabilities.

QUESTION THREE

The general performance on the question was also very poor. Of the 28 that attempted the question, only 5 managed to obtain at least 10 out of the available 20 marks. A pass rate of 17.9% was recorded. The highest score was 20 while the lowest was 0 out of 20.

Part (a) of the question required candidates to answer questions based on the given probability distribution table. The performance on this part of the question was not good. Very few candidates managed to complete the required tasks, others did not even know what to do.

Part (b) required candidates to use the Poisson distribution to calculate the required probability. It was observed that the candidates used wrong distributions and were not able to solve the questions correctly. It's like candidates completely lack knowledge on Poisson distribution, perhaps there is need to emphasize that it's part of the syllabus and candidates should cover it in their studying.

QUESTION FOUR

The general performance on the question was poor. Of the 26 that attempted the question, only 10 managed to obtain at least 10 out of the available 20 marks. A pass rate of 38.5% was recorded. The highest score was 14 while the lowest was 0 out of 20.

Part (a) of the question required candidates to use Maximax, maximin and minimax regret criterion rule to determine the best decision alternative from the given data. Most of the candidates demonstrated a fairly good level of knowledge on this topic of study as they could correctly answer this part of the question. The candidates who answered the question wrongly were observed to mix up the concept of the Maximax, minimax and Hurwicz criteria, hence lost some marks.

Part (b) required candidates to use the method of Binomial distributions to solve a given scenario. There was a fairly good performance in this problem though there was an observed failure to correctly use the calculator to compute probabilities.

QUESTION FIVE

The general performance on the question was very poor. Of the 31 that attempted the question, only 9 managed to obtain at least 10 out of the available 20 marks. A pass rate of 29% was recorded. The highest score was 20 while the lowest was 3 out of 20.

This question was divided into two parts.

Part (a) required candidates to calculate the median, the mean and standard deviation from a given scenario of ungrouped data. The first and second parts of the question were solved without much struggle, but application of concepts emphasized in the third part of the question was not well done. There was an observed lack of understanding of the question as most candidates could not find the correct standard deviation despite using the correct mean. There is need to emphasize the difference between population standard deviation and sample standard deviation formula.

Part (b) of the question required candidates to construct the payoff table and find the most profitable number of copies the newspaper girl should order from the given data. Most of the candidates managed to answer the first part correctly and the performance was good. Candidates lost marks on the second part of the question because most of them did not realize that they needed to compute the mean or rather the expected value using the given probabilities.

QUESTION SIX

The general performance on the question was good. Of the 34 that attempted the question, 22 managed to obtain at least 10 out of the available 20 marks. A pass rate of 64.7% was recorded. The highest score was 20 while the lowest was 3 out of 20.

Candidates were required to use plot given data on a scatter diagram, to find the regression line, the estimate the value of y when $x = 6$ and to calculate the coefficient of correlation r . It was observed that the performance in this question was good, candidates had less challenges in solving the questions given. Those that lost marks on this part of the question made computational errors especially when computing the summations.

Overall performance of candidates

Highest mark obtained in this paper: 66%

Lowest mark obtained in this paper: 9%

Overall pass rate in this paper: 20.6%

DA 3 BUSINESS ECONOMICS

QUESTION ONE

The general performance on the question was poor. Of the 41 candidates that attempted the question, only 15 managed to obtain at least 10 out of the available 20 marks. A pass rate of 36.6% was recorded. The highest score was 18 while the lowest was 2 out of 20.

QUESTION TWO

The general performance on the question was good. Of the 39 candidates that attempted the question, 25 managed to obtain at least 10 out of the available 20 marks. A pass rate of 64.1% was recorded. The highest score was 20 while the lowest was 4 out of 20.

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

- (a) This question required candidates to distinguish between microeconomics and macroeconomics supported by two (2) examples of topics studied under each category. This was fairly done. However, some candidates interchanged the examples of topics covered under each category and lost some marks.
- (b) This part of the question required candidates to outline the meaning of the following:
 - (i) Equilibrium price
 - (ii) Equilibrium quantity
- (c) This was subdivided into two (2) parts namely (i) and (ii) as follows: It required candidates illustrate and explain how the changes in the given events would affect equilibrium price and quantity of a given good. Overall performance was fair. The common mistakes included failure to know the curve affected by the change in the given factor and the direction of the shift of the curve. Further, there were poorly labelled graphs. Still, other candidates drew the correct graphs but could not explain correctly and lost some marks. Candidates are urged to ensure that they draw well labelled graphs and explain them. Marks are always allocated for graphs and explanations.
 - (i) A devastating flood that destroys the maize fields on the mealie meal price. This shifts the supply curve to the left
 - (ii) An increase in consumer income levels assuming an inferior good. This shifts the demand curve to the left

QUESTION THREE

The general performance on the question was very poor. Of the 9 candidates that attempted the question, only 2 managed to obtain at least 10 out of the available 20 marks. A pass rate of 22.2% was recorded. The highest score was 14 while the lowest was 0 out of 20.

The question was divided into three (3) sections namely, (a), (b) and (c) as follows:

This question required candidates to state any three (3) characteristics of oligopoly type of market structure. Performance was not good as majority of the candidates only got one characteristic correct. Candidates must understand the characteristics of all market structures as this is a common question.

This part of the question required candidates to outline any four (4) causes of oligopoly type of market structure. This also not well answered. Few candidates were able to present the correct causes of oligopoly.

This required candidates to describe any three (3) barriers to entry for oligopoly market structure. Like in (a) above, many candidates simply presented one barrier namely high cost of investment correctly. They lost 4 marks for that.

QUESTION FOUR

The general performance on the question was excellent. Of the 33 candidates that attempted the question, 28 managed to obtain at least 10 out of the available 20 marks. A pass rate of 84.8% was recorded. The highest score was 18 while the lowest was 6 out of 20.

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

Overall, this was the best answered question in the paper. Many candidates were able to adequately answer the question. This was subdivided into (i), and (ii) and required candidates to:

Complete the given table by calculating values for marginal cost, average variable cost and average total cost. This was well done. However, a few candidates used total cost instead of variable cost to calculate average variable cost!

State the two formulae for calculating average total cost. Many candidates presented only one formula correctly, that is, $ATC = TC/Q$.

This part of the question required candidates to outline any three (3) advantages of partnership type of business. This was well answered by almost every candidate.

QUESTION FIVE

The general performance on the question was fair. Of the 34 candidates that attempted the question, only 13 managed to obtain at least 10 out of the available 20 marks. A pass rate of 38.2% was recorded. The highest score was 19 while the lowest was 0 out of 20.

The question was divided into three (3) sections namely, (a), (b), and (c) as follows:

- (a) Part (a) of the question required candidates to outline supply side policies that can be used to deal with unemployment. Overall performance was poor. Many candidates seemed not to understand what supply side policies are. These are simply policies that affect aggregate supply and not aggregate demand. Others presented some policies but lacked explanation.
- (b) This part of the question required candidates to explain how the Zambian government can use monetary policy and fiscal policy to control inflation. Some candidates merely defined monetary and fiscal policies but could not explain how they can be used to control inflation. Other candidates interchanged the monetary and fiscal policy tools. Still some candidates presented answers which led to increasing the inflation rate as opposed to reducing it as required.
- (c) This was fairly done. However, some candidates swapped the explanations for the two theories. Further, some explanations were inadequate. This required candidates to explain the given international trade concepts:
 - (i) Absolute advantage theory
 - (ii) Comparative advantage theory

QUESTION SIX

The general performance on the question was poor. Of the 15 candidates that attempted the question, only 4 managed to obtain at least 10 out of the available 20 marks. A pass rate of 26.7% was recorded. The highest score was 14 while the lowest was 3 out of 20.

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

- (a) This part of the question required candidates to distinguish between Nominal Gross Domestic Product and Real Gross Domestic Product. Performance on this part of the question was good although some candidates swapped the distinction. What should have been for nominal Gross Domestic Product was presented as Real Gross Domestic Product as vice versa.
- (b) This part of the question required candidates to list any two (2) limitations of using GDP as an index of welfare of a country. This was fairly answered but a few candidates completely failed to write anything.
- (c) This required candidates to outline any three (3) reasons for computing national income data. This was excellently answered by all candidates.
- (d) This question required candidates to calculate from the information given:
 - (i) Equilibrium level of national income
 - (ii) Total consumption expenditure at equilibrium level of national income.

This part of the question required candidates to draw a hypothetical Keynesian Aggregate Expenditure model depicting $AE = Y$.

The question was poorly answered. Poor graphs were the most common mistake. Some candidates drew the traditional demand and supply curves to show the equilibrium.

QUESTION SEVEN

The general performance on the question was very poor. Of the 29 candidates that attempted the question, only 7 managed to obtain at least 10 out of the available 20 marks. A pass rate of 24.1% was recorded. The highest score was 18 while the lowest was 0 out of 20.

The question was divided into three (3) sections namely, (a), (b), and (c) as follows:

- (a) This part of the question required candidates to distinguish between narrow money and broad money. This was poorly done. Majority of the candidates seem not to have been lost. Candidates are urged to study the entire syllabus.
- (b) This part of the question required candidates to explain how net property income tax is accounted for when calculating Gross National Product from Gross Domestic Product. This part of the question received fair performance. However, some candidates could not even relate to what net property income is all about let alone how it is calculated.
- (c) This was poorly done. Only a handful of candidates were able to score the fully allocated marks. The common mistake observed was that many candidates related the concepts below to financial accounting and not economics. The contents given were largely those of partnership accounts. This again shows that some candidates did not prepare adequately for this examination. Further some candidates merely stated the components rather than the contents as required by the question. The question was divided into three (3) parts required candidates to state the contents of the given Balance of Payments components:

- (i) Current account
- (ii) Capital account
- (iii) Official reserves

Overall performance of candidates

Highest mark obtained in this paper: 69%

Lowest mark obtained in this paper: 8%

Overall pass rate in this paper: 53.7%

DA4 INFORMATION TECHNOLOGY AND COMMUNICATION

QUESTION ONE

The general performance on the question was very good. 27 candidates out of the 36 that attempted the question managed to obtain at least 10 out of the available 20 marks. A pass rate of 75% was recorded. The highest score was 18 while the lowest was 2 out of 20.

QUESTION TWO

The general performance on the question was poor. Only 13 of the 33 candidates that attempted the question, only 13 managed to obtain at least 10 out of the available 20 marks. A pass rate of 39.4% was recorded. The highest score was 20 while the lowest was 0 out of 20.

The question was about explain three types of computers, stating with examples four types of AIS and explaining area networks.

The common mistakes were as follows:

- (a) Some candidates were not explaining the types of computers correctly and were describing examples of computers under the same type.
- (b) Some candidates answered the AIS poorly, they were explaining information systems found in an organisation in general instead of Accounting Information Systems.
- (c) Some candidates were explaining local area network instead of area networks.

QUESTION THREE

The general performance on the question was very poor. Of the 8 candidates that attempted the question, none managed to obtain at least 10 out of the available 20 marks. This resulted in a 100% failure rate. The highest score was 6 while the lowest was 0 out of 20.

The question was about writing some excel formulas and describing in detail the security controls that would be put in place to mitigate data breaches in electronic signatures

The following were the common mistakes noted in this question:

- (a) Most students were not writing the excel functions and formulas correctly. Some candidates could not use the absolute referencing in the formula when calculating NAPSA.
- (b) All the candidates could not write the "IF condition" correctly where the PAYE had to be calculated according to band given in the question.

- (c) Most candidates had difficulties in explaining electronic signature as a security control to put in place to mitigate data breaches occurring.

QUESTION FOUR

The general performance on the question was poor. Of the 32 candidates that attempted the question, only 11 managed to obtain at least 10 out of the available 20 marks. A pass rate of 34.4% was recorded. The highest score was 17 while the lowest was 1 out of 20.

The question was about outlining five types of information systems found in an organisation stating the level of the hierarchy they are found, distinguishing a web browser from a search engine and stating three ways the business can protect itself from computer crimes.

The following were the common mistakes noted in this question:

- (a) Some candidates were failing to state the levels of hierarchy information systems found in an organisation and were mixing the level at which the information systems are found.
- (b) Some candidates could not distinguish a web browser from a search engine and were interchanging their roles.

QUESTION FIVE

The general performance on the question was excellent. Of the 29 that attempted the question, only 25 managed to obtain at least 10 out of the available 20 marks. A pass rate of 86.2% was recorded. The highest score was 19 while the lowest was 4 out of 20.

The question was about explaining five strategies for effective listening, outlining three reasons people prefer making notes from a spoken source to just mere listening and explaining the types of questions.

The following were the common mistakes noted in this question:

- (a) Repeated answers

Inadequate answers where candidates were required to give at least five points for the answers but only presented less than five.

- (b) some candidates mixed up the answers, they presented factors to consider during an oral presentation which was not supposed to be the case.

Generally wrong content was presented which was not even linked to the question that was asked.

- (c) some candidates also mixed up the questions. An open question was answered as a leading question and the same for a leading question as an open question. Some candidates just partially answered the question by only giving an explanation without providing questions as an example as required by the question.

In some cases, some candidates only provided questions only, rather repeated the questions that were asked by the examiner.

QUESTION SIX

The general performance on the question was very good. 11 out of the 14 candidates that attempted the question managed to obtain at least 10 out of the available 20 marks. A pass rate of 78.6% was recorded. The highest score was 16 while the lowest was 6 out of 20.

The question was about preparing a notice for the board meeting and outlining four functions of the secretary of the board meeting.

The following were the common mistakes noted in this question:

- (a) wrong formats or layout were presented in some cases. Ie a letter or a report was produced with wrong content too instead of a notice for a board meeting.
Important details of the meeting such as the venue, time and date were not included in the notice.
In some cases, some candidates just omitted the question and lost marks.
- (b) Some candidates presented duties of the chairperson as answers which was not the same. In some cases, duties of the chairperson, Secretary and committee members were presented as answers.

QUESTION SEVEN

The general performance on the question was very good. Of the 28 candidates that attempted the question, 23 managed to obtain at least 10 out of the available 20 marks. A pass rate of 82% was recorded. The highest score was 18 while the lowest was 5 out of 20.

The question was about explaining three ways to overcome barriers to effective communication that exist in organisations and distinguishing different forms of communication.

The following were the common mistakes noted in this question:

- (a) Some candidates only identified barriers to communication instead of presenting ways to overcome barriers as required by the question.
- (b) Some candidates wrote on factors that affect the choice of medium which was not what they required to do.
- (c) The main problem with this question was mixing up the sets of terms that were provided in the question. For example, informal communication was presented formal communication, external communication was presented as internal communication and so on which was not supposed to be the case.
- (d) Some candidates just partially answered the question ie, one term was well answered which led to loss of marks.

Overall performance of candidates

Highest mark obtained in this paper: 76%

Lowest mark obtained in this paper: 26%

Overall pass rate in this paper: 55.6%

DA5 COST ACCOUNTING

QUESTION ONE

The general performance on the question was good. Of the 72 candidates that attempted the question, 47 managed to obtain at least 10 out of the available 20 marks. A pass rate of 65.3% was recorded. The highest score was 18 while the lowest was 0 out of 20.

This is a compulsory question of multiple-choice questions. All the candidates attempted to answer the question. This was a very good attempt.

QUESTION TWO

The general performance on the question was poor. Of the 45 candidates that attempted the question, only 16 managed to obtain at least 10 out of the available 20 marks. A pass rate of 35.6% was recorded. The highest score was 17.5 while the lowest was 0 out of 20.

Performance was poor.

Part (a) required candidates to calculate an overhead absorption rate per unit, a full production cost per unit, a marginal cost per unit, a contribution per unit and to prepare a profit statement using marginal costing principles. Part (b) requested an explanation of two differences between costing accounting and financial accounting.

The most common mistakes made by the candidates included:

Adding up all fixed overheads (production overheads, administration overheads and selling and distribution overheads) when calculating the production overhead cost per unit.

Including non-production costs when calculating the full production cost per unit.

Including variable selling overheads when calculating the marginal production cost per unit.

Deducting the closing inventory figure after adding the variable selling and distribution overheads.

Not attempting part (a).

Not attempting part (b)

The above mistakes contributed to a low pass rate on this question.

QUESTION THREE

The general performance on the question was good. Of the 59 candidates that attempted the question, 36 managed to obtain at least 10 out of the available 20 marks. A pass rate of 61% was recorded. The highest score was 20 while the lowest was 0 out of 20.

The performance was good. Question Three was the second most popular question in Section B and had the second highest pass rate.

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

In part (a)

(i), to calculate the direct material price and usage variances; in part (ii), to calculate the direct labor rate and efficiency variances; in part (iii), to calculate variable overhead expenditure and efficiency variances; and in part (iv), to calculate the fixed overhead expenditure and volume variances.

In part (b), candidates were required to prepare a reconciliation statement.

The common errors for those that performed badly included:

(i) Failure to calculate fixed overhead expenditure variance. Candidates were flexing the budgeted fixed cost. Fixed costs are not flexed.

(ii) Some candidates calculated variances on a per unit basis, e.g. per kg /per hour but did not multiply by the total kg, total hours, total units involved to get the final answer.

QUESTION FOUR

The general performance on the question was very good. Of the 67 that attempted the question, 48 candidates managed to obtain at least 10 out of the available 20 marks. A pass rate of 71.6 % was recorded. The highest score was 19.5 while the lowest was 0.25 out of 20.

The performance was very good. This question was the most popular question, and it had the highest pass rate.

Question Four required candidates to:

Part (a): state two reasons why actual inventory figures may be different from the balances on inventory records.

Part (b): prepare ledger statements based on FIFO, LIFO and Weighted Average Cost

Question four was the most popular in Section B and was well attempted.

The most common mistakes made by poorer candidates included:

- (i) In answering part (a),

the cause of the difference between the physical value and the value on the records was stated as the differences in the methods of valuation such as FIFO, LIFO and Average cost.

- (ii) In part (b), the closing inventory values were not clearly stated.

QUESTION FIVE

The general performance on the question was poor. Of the 53 candidates that attempted the question, only 16 managed to obtain at least 10 out of the available 20 marks. A pass rate of 30.2% was recorded. The highest score was 17 while the lowest was 1 out of 20.

Performance was poor.

This question required candidates to prepare an overhead analysis sheet (part (a), to calculate overhead absorption rates (part (b) and the selling price of the specific job (part (c)).

The most common mistakes made by the candidates included:

- (i) Bringing in direct costs such as direct materials, direct wages and carriage inwards. These costs are not overheads.
- (ii) Confusing the bases of apportionment
- (iii) Confusing the bases of absorption in part (b).
- (iv) Using the general direct materials, direct wages and carriage inwards costs in the budget instead of the specific ones relating to the specific job in part (c).
- (v) Failure to apply the overhead rates calculated in part (b) to part (c) requirement.

The above mistakes contributed to a low pass rate on this question.

QUESTION SIX

The general performance on the question was also poor. Of the 53 candidates that attempted the question, only 21 managed to obtain at least 10 out of the available 20 marks. A pass rate of 39.6% was recorded. The highest score was 17 while the lowest was 0 out of 20.

Question Six required candidates:

- (a) To explain, the four remuneration schemes.
- (b) To explain labour turnover; and (ii) list avoidable and unavoidable causes of labour turnover; (iii) to explain two costs associated with labour turnover (i);
- (c) To calculate the total wages if output is 2,500 units.

The most common mistakes made by the candidates included:

Failure to explain the remuneration systems of piece work, guaranteed piece work, differential and hourly rate. There was a lot of guess work.

Very few candidates could give avoidable and unavoidable causes of labour turnover. This also applies to the costs associated with labour turnover.

Overall performance of candidates

Highest mark obtained in this paper: 77%

Lowest mark obtained in this paper: 2%

Overall pass rate in this paper: 59.7%

DA6 BUSINESS LAW

QUESTION ONE

The general performance on the question was very good. Of the 34 candidates that attempted the question, 27 managed to obtain at least 10 out of the available 20 marks. A pass rate of 79.4% was recorded. The highest score was 18 while the lowest was 2 out of 20.

Question one was compulsory, and all candidates answered this question. The question was a mixture of all topics asked in multiple choice form. The few that did not do well may not have taken time to choose the correct answer; going forward all candidates are encouraged to study in detail and be careful when answering multiple choice questions as most answers are usually correct but require the candidate to give the best answer.

QUESTION TWO

The general performance on the question was very good. Of the 30 candidates that attempted the question, 23 managed to obtain at least 10 out of the available 20 marks. A pass rate of 76.7% was recorded. The highest score was 18 while the lowest was 4 out of 20.

The question was on the privity of contracts and the duties of an employer/employee. Those who attempted the question did well in part (b) as compared to part (a), which had to do with the privity of the contract. Over 50% got the question correctly. In future candidates should read the whole syllabus/modules in a detailed manner. The question was from within the syllabus, there was no strange material brought in.

QUESTION THREE

The general performance on the question was fair. Of the 31 candidates that attempted the question, only 15 managed to obtain at least 10 out of the available 20 marks. A pass rate of 48.4% was recorded. The highest score was 20 while the lowest was 0 out of 20.

The question was divided into two parts.

(a) The question was based on the constitution and all candidates did well under this part, with most of them getting 10.

(b) This part was based on the law of tort. All candidates did well and scored 10.

Under this question candidates scored between 15 and 20; and they even managed to cite cases. Candidates are encouraged to continue working hard.

The question was very clear. Students were able to appreciate fully the principles surrounding vicarious liability.

QUESTION FOUR

The general performance on the question was excellent. Of the 31 candidates that attempted the question, 29 managed to obtain at least 10 out of the available 20

marks. A pass rate of 93.5% was recorded. The highest score was 20 while the lowest was 8 out of 20.

The question was on the agency by necessity, by ratification and ostensible authority. Further it asked candidates to distinguish between contracts of service and contracts for services. The question was well attempted and answered. No major challenges were observed. Future candidates are encouraged to read widely and revise this topic as it is highly examinable.

QUESTION FIVE

The general performance on the question was good. Of the 18 that attempted the question, 11 managed to obtain at least 10 out of the available 20 marks. A pass rate of 61.1% was recorded. The highest score was 17 while the lowest was 6 out of 20.

The question had two parts

- (a) Candidates answered this question adequately. Clearly highlighting the differences between commercial and domestic agreements. The marking key required candidates to refer to decided cases i.e. Merritt v Merritt, Balfour v Balfour and Salomon Case. Many did not cite any cases. Perhaps lecturers should encourage learners to include cases in their responses where they are available as they teach them answering techniques.
- (b) Candidates were asked to define a contract of sale. candidates were able to answer the question adequately. Only a few did not seem to understand the gist of the question and failed to answer it properly. In future candidates must understand the questions and respond according to instructions in the question.

QUESTION SIX

The general performance on the question was fair. Of the 25 candidates that attempted the question, 14 managed to obtain at least 10 out of the available 20 marks. A pass rate of 56% was recorded. The highest score was 17 while the lowest was 0 out of 20.

The question was divided into part (a) and (b).

(a) This part was based on the Sale of Goods Act. All candidates scored between 5 and 10 marks.

(b) Here equally, all candidates managed to score high marks by referring to two essentials of a partnership. The performance under this question shows that candidates were studying and they are encouraged to continue working hard.

The question was well answered by about 87% of the students. The rest did not just prepare adequately. In future, students are encouraged to study the whole syllabus adequately.

Overall performance of candidates

Highest mark obtained in this paper: 84%

Lowest mark obtained in this paper: 17%

Overall pass rate in this paper: 76.5%

DA7 PRINCIPLES OF MANAGEMENT

QUESTION ONE

The general performance on the question was fair. Of the 20 candidates that attempted the question, only 7 managed to obtain at least 10 out of the available 20 marks. A pass rate of 47.9% was recorded. The highest score was 18 while the lowest was 0 out of 20.

It was evident in the marking of this question that most candidates did not cover the whole syllabus in preparation for the examinations. Question One, multiple choice questions cover the whole syllabus.

QUESTION TWO

The general performance on the question was fair. Of the 17 candidates that attempted the question, 9 managed to obtain at least 10 out of the available 20 marks. A pass rate of 52.9% was recorded. The highest score was 17 while the lowest was 0 out of 20.

This question had three (3) parts; part (a), part (b), and part (c).

Part (a) of the question required candidates to explain five (5) Fayol's functions of management. All candidates who attempted this question answered part (a) very well.

Part (b) candidates were expected to define four (4) principles of Taylor's scientific management. Equally here a good number of candidates who attempted this part of the question managed to explain the principles as required. Few candidates had challenges explaining the principles.

Part (c) most candidates managed to give the two (2) advantages of the matrix structure.

QUESTION THREE

The general performance on the question was fair. Of the 18 candidates that attempted the question, only 8 managed to obtain at least 10 out of the available 20 marks. A pass rate of 44.4% was recorded. The highest score was 16 while the lowest was 0 out of 20.

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

Part (a) required candidates to explain five (5) formal relationships in organizations. Few candidates managed to answer this part of the question correctly.

Part (b), this part of the question required candidates to discuss any five (5) features of a cooperative. Many candidates struggled to discuss the features specific to a cooperative in some cases they brought out features of a public sector organization. Thus, they lost out on the marks.

QUESTION FOUR

The general performance on the question was very poor. Of the 16 candidates that attempted the question, only 1 managed to obtain at least 10 out of the available 20 marks. A pass rate of 6.3% was recorded. The highest score was 10 while the lowest was 1 out of 20.

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

Part (a), majority of the candidates failed to write anything on this part and those who attempted were just guessing bringing out general ideas. Candidates demonstrated a lack of knowledge on John Adair's approach to leadership.

Part (b), this part of the question required candidates to suggest to the manager three (3) key leadership variables by Fiedler. None of the candidates who attempted this part of the question got it right.

Part (c), majority of the candidates just defined these management concepts but could not explain their contributions to the growth of the organization as per requirement.

QUESTION FIVE

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

This question had three (3) parts; part (a), part (b) and part (c).

In part (a) candidates were expected to illustrate factors of participation as postulated by Herzberg. All candidates failed this part of the question.

Part (b) Few candidates managed to just define what quality circles are but failed to apply to the organization in question. Hence, they lost some marks.

Part (c), this part was a follow up to part (b), again candidates had difficulties in explaining how quality circles can improve performance in decision-making. Generally, the performance was very poor in this regard.

QUESTION SIX

The general performance on the question was poor. Of the 18 candidates that attempted the question, only 7 managed to obtain at least 10 out of the available 20 marks. A pass rate of 38.9% was recorded. The highest score was 18 while the lowest was 0 out of 20.

This question had three parts: part (a), part (b) and part (c). All the three parts were on change management.

Part (a) of the question required candidates to explain internal sources of change. Majority of the candidates gave the following responses: planned change,

unplanned change, incremental change and indication that they did not understand the topic of change management.

Part (b) many candidates here also misunderstood the question, they mentioned the following: Freezing, unfreezing and refreezing.

Part (c) a few candidates managed to indicate the three (3) ethical considerations that should be considered by management on this part of the question.

Overall performance of candidates

Highest mark obtained in this paper: 65%

Lowest mark obtained in this paper: 7%

Overall pass rate in this paper: 15.0%

DA8 FINANCIAL REPORTING

QUESTION ONE

The general performance on this question was good. Only 57 of the 83 candidates that attempted the question got 13 and above marks out of 25. A pass rate of 68.7% was recorded. The lowest mark recorded was 0 while the highest was 25.

This was a compulsory question that had three (3) parts, (a), (b) and (c). Part (a) required the candidates to explain the treatment of Mulenga (a subsidiary) and Bwalya (an associate) in the consolidated financial statements. Part (b) required candidates to prepare the consolidated statement of profit or loss for Musonda group and part (c) required candidates to prepare the consolidated statement of financial position for Musonda group of companies. Overall, this question was very well attempted probably because it is a predictable question for section A.

Few candidates were able to correctly explain part (a) requirement. Most candidates failed to adequately address the aspect of explaining accounting treatment of subsidiaries and associates. It was inadequacies on this part of the question that led to very few candidates achieving 25 out of 25 score. Future candidates are reminded to thoroughly understand the theory parts of each topic in financial reporting.

Some candidates had challenges in computing the revenue figure as they failed to correctly identify the impact of intra-group trading on group revenue. Few candidates could not account for the K8,000m intra group revenue in both revenue and cost of sales. Few were able to account for the unrealized profit in cost of sales though a handful subtracted it instead of adding it to cost of sales.

Further, several candidates failed to correctly calculate the fair value depreciation for the statement of profit or loss. As the acquisition of Mulenga had taken place two years before acquisition, only one year depreciation (K400) needed to be added to cost of sales and not the two years amount of K800. Similarly, when it came to the group retained earnings amount, the entire K800 needed to be subtracted from group retained earnings unlike what most candidates were posting, that is K400. Future

candidates are reminded to pay particular attention to the period between acquisitions and reporting for the sake of correctly calculating additional depreciation for statement of financial position.

Few candidates failed to duplicate the figures that did not require any amendment onto the consolidated financial statements for easy marks.

Several candidates struggled to get the share of profit of associate company Bwalya right and even those that calculated it, hardly took it to the statement of profit or loss.

Most candidates at this sitting had no problem with goodwill computation. However, the values of share exchange part of the consideration were a challenge to many.

Very few candidates managed to get the share capital and share premium right and posted to the consolidated financial statements. This was despite the question clearly stating that only cash consideration had been recorded. Future candidates are reminded to pay particular attention to a statement that borders on whether the consideration would have been recorded or not in the parent's separate financial statements. If 'not recorded', then the parent's financial statements require adjustment to record this at the same time normal consolidation procedure to be followed.

Further, only a handful of candidates managed to correctly account for goodwill impairment of splitting it between owners of the parent and NCI. The majority were gambling about what to do with impairment loss of goodwill in so many ways.

While the provision for unrealized profit was mainly correctly calculated for sales between Musonda and Mulenga, this was not the case for sales between Musonda and Bwalya. Majority of candidates failed to appreciate the fact that due to the equity method of accounting, only 30% of the PUP needed to be accounted for. Further, as the goods were sold to Musonda, the parent, the PUP needed to be subtracted from the group inventory which majority candidates could hardly do so. Another issue was mistaking the markup for margin percentage by few candidates. This led to wrong amounts for PUP for both sales between parent and subsidiary and associate and parent. Future candidates are reminded to ensure they understand the difference between mark up and margin as percentages. This appears to be contributing factor to the miscalculation mostly.

It was equally disappointing to note that some candidates had no idea of the consolidation process as they applied the % interest of the parent in both the subsidiary Mulenga and associate Bwalya to ascertain values of assets and liabilities for consolidation purposes.

Finally, a few candidates ended their answer on workings, and nothing was posted to the consolidated statement of financial position. This seriously disadvantaged the candidates as a question like this gives candidates lots of marks that are straight from the question.

Failure to follow recommended presentation of putting figures in brackets to maximize on achieving high marks also had a detrimental effect on the victims as their totals that were incorrect could not be allocated proportionate marks for components unknown.

Future candidates are reminded to read through examiners' reports of previous examinations to learn about common mistakes by past candidates. This helps candidates pay particular attention to problematic areas to others.

QUESTION TWO

The general performance on this question was very poor. Only 3 of the 71 candidates that attempted the question got 13 and above marks out of 25. A pass rate of 4.2% was recorded. The lowest mark recorded was 0 while the highest was 15.

This was a compulsory question that had three (3) parts. Part (a) required the candidates to prepare a schedule of adjustments required to the retained earnings of Kafupi Co following a list of transactions that had not been adjusted for in the computation of the existing retained earnings. Part (b) required candidates to prepare a statement of changes in equity and part (c) required candidates to prepare the statement of financial position for Kafupi.

Many candidates performed so poorly as indicated by the failure rate above. This was unfortunate for such a predictable question. The following were the major challenges observed:

- (i) Most candidates failed to appreciate the fact that all expenses arising from the additional notes needed to amend the retained earnings figure provided for in the trial balance and so lost a good number of marks.
- (ii) No single candidate out of all who attempted this question managed to realize that revaluation of PPE took place halfway through the year and hence they needed to split the depreciation charge for the year into two parts, before and after revaluation.
- (iii) Hardly did any candidate correctly adjust for fraud to the receivables figure.
- (iv) Most candidates failed to recognize the proceeds from the issue of shares and dividends paid in the bank account (current assets), despite a note in the question clearly highlighting that the two transactions had not yet been accounted for by Kafupi. This is evidence that question practice lacks among the candidates for this paper.
- (v) While a good number of the candidates at this sitting had not much issue with split accounting on the convertible loan, other issues affected their wrong amounts derived such as using wrong discount factors, adopting wrong principal amount and using wrong period for discounting. A number had the issue of failing to split the liability into current and non-current liabilities.
- (vi) Even though opening retained earnings had been provided, many candidates were unable to spot it from the notes and hence left it out of the statement of changes in equity.
- (vii) Some knowledge gap was noticed on the issue of IFRS 9's treatment of financial asset – equity instrument classified as FVTPL instrument. Most of the candidates recognized the instrument at the same fair value it appeared in the trial balance without adjusting it for the gain in fair value. Further, the fair value gain could not be adjusted to adjust the retained earnings figure provided as part of answering part (a) of the question.

Preparation of the statement of changes in equity proved a serious challenge as many were only able to account for the opening balance of share capital with incorrect amounts for the new issue of shares, revaluation surplus and dividends paid. Revaluation surplus was being incorrectly ascertained as either at the beginning or at the end unlike part-way through the year. In addition, none of the candidates realized the need to apply the tax rate on revaluation surplus to get the net for the SOCIE. Most candidates were using the initial cost of the leasehold plant for the calculation of the depreciation charge instead of the revalued amount

- (viii) Dividends paid could not be correctly calculated due to failure to incorporate the shares that had been issued during the year.
- (ix) The income tax transaction was equally a grey area for most candidates. The majority failed to ascertain the amount of expense for adjusting the retained earnings amount. The relationship between current tax and deferred tax appears to have been missing by most candidates. Further, some candidates used the amount for the taxable temporary difference as closing estimate of deferred tax instead of applying the tax rate on the amount. To make it even worse the temporary difference on revaluation surplus was not anywhere near the calculation of tax expense and deferred tax for statement of financial position. Future candidates are reminded to clearly distinguish between accounting for current and deferred tax and how the two interact with each other.
- (x) The other shortcoming was a few candidates that did not show any workings for this question and opted to do workings on calculator and transfer from calculator to final answer. Such candidates would not be anywhere near to passing the exam as most marks are achieved through workings.
- (xi) On the positive note, the few candidates that performed well on this question demonstrated the ability to calculate income tax charge without struggle, new share issue values including dividends, convertible loan note amounts, financial asset and item of plant. Most important, they were able to bring amounts that did not require any adjustments into their respective places. Additionally, even where they failed to arrive at the correct amounts, they showed a lot of workings to a large extent.

QUESTION THREE

The general performance on this question was very poor. Only 9 of the 74 candidates that attempted the question got 13 and above marks out of 25. A pass rate of 12.2% was recorded. The lowest mark recorded was 0 while the highest was 16.

Question three (3) was an optional question with two parts (a) and (b). Part (a) required the candidates to prepare a statement of cash flows for Owen Ltd for the year to 31 December 2023 in accordance with the requirement of IAS 7 using the indirect method. Part (b) required candidates to define the objective of financial statements for public sector entities and to explain the types of information which users may require according to IPSASB's conceptual framework for general purpose financial reporting by public sector entities.

The poor performance may firstly have been attributed to the fact that most candidates seem to have been confused with the phrasing of part (b) of the question that required candidates to define the objective of public sector financial reporting, but due to the manner of phrasing of the question, many lacked clear understanding of the commonly examined component.

Secondly, the question did not come in the usual structure where the full profit and loss is provided together with statements of financial position for the two years. This caught the students unawares. However, there was adequate information within the additional notes to calculate these missing figures.

Other challenges observed include:

- (i) Candidates had a challenge to compute profit before tax. Candidates failed to use note (2) in the question, which gave clear guidance that the amount that was owing at the beginning was the same amount received. This meant the liability at the beginning was the same amount for expense in the profit or loss. Further, a retained earnings account should have been used to calculate the missing figure for profit for the year. The profit for the year plus the income tax expense would then be used to calculate profit before tax for the statement of cash flows.
- (ii) Also, depreciation expense was a challenge to calculate. Future candidates are reminded to appreciate the use of T-accounts to ascertain their missing figures. In this case, accumulated depreciation account should have been used to calculate dep'n expense for the year which most candidates failed to calculate.
- (iii) Few candidates went on to rewrite the question and not answer it. A selected number produced the statement of financial position instead of the statement of cash flows.
- (iv) Few candidates were quite inconsistent with the amount's presentation 'with' or 'without' zeros.
- (v) Some candidates completely failed to produce a sensible statement of cash flows with few literally presenting only the format without amounts indicated. Others only produced the format with no figures in.
- (vi) Most candidates did not bother to write a thing on the (b) part of the question. A few candidates left out this part of the question.
- (vii) Some candidates failed to give the objectives and instead gave the qualities of good information. Some were overlooking the public sector in answering this part. Some candidates were bringing in the information needs of private entities as compared to public ones.

QUESTION FOUR

The general performance on this question was very poor. Only 0 of the 14 candidates that attempted the question got 13 and above marks out of 25. A pass rate of 0.0% was recorded. The lowest mark recorded was 0 while the highest was 7.

This question was the least attempted of all the questions. The question had two (2) parts (a) and (b) in scenario formats namely plan 1 and plan 2 in part (a) and IAS 10 scenarios in part (b).

All those who attempted this question expressed total ignorance of the content of its standards. The following challenges were specifically observed:

Part (a) plan one (1) was on IAS 37 Provisions, contingent liabilities and contingent assets. The question was specifically addressed the issue of restructuring costs, costs to be included in the provision and those to be excluded, and how those excluded ought to be accounted for. Candidates expressed a lot of ignorance on this issue as they hardly articulated the correct measurement for the provision.

Part (a) plan two (2) was on IAS 37 Provisions, contingent liabilities and contingent assets. The question was specifically addressing the issue of 'future intention to automate operational processes and various costs involved in doing so. Candidates needed to explain whether the costs would be recognized as a liability provision or not. Again, candidates generally had no idea on this matter.

Future candidates are reminded to study this standard because it could feature in any future financial reporting exam.

Part (a) (i) which required candidates to discuss the different bases used in measuring provisions was totally ignored by many candidates who attempted the question. This indicates they had totally no idea of the subject matter.

Part (b) had four items and required candidates to identify whether each of the four items was an adjusting event or non-adjusting event as well as explaining the accounting treatment of each item.

QUESTION FIVE

The general performance on this question was poor. Only 23 of the 69 candidates that attempted the question got 13 and above marks out of 25. A pass rate of 33.3% was recorded. The lowest mark recorded was 0 while the highest was 21.

The question had three parts (a), (b),(c) and (d).

Part (a) (i) required candidates to explain two (2) enhancing qualitative characteristics. This part was fairly attempted by a reasonable number of candidates with few expressing total ignorance on the conceptual framework while few others were explaining the fundamental qualitative characteristics.

Part (a) (ii) required candidates to explain 'going concern' and 'substance over form'. While going concerning was well explained by many candidates, the 'substance over form proved a challenging matter to many. Future candidates are reminded that the theoretical portion of the financial reporting is extremely important to learn for such theory questions.

Part (a) (iii) of the question required candidates to explain three (3) advantages of IFRSs and this was well attempted by many.

Part (a) (iv) required candidates to explain the difference between 'historic cost' and 'current value' as measurement basis. A goon number of candidates tried to be close to description of historic cost but failed to come out clear on the meaning of current value and hence distinguishing the two was a challenge. Again, this shows how much financial reporting students do not pay attention to learning the main principles (theory components) of the subject.

Part (b) of the question required candidates to explain and give examples of how performance of a public university can best be measured. Only a handful were able to correctly give the required performance measures.

Part (c) required candidates to explain how a transaction with a foreign supplier needed to be accounted for. Most candidates failed to provide tangible explanation. Only a handful expressed understanding on the standard.

In extreme cases, a few candidates completely left this part of the question unattempted.

Part (d) of the question required candidates to provide explanation and examples of biological assets and impairment of assets. This part was fairly attempted with a handful of candidates expressing ignorance on the biological assets.

Overall performance of candidates

Highest mark obtained in this paper: 67%

Lowest mark obtained in this paper: 4%

Overall pass rate in this paper: 12.0%

DA9 MANAGEMENT ACCOUNTING

QUESTION ONE

The general performance on this question was good. Only 47 of the 83 candidates that attempted the question got 13 and above marks out of 25. A pass rate of 56.6% was recorded. The lowest mark recorded was 0 while the highest was 22.

This question required candidates to:

- (a) Prepare a cash budget
- (b) Explain the differences between incremental budgeting and Zero-Based Budgeting
- (c) Calculate the throughput accounting ratio.

The most common mistakes made by candidates who performed badly on this question included:

- (i) Failure to work out the purchases and sales figures. It is important to follow the question regarding the timing of receipts from receivables and payments to trade payables
- (ii) Not adjusting the overheads by deducting the depreciation figure. Depreciation is never a cash flow.
- (iii) Giving insufficient differences between incremental budgeting and Zero-Based Budgeting.
- (iv) Not knowing how to calculate the throughput accounting ratio
- (v) Including labour costs in the calculation throughput contribution. Only material costs are deducted from the selling price. Direct labour and variable overheads are treated as fixed costs.

QUESTION TWO

The general performance on this question was poor. Only 29 of the 82 candidates that attempted the question got 13 and above marks out of 25. A pass rate of 35.4% was recorded. The lowest mark recorded was 3 while the highest was 21.5.

This question required candidates to:

- (a) Calculate materials price planning and operational variances, materials usage operational variance and the total cost variance.
- (b) explain four types of performance standards
- (c) Explain two similarities of a standard and a budget
- (d) Explain terminologies relating to materials, namely, re-order level, stockouts, buffer stock, lead time and economic order quantity.

The most common mistakes made by the candidates included:

- (i) A good number of candidates calculated the variances well.

- (ii) Valuing the operational usage variance at the standard price instead of the revised standard price.
- (iii) Poorer candidates could only explain two performance standards out of four.
- (iv) A good number of candidates waffled on the differences between a standard and a budget.
- (v) Very few candidates could explain the inventory terminologies perfectly well.

QUESTION THREE

The general performance on this question was very poor. Only 13 of the 50 candidates that attempted the question got 13 and above marks out of 25. A pass rate of 26% was recorded. The lowest mark recorded was 1.5 while the highest was 23.5.

This question examined candidates on relevant costing and required candidates to:

- (a) distinguish between relevant and irrelevant costs
- (b) decide whether the company should accept the order or not based on relevant costing principles.

It was not a popular question to candidates as only 60% candidates attempted the question and only 30% did well on the question. Poor results can be attributed to inadequate preparation by candidates.

The most common mistakes made by the candidates included:

- (i) 4,000 seedlings in inventory were not considered.
- (ii) Skilled labour cost given by most candidates was for one batch of fodder, leaving out the cost of 400 batches of fodder. Further, the cost did not consider the idle time of 140 hours.
- (iii) Unskilled labour cost given by most candidates was for one batch of fodder, leaving out the cost of 400 batches of fodder
- (iv) The cost of variable overheads did not consider the cost of 400 batches of fodder.
- (v) The cost of fixed overheads was computed for one batch by most candidates instead of 400 batches.
- (vi) Not giving explanatory notes as required by the question.

QUESTION FOUR

The general performance on this question was very poor. Only 1 of the 50 candidates that attempted the question got 13 and above marks out of 25. A pass rate of 2% was recorded. The lowest mark recorded was 0 while the highest was 14.

This question examined candidates' understanding of breakeven analysis and overtrading.

The most common mistakes made by the candidates included:

- (i) Failure to calculate the contribution per unit. The figures were given in total.
- (ii) Candidates were expected to calculate the variable cost and selling price per unit by
- (iii) dividing the figures by 12,000 units.
- (iv) Using only the fixed production overheads (K42, 000) in the breakeven point formula. The fixed selling, administration and distribution costs (K36, 000) should be added as well.
- (v) In alternative 1, not knowing what to do with the 90% capacity utilization. There was
- (vi) a need to divide 90% by 75% and multiply by 12,000 to get a new production/sales
- (vii) capacity of 14,400.
- (viii) In alternative 2, not knowing what to do with the full capacity (100%) capacity
- (ix) utilization. There was a need to divide 100% by 75% and multiply by 12,000 to get
- (x) a new production/sales capacity of 16,000.
- (xi) Not knowing the formula to achieve a profit of K45, 500. The Formula is $(\text{Fixed Costs} + \text{K45, 500}) \div \text{contribution per unit}$.
- (xii) Failing to come up with the symptoms of overtrading such as a rapid increase in sales revenue and rapid increase in the volume of current assets.

This question examined candidates' knowledge of working capital.

(a)

of the question, candidates were required to calculate the following ratios:

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

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

(b)

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

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

The most common mistakes made by the candidates included:

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

QUESTION FIVE

The general performance on this question was poor. Only 16 of the 60 candidates that attempted the question got 13 and above marks out of 25. A pass rate of 26.7% was recorded. The lowest mark recorded was 0 while the highest was 24.

This question examined candidates' knowledge of working capital.

Candidates were required to calculate the:

- (a) Inventory turnover ratios
- (b) Receivables collection period
- (c) Payables payment period
- (d) Cash operating cycle

The most common mistakes made by the candidates included:
Not attempting all the parts of the question.

Not knowing the formula to use. Future candidates should note that such formulae are not provided in the exam: they should learn them.

A good number of candidates were not aware that the opening inventory and receivables were given as K70, 000 and K98, 000, respectively. These figures were required to calculate the average inventory and average receivables figures.

Using ordinary year-end inventory receivables figures without averaging them. The numerator in the formula is the AVERAGE figure; therefore, candidates were supposed to add up the opening and closing inventories and divide the result by 2 to get the average figure.

Not converting the collection and payment figures to days by multiplying by 365 days.

Not knowing how to calculate the cash operating cycle.

Failing to come up with the symptoms of overtrading such as a rapid increase in sales revenue and a rapid increase in the volume of current assets.

Overall performance of candidates

Highest mark obtained in this paper: 70%

Lowest mark obtained in this paper: 16%

Overall pass rate in this paper: 26.5%

DA10 TAXATION

QUESTION ONE

The general performance on this question was poor. Only 4 of the 16 candidates that attempted the question got 13 and above marks out of 25. A pass rate of 25% was recorded. The lowest mark recorded was 1 while the highest was 18.

This question covered taxation of companies and comprised four parts.

Part (a) required candidates to calculate the amount of capital allowance claimable by the company.

The most common mistakes made by candidates in answering the question included:

- (i) Using VAT inclusive values to compute capital allowances instead of the VAT exclusive values
- (ii) Failure to apply the 10% test correctly in determining the parts of the building to be classified as an industrial building and parts to be classified as commercial buildings.
- (iii) Using the wrong rates to compute the capital allowances available on the staff canteen which was treated as a commercial building instead of an industrial building
- (iv) Claiming initial and investment allowances on the used industrial building when these are only available on new structures.

Part (b) required candidates to compute the tax adjusted business profit for the limited company for the year.

The most common challenges were as follows:

- (i) Failure to identify disallowable expenditure which should have been added to the net profit to arrive at the tax adjusted business profit.
- (ii) Failure to compute the accommodation benefit for directors who were provided with free accommodation.
- (iii) Failure to add back the personal to holder motor car benefit for the vehicle provided to a director on a personal to holder basis.
- (iv) Failure to deduct the allowance for employing persons living with disabilities.

Part (c) required candidates to calculate the income tax payable by the company.

The most common challenges faced by the company included the following:

- (i) Failure to deduct the discount of 2% discount for listing shares on the Lusaka Securities Exchange and a further 5% discount for offering one third of the shares to indigenous Zambians.
- (ii) Failure to gross royalties before inclusion in the computation of taxable income

- (iii) Failure to compute withholding tax on royalties as a tax credit when computing the final amount of company income tax payable.

QUESTION TWO

The general performance on this question was very poor. Only 1 of the 16 candidates that attempted the question got 13 and above marks out of 25. A pass rate of 6.3% was recorded. The lowest mark recorded was 3.5 while the highest was 13.

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

Part (a) required candidates to compute the final income tax payable for the year on the income from employment.

The most common challenges included:

- (i) Failure to compute the correct basic salary for the employee who retired during the tax year.
- (ii) Including exempt benefits in the computation of taxable emoluments.
- (iii) Deducting NAPSA contributions which are not allowable when computing taxable emoluments
- (iv) Not grossing up royalties and management fees before including the income in the computation of the total taxable income.

Part (b) required candidates to state the due dates for the payment of income tax deducted from employment income during the year and explain the consequences of paying the tax late. Some candidates demonstrated a lack of knowledge of the relevant due date and failed to provide the required answers.

Part (c) required candidates to explain the tax treatment of treasury bill discount and dividend income received by the individual and was generally answered well.

QUESTION THREE

The general performance on this question was very good. Only 9 of the 11 candidates that attempted the question got 13 and above marks out of 25. A pass rate of 81.8% was recorded. The lowest mark recorded was 7.5 while the highest was 21.5.

This question covered the taxation of a limited company engaged in farming and retail trading.

Part (a) required candidates to explain the meaning of farm improvements and farm work. Some candidates demonstrated a lack of knowledge of the meaning of the terms and failed to provide the required explanations.

Part required (b) required candidates to compute the capital allowances claimable by the company.

The most common challenges faced by candidates on this question included the following:

- (i) Failing to restrict expenditure qualifying for capital allowances on the farm dwellings to K100,000 per unit.

(ii) Using the wrong rates to compute capital allowances available on assets.

Part (c) required candidates to compute tax adjusted farming profit for the company.

The most common challenges faced by candidates on this question included the following:

- (i) Failure to identify disallowable expenditure in the computation of taxable farming profit
- (ii) grossing up investment income before deducting it when computing the taxable profit.

Part (d) required candidates to compute the amount of income tax payable by the company.

The most common mistakes by candidates on this question included the following:

- (i) Deducting the exempt amount of K61,200 in the computation of income tax on farming profits for a limited company, which applies to individuals.
- (ii) Using the wrong rates to compute the income tax payable
- (iii) Not deducting withholding tax on bank interest and royalties as a tax credit.

QUESTION FOUR

The general performance on this question was poor. Only 4 of the 15 candidates that attempted the question got 13 and above marks out of 25. A pass rate of 26.7% was recorded. The lowest mark recorded was 2 while the highest was 18.

This question covered Customs & Excise duty and Value Added Tax.

Part (a) required candidates to explain the circumstances which may lead to the Zambia Revenue Authority revaluing the imported bus. Some candidates demonstrated a lack of knowledge of the conditions and therefore failed to provide the required explanations.

Part (b) (ii) required candidates to calculate the total import duties paid on the importation of a bus.

The most common mistakes made by candidates included the following:

- (i) Including expenditure incurred within Zambia in the determination of the VDP
- (ii) Using the wrong exchange rate to convert the VDP into Zambian kwacha

Part (b) (i) required candidates to explain the meaning of the Tax Point for the purposes of VAT. Some candidates demonstrated a lack of knowledge of the meaning of the tax point and therefore failed to provide the required explanations.

Part (b) (ii) required candidates calculate the amount VAT payable/refundable by the company.

The most common mistakes made by candidates included the following:

- (i) Claiming input tax on expenditure on which input tax is irrecoverable
- (ii) Failure to apply the partial exemption formula to determine how much of the non-attributable input VAT on expenditure was recoverable.

QUESTION FIVE

The general performance on this question was good. Only 3 of the 6 candidates that attempted the question got 13 and above marks out of 25. A pass rate of 50% was recorded. The lowest mark recorded was 9.5 while the highest was 14.5

The question examined ethical principles, property transfer tax and presumptive tax.

Part (a) required candidates to explain the ethical principles applicable to tax practitioners and was generally answered well.

Part (b) required candidates to calculate the property transfer tax on the disposal of assets made by the taxpayer.

The most common mistakes made by candidates included the following:

- (i) Failure to determine the realized value correctly on which PTT is based.
- (ii) Failure to recognize that PTT transfers to an immediate family member is based on consideration received.
- (iii) Failure to recognize that transfer of property to a niece is chargeable to PTT because the niece is not a member of the immediate family.

Part (c) required candidates to identify what type of tax each person was to be assessed under and to compute the tax arising for each of them. Some candidates failed to explain how each person was to be assessed to tax and failed to compute the relevant taxes arising in each case.

Overall performance of candidates

Highest mark obtained in this paper: 67%

Lowest mark obtained in this paper: 28%

Overall pass rate in this paper: 37.5%

DA 11 PRINCIPLES OF AUDITING

QUESTION ONE

The general performance on this question was poor. Only 33 of the 102 candidates that attempted the question got 13 and above marks out of 25. A pass rate of 32.4% was recorded. The lowest mark recorded was 1 while the highest was 23.

Part (a)

- (i) This part of the question required candidates to explain why it is important for the audit team of the financial statements of Bufallo Plc. to have rights.

The following observations were made:

Many candidates could not ably explain the need for auditors to have rights to conduct an effective audit.

Most of the candidates stated the rights of auditors instead of explaining the importance of rights of auditors

In certain cases, candidates were just stating that internal auditors have a right to access records forgetting that the question was about external auditors.

Others stated that auditors have a right to resign

- (ii) This part of the question required candidates to explain 4 rights of the audit team of the financial statements of Buffalo Plc.:

The rights of auditors are contained in statute and are clearly explained in the study manual for DA 11 which states that the rights of auditors in Zambia are contained in section 173 of the Companies Act 1994.

The following observations were made:

Most candidates lost marks because they gave examples of rights not set out in statute. For example, the following:

- (i) Right to the bank statement
- (ii) Right to make recoverable.
- (iii) Right to visit the client company
- (iv) Right to produce the report.

Whereas some of the above are seemingly rights of the auditors, candidates require to know the rights that are in the statutes.

This was a very simple question even though some candidates had problems with regurgitating textbook materials onto the answer booklet for they stated answers like right to opinion and fair treatment, right to access the company's safe at random, right to access CAATs affiliated gadgets or terminals, rights to make recalculation of the financial statements, right to use the assistance of staff of Buffalo Plc. contrary to the basic rights of auditors

This part of the question was poorly answered as most of the candidates got it wrong. Further there were cases when candidates stated that they have the right to work for the client. The rights are statutory and given as per company Act
There were certain cases where candidates explained that external auditors have a duty to consider that external auditors comply with laws and regulations

The above observations are indicative of unpreparedness of candidates before taking the examination.

Part (b)

- (i) This part of the question required candidates to explain the importance of risk management for the management of Buffalo Plc.

Candidates should have risk assessments related to internal control activities which are designed to mitigate the risks identified. Most candidates either simply did not attempt to answer this part of the question or gave answers that are clearly incorrect.

- (ii) This part of the question required candidates to explain the management and auditors' responsibilities for the design and operations of the systems and controls in Buffalo Plc.

Candidates needed to address both management and the auditors in attempting to answer this question. Many candidates lost marks for sampling dealing with the responsibility of management with no mention of the auditors and the fact that it is not their primary responsibility to design internal control activities in a client company.

The following observations were made:

- Some candidates switched the roles of management for auditors in relation to the design and operations of the systems and controls in Buffalo Plc. by stating that it is the responsibility of auditors to design and operate the controls and that management is responsible in assessing the adequacy of the systems and controls by applying certain tests of on those controls.
- Other candidates provided vague answers by saying that auditors' responsibilities is to make sure that they collect appropriate audit evidence that there are no errors or fraud in the financial statements as well as providing a balanced view of financial statements based on evidence without making any reference to internal controls as per question requirement.
- A sizeable number of candidates got this part wrong as others stated that auditors should ensure that they detect internal control weaknesses and detect errors when this is the responsibility of internal auditors
- Some candidates stated that external auditors are expected to design internal controls to ensure that the company operates effectively.

Part (c)

This part of the question required candidates to suggest 3 recommendations for the continued existence of the internal audit department versus outsourcing internal audits.

The following observations were made:

- Some candidates were simply explaining the differences between internal and external auditors, which was not the question requirement.
- Others simply stated that outsourcing is better than having an internal audit in the company structure.
- Failing to explain the justification or reasons why the company should maintain internal controls cost them easy marks.
- Instead of providing for a case in favor of operating an in-house internal audit department verse outsourcing internal audit services, most candidates were talking about the numerous governance gaps contained in the scenario.

Part (d)

This was a multi requirement question that required candidates to describe 4 ethical/professional issues and to suggest suitable safeguards to apply. It was disappointing that many candidates could not ably answer this type of question on ethics and lost easy marks. Ethics features in almost all the examination papers and candidates is expected to deal with ethical issues that auditors and accountants may face.

The following observations were made:

- There were candidates who explained the threats to the independence of the auditors of self-interest, self-review, intimidation, familiarity and advocacy which were not answering the question requirements, and no marks were awarded for doing so.
- A significant number of candidates explained the five ethical principles of integrity, professional competence and due care
- It was noted that most candidates had difficulties identifying ethical/professional issues contained within the information in the scenario. This was a common problem which candidates advised to rectify in order to earn maximum marks is questions.
- Unfortunately, most candidates came up with wrong ethical/professional issues from other sources such as management of Buffalo Plc was not transparent to the previous auditors since they could not avail of the evidence needed, resources availability to conduct the assignment, professional qualifications of auditors, corporate governance, independence, fairness and accountability. Merely bring out any auditing terms did not earn such candidates any marks!
- However, there were instances where certain candidates were explained weaknesses as threats and then they provided a recommendation of how external auditors will deal with the weaknesses
- Most candidates did not present their answers in a table format which makes it easier for them to match the threat with a corresponding threat. In certain cases, the threat was correct, but the safeguard was wrong.

QUESTION TWO

The general performance on this question was very poor. Only 2 of the 95 candidates that attempted the question got 13 and above marks out of 25. A pass rate of 2.0% was recorded. The lowest mark recorded was 0 while the highest was 15.

Part (a)

This part of the question required candidates to explain 4 limitations of internal controls in the operations of Bamboo Ltd:

Most candidates had problems with this basic question unfortunately. A common feature is this and other question is the ability of candidates to provide unrelated and vague answers such as disputes among employees, failure to safeguard assets, self-interest and self-review, lack of freedom of expression as limitations of internal controls. This depicts a lack of commitment to studying the unit on internal controls and poor memory retention of those who might have gone through the auditing study text!

Part (b)

This part of the question required candidates to explain the sample selection approach in extracting samples for testing errors and omissions of transactions or balances. Very few candidates were able to explain the sample selection approach in extracting samples for testing errors and omissions of transactions or balances. Most candidates stated the common sampling techniques such as systematic sampling, random sampling and so on. As a result, few marks were earned in this part of the question.

- (i) This part of the question required candidates to explain the meaning of directional testing and to describe how it could be used in the audit of the financial statements of Bamboo Ltd:

Most candidates struggled on this question as most of them seemed to have heard of directional testing and how it could be used in the audit of financial statements of Bamboo Ltd for the first time.

Part (c)

- (i) This was a question that required candidates to explain three audit procedures, each for share capital issued and reserves in the financial statements of Bamboo Ltd.

The following observations were made:

- It was observed that candidates appear not to understand that financial audits are basically the audit of financial statements which contain elements such as assets, revenue, liabilities and capital.
- Candidates had problems with the substantive audit procedures of related share capital and reserves which are items under the capital structure in the statement of financial position

- (ii) This part of the question required the candidates to explain 4 audit procedures for the long-term loan obtained by Bamboo Ltd.

The following observations were made:

- As indicated in c (i) above, candidates seemed not to master the audit of account balances such as long-term loans which are usually material on the statement of financial position.
- Most candidates could not explain the substantive audit procedures for loan balances and as a result very marks were awarded in this question.

QUESTION THREE

The general performance on this question was very poor. Only 4 of the 60 candidates that attempted the question got 13 and above marks out of 25. A pass rate of 6.7% was recorded. The lowest mark recorded was 0 while the highest was 15.

Part (a)

- (i) This part of the question required candidates to explain the procedure for seeking direct confirmation of bank balances in the audit of the financial statements of Luapula Plc. Most of the candidates scored less than half the available marks.

The following observations were made:

- Most of the candidates gave less than the expected 4 procedures and, in most cases, discussed only one point that the auditors should write to the bank. For 4 marks candidates were expected to explain at least 4 procedures and they are encouraged to use the available marks to determine the expected number of valid points to score maximum marks.
- There were many candidates that did not know the answer and gave answers that were clearly incorrect and below are some examples of answers to this part of the question:
 - Auditors have to seek bank balance every after a transaction has taken place to prevent omission.
 - The auditors should go to the bank and ask what the balance of the audit client is.

- (ii) This part of the question required candidates to state two matters that should be included in the bank confirmation letter in the audit of the financial statements of Luapula Plc.

In view of the fact that a majority of candidates did not know the purpose and procedure for bank confirmations, most of them could not state the matters that should be contained in a bank confirmation letter. There were many answers that showed lack of knowledge such as the following:

- Details of the audit client.
- Details of the audit firm
- Purpose of requesting bank confirmation balance.

Part (b)

- (i) This part of the question required candidates to explain the procedure in seeking receivables' confirmation. The performance in this question was poor resulting in a majority of candidates scoring less than half the available marks.

There were many answers that were clearly incorrect resulting in the loss of the easy marks available.

- (ii) This part of the question required candidates to suggest with justification, a suitable form of confirmation that should be used. A majority of candidates showed lack of knowledge of the two forms of confirmation namely the positive and negative forms.

The following observations were made:

- A majority of the candidates simply did not know the two possible forms of confirmation of receivables balances with many not attempting to answer this part.
- A majority of candidates suggested a suitable form of confirmation but could not explain the justification for using the suggested form of confirmation.
- A large number of candidates clearly did not know the methods of confirmation and gave answers that showed lack of understanding including answers such as the following:
 - Rights and obligation – the auditors should ensure that the liabilities in the company's objective.
 - Analytical procedures – comparison of trends responding to discrepancies.
 - The audit firm should must use a written signed confirmation of the receivables balance.
 - Negative confirmation since Luapula Plc has different bank accounts then negative confirmation will be suitable.
 - A suitable form of receivables confirmation is a signed tax invoice issued, this shows the period value of goods.

Part (c)

- (i) This part of the question required candidates to explain subsequent events to be considered in the audit of the financial statements of Luapula Plc. A few candidates were able to explain the subsequent events that should have been considered in the audit of the financial statements of Luapula Plc. Half the marks were awarded to candidates who correctly explained subsequent events without using the information in the scenario.

A majority of the candidates gave incorrect answers showing lack of knowledge of this important syllabus topic. A majority of candidates considered a fire that occurred before the period end as a subsequent event which is not correct.

The following are examples of answers given in this part of the question:

- The subsequent event in the audit of Luapula Ltd.'s financial statements are events that has happened at the year end.
- Whether the company has complied with laws and national laws and regulations.
- Whether the provision of K1.5 m was recalculated in good faith.
- If there are material misstatements in the financial statements.

- (ii) This part of the question required candidates to explain the responsibilities of the auditor for subsequent events that take place between the period end and the date of signing the audit report. This is a knowledge based question and the responsibilities of the auditors during this period are contained in the relevant auditing standard. Candidates should have explained the fact that the auditors have an active duty to identify subsequent events between the dates given.

The following observations were made:

- A sizeable number of candidates only stated that the auditors had an active duty without going into details to explain the responsibilities of the auditors during this period.
- A large number only explained one duty which was not sufficient for the marks on offer. Candidates should be guided by the available marks in deciding the depth of the answers.

Part (d)

This part of the question that required candidates to explain the emphasis of matter and other matter paragraphs has been examined in a similar manner in the past. It was very disappointing to note that a majority of the candidates simply could not explain these two paragraphs. The scenario had information that should be included in these two paragraphs and this should have reminded candidates about the meaning and use of these paragraphs.

A majority of the answers given showed complete lack of knowledge of the meaning and use of these paragraphs.

QUESTION FOUR

The general performance on this question was very poor. Only 1 of the 51 candidates that attempted the question got 13 and above marks out of 25. A pass rate of 2% was recorded. The lowest mark recorded was 0 while the highest was 14.

Part (a)

- (i) This part of the question required candidates to state 2 matters that should be contained in the audit plan document in the audit of the financial statements of Spark Ltd.

- A majority of the candidates simply did not know the matters that should be included in the audit plan. The information contained in the scenario should have helped candidates in answering this part of the question. A majority could not even state the matters that are well explained in the study material under the topic of audit planning.
- A good number of candidates explained the audit plan as audit working papers or information used by the auditor to prepare audit reports
- Others wrong answers stated that audit working papers contain company internal and financial statements controls

- (ii) This part of the question required candidates to explain 3 benefits of planning the audit of the financial statements of Spark Ltd.

- A good number of candidates were able to give correct answers such as planning helps auditors to be orderly

- Wrong answers stated that planning helps auditors to prepare the financial statements correctly. This shows a lack of understanding of the responsibilities of management and the auditors.
- Others stated information found in the audit plan such as timetable without explaining the benefits of planning.
- Some just stated that an interim audit and a final audit are important tools for planning.

Part (b)

This part of the question required candidates to explain how results of tests of controls conducted impact the nature and extent of audit procedures that will be conducted.

The following observations were made:

- Some of the candidates simply defined internal controls and the purpose of internal controls
- Others explained the work of internal auditors such as safeguarding company assets and checking whether internal controls are working effectively
- There were some who defined what tests of controls are which were not required
- Some wrong answers included components of internal controls which were not correct.
- Some of the answers did not have any connection to the scenario and marks were lost.

Part (c)

This part of the question required candidates to explain pieces of information the audit team should include in a letter of weakness to management of Spark Ltd.

Most candidates showed a lack of knowledge of the letter of weakness and could not give details of the information that should be contained in the letter of weakness.

The following observations were made:

- Majority of candidates were able to define what a letter of weaknesses is but failed to explain what is contained in the letter of weaknesses
- Wrong answers stated that a letter of weaknesses contrails threats those external auditors encountered during the audit
- Others explained that such letters contain detection risks.

Part (d)

- (i) This part of the question required candidates to explain why the audit of warranty provision is a high-risk area for auditors.

The following observations were made:

- Most of the candidates attempted to define a warranty as defined in financial accounting without context to auditing and the audit risk which basically is the fact that it is an accounting estimate.
- Others simply went into explaining the components of audit risk and mentioning how risks.

- (ii) This part of the question required candidates to explain financial statements assertions using the example of warranty provisions.

The following observations were made:

- A good number of candidates were able to state several assertions without categorizing the ones relating to warranties
- There were some who stated observations as one of the assertions which is not an assertion but an audit procedure. Unfortunately, warranties cannot be observed.

(iii) This part of the question required candidates to suggest a suitable audit procedure for warranty provision using the assertion explained in (ii) above.

The following observations were made:

- The question required one to connect or use the assertion in (ii) above to come up with an audit procedure on the warranty only.
- Some of the wrong answers gave an audit procedure which did not match with an audit procedure.
- Others stated that auditors need to ensure that the risks of auditing warranty are brought under control.
- Others explained what audit procedures are in general without focusing on warranty.

(iv) This part of the question required candidates to suggest 4 audit procedures for the warranty provision figure in the financial statements of Spark Ltd:

The following observations were made:

- A good number of candidates were able to explain audit assertions in general without explaining how each assertion can be used to come up with an audit procedure.
- Others stated assertions only and explained what each assertion means without details related to warranty provision
- Some stated inquiries of management without explaining what aspects of the inquiry are being made.
- Others stated that you need to obtain written representations without explaining.

QUESTION FIVE

The general performance on this question was very poor. Only 6 of the 91 candidates that attempted the question got 13 and above marks out of 25. A pass rate of 6.5% was recorded. The lowest mark recorded was 0 while the highest was 19.5.

Part (a)

This part of the question required candidates to explain 4 audit risks in the audit of the financial statements of Mangoche Ltd and to suggest suitable responses for each risk. It was very disappointing that most of the candidates could not ably explain audit risks using the information in the scenario and thereby losing easy marks. This topic has been examined in this manner many times in the past and the performance is evidence of candidates not fully understanding this important topic which is likely to feature in all future examinations.

The following observations were made:

- There was a significant number of candidates that explained the three elements of audit risk namely inherent risk, control risk and detection risk and struggled to apply the information in the scenario to these three elements.
- A significant number of candidates could not give satisfactory responses to the risks identified and explained. The suggested responses that candidates explained were management responses instead of responses by the audit team. In the context of the question, the responses required were by the audit team basically considering what action will be taken so that the auditors could detect any audit risk that could arise because of the risk identified.

Part (b)

- (i) This part of the question required candidates to state 4 matters that should be contained in a typical audit working paper. Most of the candidates could not state the required number of matters with many more stating matters that clearly show lack of knowledge of a typical audit working paper.

The following observations were made:

- There were candidates that explained documents contained in audit working files of permanent audit file and the current audit file which did not answer the question requirement.
There were candidates that explained clearly wrong matters that can be contained in a typical working paper.
- (ii) This part of the question required candidates to explain 3 benefits of audit documentation in the audit of the financial statements of Mangoche Ltd. Although most of the candidates scored maximum marks there were a few that could not give satisfactory benefits of audit documentation and lost easy marks allocated to this.

Part (c)

- (i) This part of the question required candidates to suggest 4 control activities in the sales system of Mangoche Ltd.

The following observations were made:

- A good number of candidates were explaining audit assertions instead of control activities
- Some of the answers control activities included audit procedures such as inspections of documents
- Others failed to pick control activities from the scenario
- (ii) This part of the question required candidates to explain the control objectives for each of the 4 control activities in (i).

The following observations were made:

- Some students were explaining control activities from a textbook point of view without explaining these as the control activities suggested.
- Others explained reconciliations as objectives which contradicted the meaning of objectives
- (iii) This part of the question required candidates to suggest suitable tests of controls for the 4 control activities in (i).

The following observations were made:

- Most of the candidates did not explain the test of control for the objective suggested
- Others explained tests of controls as if these were control objectives
- Others did not align test of control with control objectives. This made it difficult to follow logical flow from control, activities, control objective and test of controls.

In general, the performance in the above three sections was very poor with most candidates showing lack of understanding of control activities, control objectives and tests of control. Internal controls are a major topic in this paper and will feature in future examinations and candidates are encouraged to ensure they understand this practical topic well before taking this examination.

A significant number of candidates poorly presented their answers and in most cases without any consideration of the order in which the points are explained between control activities, control objectives and tests of controls.

Overall performance of candidates

Highest mark obtained in this paper: 60%

Lowest mark obtained in this paper: 3%

Overall pass rate in this paper: 2.9%

DA12 GOVERNANCE AND CORPORATE LAW

QUESTION ONE

The general performance on this question was excellent. 36 of the 40 candidates that attempted the question got 13 and above marks out of 25. A pass rate of 90% was recorded. The lowest mark recorded was 8 while the highest was 25.

The question was on the principles of corporate governance and the roles of a chairman and chief executive officer. The performance on this question was above average. The major problem with those who failed was that they were unable to distinguish between the roles of a chairman and those of the chief executive officer. In future candidates should be able to read and understand the topics in detail.

This question was compulsory, and it had three parts. The few who failed this question were mixing up concepts. Students understood the second and third part. The pass rate was high. Future candidates are encouraged to revise the topic in Full as provided in the Zica manual. They are further called upon to make use of past papers which are readily accessible at Zica library and website.

QUESTION TWO

The general performance on this question was good. Only 26 of the 40 candidates that attempted the question got 13 and above marks out of 25. A pass rate of 65% was recorded. The lowest mark recorded was 8 while the highest was 24.

The question had four parts.

- (a) Candidates defined the word promoter very well.
- (b) Candidates answered this question well. The marking key had a limited scope; Candidates provided a plethora of answers not taken care of in the marking key.
- (c) Candidates misunderstood this question.
- (d) Candidates showed an understanding of the rights of promoters, as they answered this well.

In future, students must be encouraged to fine tune the studying to learning outcomes and the required detail in all aspects of the syllabus.

QUESTION THREE

The general performance on this question was fair. 8 of the 14 candidates that attempted the question got 13 and above marks out of 25. A pass rate of 57.1% was recorded. The lowest mark recorded was 0 while the highest was 20.

The question had two parts.

- (a) Candidates struggled to answer this question. Many seemed not to know the two theories of Corporate Governance
- (b) The question was misunderstood by most candidates. It could have been phrased in clearer terms. And the marks allocated did not correlate with the marking guide. Going forward candidates are encouraged to devote enough time to their studies. 70% of the students In future, students must be encouraged to fine tune the studying to learning outcomes and the required detail in all aspects of the syllabus.

QUESTION FOUR

The general performance on this question was good. 21 of the 33 candidates that attempted the question got 13 and above marks out of 25. A pass rate of 63.6% was recorded. The lowest mark recorded was 0 while the highest was 22.

This question required candidates to explain raising capital in a company, promoters and conflict of interest, fixed and floating charges and the roles of the audit committee. Candidates had challenges with the promoters' conflict of interest and floating/fixed charges. Most candidates left out those parts and those who did, did not write much, showing that there is selective reading during studies and thus candidates did not expect such questions.

In future candidates should prepare adequately.

QUESTION FIVE

The general performance on this question was fair. 20 of the 34 candidates that attempted the question got 13 and above marks out of 25. A pass rate of 58.8% was recorded. The lowest mark recorded was 5 while the highest was 25.

This question was divided into three parts.

- (a) Students were able to explain the three correct ways of reducing share capital.
- (b) All candidates managed to give the correct contents of the directors' report.
- (c) All candidates managed to distinguish between executive directors and non-executive directors. Candidates are encouraged to continue working hard.

The question was very basic and easily understood by the candidates. The few who failed did not do well owing to their own unpreparedness.

In future, students must read and prepare widely.

The paper was set according to the level of learners. There was no problem observed with the paper. Students did well generally and were able to answer the questions as required.

Overall performance of candidates

Highest mark obtained in this paper: 94%

Lowest mark obtained in this paper: 3%

Overall pass rate in this paper: 85%