



JUNE 2025 EXAMINATIONS

CHIEF EXAMINERS REPORTS

CA ZAMBIA

SUBJECT: CA 1.1: FINANCIAL ACCOUNTING

QUESTION ONE

The general performance on this question was poor. 89 out of the 204 candidates that attempted the question passed (got at least 10 out of the total 20 marks available). The pass rate recorded was 43.6%. The highest mark scored on this question was 18 out of 20 and the lowest was 0 out of 20.

Candidates are encouraged to adequately prepare for the examination before attempting this paper.

QUESTION TWO

The general performance on this question was poor. 62 out of the 197 candidates that attempted the question passed (got at least 10 out of the total 20 marks available). The pass rate recorded was 31.5%. The highest mark scored on this question was 20 out of 20 and the lowest was 0 out of 20.

Part (a) required candidates to prepare a statement of cash flows. Candidates failed to bring out the three parts of the cash flows, entries were just listed and figures requiring establishing were not established. Candidates are encouraged to learn the format and learn to use the ledger "T" accounts to establish figures for depreciation expense, and tax paid.

Part (b) required candidates to explain four (4) advantages of cash flow accounting. Very few attempted this part and those who attempted gave no advantages.

QUESTION THREE

The general performance on this question was very poor. 14 out of the 161 candidates that attempted the question passed (got at least 10 out of the total 20 marks available). The pass rate recorded was 8.7%. The highest mark scored on this question was 15.5 out of 20 and the lowest was 0 out of 20.

Part (a) required candidates to explain the phrase "Books of Prime Entry". Candidates were giving examples of the books instead of defining the books of prime entry.

Part (b) required candidates to describe the nature of transactions that are summarised in purchases and sales day books and clearly specifying source documents used to enter up each day book. Poor answers were given because the candidates do not pay attention to initial part of the syllabus.

Part (c) required candidates to distinguish between "trade" and "cash" discounts. No reasonable differences were given.

Part (d) required candidates to identify the category of each of the four given errors and clearly indicating whether the error affects the suspense account or not. Candidates failed to identify the category and failed to indicate whether the error affected the suspense account. At this level, the candidates must be able to identify the errors.

QUESTION FOUR

The general performance on this question was poor. 36 out of the 135 candidates that attempted the question passed (got at least 10 out of the total 20 marks available). The pass rate recorded was 26.7%. The highest mark scored on this question was 17 out of 20 and the lowest was 0 out of 20.

Part (a) required candidates to calculate key figures for a cash flow statement. This part was poorly answered because of poor understanding of cash flow statement.

Part (b) (i) Candidates to write up receivable control account. Candidates failed to reduce cash receipts from customers and refunds to customers was credited to the account.

Part (b) (ii) required candidates to establish the receivables expense figure.

Part (b) (iii) required candidates to establish the allowance for receivables.

QUESTION FIVE

The general performance on this question was good. 56 out of the 106 candidates that attempted the question passed (got at least 10 out of the total 20 marks available). The pass rate recorded was 52.8%. The highest mark scored on this question was 20 out of 20 and the lowest was 0 out of 20.

Part (a) required candidates to calculate the amount of accumulated fund at start of the year. This part was done correctly.

Part (b) (i) required candidates to calculate the subscription amount to be transferred to income and expenditure account. Subs in advance and in arrears were posted wrongly.

Part (b) (ii) required candidates to calculate the profit on refreshments sales. Candidates failed to account for trade payables at start and end.

Part (b) (iii) required candidates to calculate the surplus on competition event held. This was answered correctly.

Part (c) required candidates to prepare the club's income and expenditure account for the year. No common error observed.

Part (d) required candidates to prepare a statement of financial position. Good answers were presented.

QUESTION SIX

The general performance on this question was very poor. 28 out of the 174 candidates that attempted the question passed (got at least 10 out of the total 20 marks available). The pass rate recorded was 16.1%. The highest mark scored on this question was 18.5 out of 20 and the lowest was 0 out of 20.

Part (a) required candidates to explain what a bonus issue is and what a rights issue is, clearly stating reason, which one would be appropriate to consider by an entity that has expansion plans. Candidates clearly did not know the meaning of the two terms.

Part (b) (i) required candidates to prepare a statement of profit or loss for the year. Many candidates failed to establish the cost of sales figure as per company accounts requirement. The finance cost figure included only what was shown in the trial balance instead of the total interest of K30 000. Profit on disposal could not be established.

Part (b) (ii) required candidates to prepare a statement of changes in equity. Candidates failed to calculate the correct amounts for the new share issue and the dividends paid.

Overall Performance of candidates

Highest mark obtained in this paper:	80%
Lowest mark obtained in this paper:	7%
Overall pass rate:	15.7%

SUBJECT: CA 1.2 BUSINESS STATISTICS

QUESTION ONE

The general performance on this question was excellent. 114 out of the 131 candidates that attempted the question passed (got at least 10 out of the total 20 marks available). The pass rate recorded was 87%. The highest mark scored on this question was 20 out of 20 and the lowest was 47 out of 20.

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

The multiple-choice questions were short answer phrases and calculations on a wide range of topics from the syllabus. The topics covered included numerical data calculation such as the mean, calculation involving concept of regression, random values and probability distribution. The performance was good as most candidates demonstrated knowledge in solving the various forms of questions asked. It is however suggested that candidates should familiarize themselves with short statistical calculation in order to improve performance in this section of the examination.

QUESTION TWO

The general performance on this question was very poor. 25 out of the 128 candidates that attempted the question passed (got at least 10 out of the total 20 marks available). The pass rate recorded was 19.5%. The highest mark scored on this question was 20 out of 20 and the lowest was 0 out of 20.

Part (a) required candidates to use the given time series data to find the trend line. It was noted that most candidates failed to assign counting numbers for years in order to carry out a regression calculation. They used actual years instead, hence getting wrong trend line. Further some candidates could not understand the concept and were observed to have been using moving averages which was a wrong method. The general performance on this question was bad.

Part (b) and part c were referred to a scenario in which the data set was given through a statement and candidates were required to use the data to find the mean, median and the mode. It was noted that most candidates were able to find the required values, however they failed to apply the results to answer part (c) which required them to state when the mean, mode, or median is appropriate to be used in line with the scenario given.

Part (d) Required candidates to define what a time series is.

QUESTION THREE

The general performance on this question was poor. 22 out of the 78 candidates that attempted the question passed (got at least 10 out of the total 20 marks available). The pass rate recorded was 28.2%. The highest mark scored on this question was 16 out of 20 and the lowest was 0 out of 20.

The first part of the question required candidates to apply the Normal distribution to find the required probabilities. It was observed that candidates struggled to find correct solutions due to use of wrong formulae and inability to read the z-tables correctly. The general performance on this question was bad.

The second part of the question had a stem-and-leaf plot and candidates were required to use the data in the table to find first and third quartiles and also outliers. Candidates were observed to have been able to find the quartiles but had significant challenges in finding the outliers. They generally lost marks due to inability to use the correct formulas.

QUESTION FOUR

The general performance on this question was very poor. 22 out of the 103 candidates that attempted the question passed (got at least 10 out of the total 20 marks available). The pass rate recorded was 321.4%. The highest mark scored on this question was 20 out of 20 and the lowest was 0 out of 20.

Part (a) required candidates to use the table of grouped data to construct a relative frequency, cumulative and relative cumulative table. Most Candidates had struggle in construction of the frequency table hence lost a lot of marks allocated for this part. Part (b) was a continuation of part (a) where candidates were required to find the variance, standard deviation, mean deviation and coefficient of variation. Most candidates failed this part because of computation errors arising from wrong total from the table hence getting wrong solutions. It is therefore recommended that candidates must revise and understand grouped data calculations in order to improve the performance in this topic.

QUESTION FIVE

The general performance on this question was poor. 31 out of the 90 candidates that attempted the question passed (got at least 10 out of the total 20 marks available). The pass rate recorded was 34.4%. The highest mark scored on this question was 20 out of 20 and the lowest was 0 out of 20.

Part (a) of this question required candidates to use moving average method to find trend on the given time series data. It was observed that some candidates did not use

a precise 4 centered moving average, rather they opted for the three or five centered moving averages hence getting wrong solutions and loss of marks.

Part (b) of this question required candidates to obtain data from a given scenario and calculate the arithmetic mean. There was generally poor performance due to lack of understanding the question, and computation errors arising from use of wrong method and formulas.

Part (c) required candidates to describe the practical situation in which the median of data can be used. It was noted that most candidates were able to correctly state the correct scenarios.

QUESTION SIX

The general performance on this question was good. 61 out of the 113 candidates that attempted the question passed (got at least 10 out of the total 20 marks available). The pass rate recorded was 53.9%. The highest mark scored on this question was 20 out of 20 and the lowest was 0 out of 20.

The first part of the question involved a table of quantitative data of which candidates were required to construct pie charts. Most candidates were able to construct correct pie charts, but few were observed to have been using percentages instead of degrees to draw the pie charts hence lost marks.

The second part of this question provided candidate with a probability table and the required work was to find the expected value and standard deviation of the data. General performance on this question was good. But few candidates were observed to have been using the formula of mean and variances of ungrouped data hence obtained wrong solutions.

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

Overall Performance of candidates

Highest mark obtained in this paper:	89%
Lowest mark obtained in this paper:	10%
Overall pass rate:	32.1%

SUBJECT: CA 1.3 BUSINESS ECONOMICS

QUESTION ONE

The general performance on this question was good. 95 out of the 145 candidates that attempted the question passed (got at least 10 out of the total 20 marks available). The pass rate recorded was 65.5%. The highest mark scored on this question was 17 out of 20 and the lowest was 0 out of 20

This was a compulsory question made up of 10 multiple choice questions.

QUESTION TWO

The general performance on this question was poor. 45 out of the 145 candidates that attempted the question passed (got at least 10 out of the total 20 marks available). The pass rate recorded was 31%. The highest mark scored on this question was 18 out of 20 and the lowest was 0 out of 20.

The specific performance on each part of the question is given below:

Part (a) of this question required candidates to outline any three (3) characteristics of monopoly market structure. The common mistake committed by the candidates who failed the question was confusing monopoly and monopolistic market structures.

Part (b) of This question required candidates to determine the total profit function from the given data. There was mixed performance. The common mistake was that some candidates could not use the total revenue and total cost functions to determine the profit function. Further, other used the functions but failed to properly substitute and simplify the profit function. Lastly, some candidates tried to draw graphs for their answer which was totally wrong considering the given data.

Part (c) of this question required candidates to calculate the profit maximizing price and quantity. The common mistake was failure to use the profit maximizing condition of $MR = MC$ and the solving for Q in either of the equations. Further, to calculate the price, some candidates did not use the price function given in the question.

Part (d) of this question required candidates to calculate the maximum profit for the company. Candidates who failed to determine the profit function in (b) above could not calculate the correct answer.

Similarly, those who failed to calculate the profit maximizing quantity in (c) got a wrong answer. Some candidates who got the answer correct had to do so using the long method when all that was needed was to substitute the quantity values in (c) in the profit function determined in (b)

QUESTION THREE

The general performance on this question was good. 57 out of the 102 candidates that attempted the question passed (got at least 10 out of the total 20 marks available). The pass rate recorded was 55.9%. The highest mark scored on this question was 18 out of 20 and the lowest was 0 out of 20.

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

- (a) This part of the question required candidates to outline the three (3) components of the balance of payments. Though, performance was fair, some candidates merely listed two (2) components as opposed to outlining. Many candidates only listed the current and capital accounts. Further, some candidates were completely lost.
- (b) This was subdivided into two (2) namely (i) and (ii) as follows:
 - (i) Most candidates failed to discuss the significance of balance of payment position when there are no deficits or surplus.
 - (ii) Required candidates to discuss the statement that free foreign trade costs domestic jobs. This was poorly answered too.
- (c) Required candidates to define the concept of protectionism as used in international trade. This was correctly answered by many candidates although some candidates' definitions were far away from economics
- (d) Required candidates to outline any three (3) barriers to trade describing how they work. This was poorly done. Majority of candidate only remembered tariffs but

could not show how tariffs work. Further, some candidates presented arguments for protectionism instead of the barriers as required.

QUESTION FOUR

The general performance on this question was poor. 34 out of the 121 candidates that attempted the question passed (got at least 10 out of the total 20 marks available). The pass rate recorded was 28.1%. The highest mark scored on this question was 17 out of 20 and the lowest was 0 out of 20.

The question was divided into two (2) parts namely (a) and (b).

(a) The question required candidates to explain whether price elasticity would increase, decrease or remain constant when:

- (i) a competitor enters the market
- (ii) banning on foreign brands in the Indian Market
Advertising campaigns alleging that smartphones improve productivity and status.

Overall performance was mixed. Some candidates were able to clearly state the price elasticity would increase or decrease or remain constant as the case may be but could not explain why as required by the question.

(b) This was subdivided into two (2) namely (i) and (ii) as follows:

- (i) Required candidates to outline any two (2) pricing strategies that may be adopted by an oligopolist. This was fairly done. However, majority of the candidate had challenges outlining the strategies like collusion, kinked demand curve, price following, price leadership and doing nothing.
- (ii) Required candidates to illustrate the use of a kinked demand curve in oligopoly. This was poorly done. Common weakness was poorly done graph without clear labels. Further=, some candidates drew the traditional demand and supply curves while other left the question blank.

QUESTION FIVE

The general performance on this question was poor. 23 out of the 72 candidates that attempted the question passed (got at least 10 out of the total 20 marks available). The pass rate recorded was 31.9%. The highest mark scored on this question was 18 out of 20 and the lowest was 0 out of 20.

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

(a) This part of the question required candidates to use the given data to:

- (i) Determine the aggregate expenditure function. This was well attempted. The common mistake was the use of the wrong identity instead of $AE = C + I + G$.
- (ii) Determine the equilibrium level of output. This was well attempted. The common mistake was the use of the wrong identity instead of $AE = C + I + G$. Others, used the correct identity but failed to correctly substitute in the equation.
- (iii) Calculate the new equilibrium when government spending changes from 900 to 1,200. The common mistake here was that some student failed to acknowledge that an increase in government spending brings the new figure to 1,200. Some candidate used the 300 instead of 1,200.
- (iv) Explain the concept of investment multiplier. There were largely poor explanations leading to less than the full marks being awarded.

(b) This part required candidates to outline the four (4) determinants of consumption.

This was fairly done. However, some candidates merely listed the determinants rather than outlining them. Other candidates failed to even list the determinants of consumption function.

QUESTION SIX

The general performance on this question was excellent. 119 out of the 136 candidates that attempted the question passed (got at least 10 out of the total 20 marks available). The pass rate recorded was 87.5%. The highest mark scored on this question was 20 out of 20 and the lowest was 4 out of 20.

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

- (a) This part of the question required candidates to define demand and supply. The was well answered by almost all the students who attempted the question.
- (b) This part required candidates to use diagrams to illustrate how the any three (3) factors namely changes in income, tastes, production technology, and factor prices could lead to disequilibrium. This was fairly dome. The common mistake relates to poor diagrams. Some candidates could not clearly bring out the direction of the shift and the effect on the equilibrium price and quantity,
- (c) This part required candidates to describe the two (2) types of disequilibrium. This was poorly answered. Common mistake is that many candidates discussed demand and supply shifters instead of the excess demand (shortage) and excess supply (surplus).

Overall performance of candidates

Highest mark obtained in this paper:	83%
Lowest mark obtained in this paper:	11%
Overall pass rate in this paper:	56.6%

SUBJECT: CA 1:4 COMMERCIAL AND CORPORATE LAW

QUESTION ONE

The general performance on this question was excellent. 216 out of the 238 candidates that attempted the question passed (got at least 10 out of the total 20 marks available). The pass rate recorded was 90.8%. The highest mark scored on this question was 20 out of 20 and the lowest was 4 out of 20.

QUESTION TWO

The general performance on this question was good. 157 out of the 237 candidates that attempted the question passed (got at least 10 out of the total 20 marks available). The pass rate recorded was 66.2%. The highest mark scored on this question was 18 out of 20 and the lowest was 0 out of 20.

This was a compulsory question, all candidates attempted it.

Part (a) required candidates to give advice based on a contract law scenario question. The performance was good with most candidates scoring at least 5 out of 10 Marks.

Part (b) required candidates to identify the different types of invitation to treat of which all of them managed to even making reference to decided cases

Part (c) required candidates to define insolvency and 80% managed to give the definition of insolvency. The performance was generally good; candidates are encouraged to continue studying efficiently in preparation for exams.

QUESTION THREE

The general performance on this question was good. 90 out of the 129 candidates that attempted the question passed (got at least 10 out of the total 20 marks available). The pass rate recorded was 69.8%. The highest mark scored on this question was 17 out of 20 and the lowest was 0 out of 20.

This part was divided into two parts.

(a) Candidates were required to discuss the principle of '*res ipsa loquitur*' but only 62% correctly discussed it. The reason could be that those who did not do well may not have paid attention this topic.

(b) Part was based on duties of the company secretary of which all candidates identified the correct duties scooping 10/10. Candidates are encouraged to continue working hard going forward.

QUESTION FOUR

The general performance on this question was excellent. 168 out of the 193 candidates that attempted the question passed (got at least 10 out of the total 20 marks available). The pass rate recorded was 87%. The highest mark scored on this question was 20 out of 20 and the lowest was 2 out of 20.

Question Four was divided into three parts (a), (b) and (c).

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

Part (b) of the question required candidates to list four (4) ways in which a contract they entered can be discharged. Which is Agreement, performance, frustration, and breach.

Part (c) of the question required candidates to explain to the Directors the concept of various liability as per the 20 claims.

Overall, under this question most candidates scored above 10 marks. Those below must continue reading wide.

QUESTION FIVE

The general performance on this question was very good. 174 out of the 209 candidates that attempted the question passed (got at least 10 out of the total 20 marks available). The pass rate recorded was 83.3%. The highest mark scored on this question was 20 out of 20 and the lowest was 0 out of 20.

Part (a) required candidates to identify the relations for employment law of which the performance was impressive as they managed to identify the tests supported by cases. Part (b) the explanation given by candidates on how an employee as agent were equally accurate for all candidates.

Under part (c) based on law of agency the performance was equally good by all candidates, lastly part (d) was also well answers as elements of a partnership were easily identified. Future candidates are encouraged to study hard and revise the Zica Manual for future examinations.

QUESTION SIX

The general performance on this question was very good. 139 out of the 179 candidates that attempted the question passed (got at least 10 out of the total 20 marks available). The pass rate recorded was 77.7%. The highest mark scored on this question was 20 out of 20 and the lowest was 0 out of 20.

The question had four parts.

Part (a) and (b) of the question required candidates to demonstrate understanding of the Zambian legal process. That is to say, understanding of bylaws and statutory instruments and in part B, the jurisdiction of the Supreme Court of Zambia.

Part (c) of the question required candidates to demonstrate their understanding of fixed charges and floating charges. 60 % of the candidates exhibited high knowledge of the said question whereas roughly 40% demonstrated a mix up of concepts and lost marks. Part (d) required candidates explain the duties of the company secretary before the meeting. Most candidates understood the duties of the secretary. However, a few were completely lost and this can be attributed to selective study of candidates.

Overall performance of candidates

Highest mark obtained in this paper: 90%

Lowest mark obtained in this paper: 19%

Overall pass rate in this paper: 84%

SUBJECT: CA 1.5 MANAGEMENT THEORY AND PRACTICE

QUESTION ONE

The general performance on this question was very good. 91 out of the 112 candidates that attempted the question passed (got at least 10 out of the total 20 marks available). The pass rate recorded was 81.3%. The highest mark scored on this question was 20 out of 20 and the lowest was 2 out of 20.

QUESTION TWO

The general performance on this question was very poor. Only 19 out of the 111 candidates that attempted the question passed (got at least 10 out of the total 20 marks available). The pass rate recorded was 17.1%. The highest mark scored on this question was 16 out of 20 and the lowest was 0 out of 20.

Part (a) candidates were asked to outline six (6) elements in a change management plan that address the concerns in the scenario to ensure a successful implementation of the new technology. The performance on this part of the question was very poor and more than 90% of the candidates failed. This was due to what was observed as failure to understand the question. Most candidates focused on discussing the change process and others just avoided this question.

Part (b) the candidates were required to explain any four (4) factors that may trigger "Transformational changes". Few candidates understood the question and majority answered the question wrongly.

QUESTION THREE

The general performance on this question was poor. Only 27 out of the 89 candidates that attempted the question passed (got at least 10 out of the total 20 marks available). The pass rate recorded was 30.3%. The highest mark scored on this question was 18 out of 20 and the lowest was 0 out of 20.

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

Part (a) required candidates to discuss the three (3) characteristics of a public sector organization. Many candidates discussed the characteristics of a Public limited company instead and lost out on marks.

Part (b) candidates were asked to outline any five (5) features of Public Sector Organizations. The performance here was equally very poor candidates were unable to distinguish between the two concepts characteristics and features.

Part (c) required candidates to explain any three (3) disadvantages of Public Sector Organization. Only few candidates managed to explain the disadvantages correctly.

QUESTION FOUR

The general performance on this question was poor. Only 29 out of the 84 candidates that attempted the question passed (got at least 10 out of the total 20 marks available). The pass rate recorded was 34.5%. The highest mark scored on this question was 20 out of 20 and the lowest was 0 out of 20.

This question had two (2) parts; part (a) and part (b).

In part (a) candidates were expected to discuss the matrix structure with aid of a well labeled diagram. The candidates performed poorly in part (a). They simply could not recall a matrix structure. They gave various answers such as Bureaucratic structure, Triangular structure and organizational structure. Candidates are advised to commit to memory what they study and are taught in class.

Part (b) candidates were required to outline any eight (8) principles of managements as submitted by Henry Fayol. This part was well answered by a good number of candidates.

QUESTION FIVE

The general performance on this question was excellent. 102 out of the 111 candidates that attempted the question passed (got at least 10 out of the total 20 marks available). The pass rate recorded was 91.9%. The highest mark scored on this question was 20 out of 20 and the lowest was 2 out of 20.

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

Part (a) candidates were required to explain five (5) advantages of Decentralization.

The advantages of decentralization were correctly explained by most candidates.

Part (b) candidates were asked to show three (3) differences between the Sole trader enterprise and Public limited company. The differences between a Sole trader enterprise and a Public limited company were correctly given by majority of the candidates.

Part (c) candidates were required to list down four (4) external stakeholders of a company. Many candidates listed the external stakeholders correctly. However, a few candidates did not understand who stakeholders are and hence failed to distinguish the different types.

QUESTION SIX

The general performance on this question was fair. 25 out of the 51 candidates that attempted the question passed (got at least 10 out of the total 20 marks available). The pass rate recorded was 48.1%. The highest mark scored on this question was 18 out of 20 and the lowest was 0 out of 20.

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

Part (a) asked candidates to explain the purpose of conducting a SWOT analysis for a business like Amano Innovations. The purpose of conducting the SWOT analysis for a

business was fairly explained by many candidates. However, some candidates just mentioned the meaning of the acronym SWOT without explain its purpose.

Part (b) required candidates to state any four (4) primary functions of the Board of Directors as defined in the UK Good Governance Standard for Public Services (2004).

Majority of the candidates failed to define the primary functions of the board of directors as stated in the UK Good Governance Standard for Public Services (2004). Candidates are advised to pay particular attention to the different prescriptions of Good Corporate Governance tenets as provided for in the study manual.

Part (c) required candidates to state the purpose of conducting a position audit. Many candidates managed to state the purpose of conducting a position audit.

Overall performance of candidates

Highest mark obtained in this paper:	80%
Lowest mark obtained in this paper:	10%
Overall pass rate in this paper:	58.9%

SUBJECT CA1.6 – BUSINESS COMMUNICATION

QUESTION ONE

The general performance on this question was excellent. 98 out of the 110 candidates that attempted the question passed (got at least 10 out of the total 20 marks available). The pass rate recorded was 89.1%. The highest mark scored on this question was 20 out of 20 and the lowest was 4 out of 20.

QUESTION TWO

The general performance on this question was poor. Only 30 out of the 109 candidates that attempted the question passed (got at least 10 out of the total 20 marks available). The pass rate recorded was 27.5%. The highest mark scored on this question was 19 out of 20 and the lowest was 0 out of 20.

The question was about explaining ways in which Zambia Breweries could implement IT application controls to ensure the identification and completeness of data within its information systems, listing common applications of spreadsheets that can be used, stating control issues for most network configurations.

Part (a) of the question required candidates to explain five (5) ways in which Zambia Breweries can implement IT Application controls to ensure the identification and completeness of data within its information systems. Most candidates misunderstood the term "Application". Instead of explaining the way Zambia Breweries can implement IT application controls to ensure the identification and completeness of data within its information systems, they were explaining application packages they use with the computer system.

Part (b) of the question required candidates to list five (5) common application of spreadsheets that can be used. Some candidates were explaining controls in a network system instead of application controls in an information system.

Part (c) of the question required candidates to state five (5) control issues from most network configurations. Some candidates did not understand the control issues for most network configurations, they were explaining the general IT controls.

QUESTION THREE

The general performance on this question was very poor. Only 10 out of the 63 candidates that attempted the question passed (got at least 10 out of the total 20 marks available). The pass rate recorded was 15.9%. The highest mark scored on this question was 13 out of 20 and the lowest was 0 out of 20.

Part (a) of the question required candidates to identify five (5) components of a framework for information technology security tailored to BolaBET.

Part (b) of the question required candidates to state any five (5) abilities the Database Management System can offer.

Part (c) of the question required candidates to state five (5) benefits that may be realised from a successfully implemented Enterprise Resource Planning system.

The common mistakes noted included the following:

- (i) Some candidates struggled to correctly identify the components of a framework for information technology security.
- (ii) Some candidates were stating the qualities of information instead of abilities the DBMS is able to offer and the benefits of enterprise resource planning.

QUESTION FOUR

The general performance on this question was very poor. 5 out of the 59 candidates that attempted the question passed (got at least 10 out of the total 20 marks available). The pass rate recorded was 8.5%. The highest mark scored on this question was 11 out of 20 and the lowest was 0 out of 20.

Part (a) required candidates to outlining components that make up the information framework utilized by an organisation such as Zambia Environmental Management Agency.

Part (b) required candidates to explaining the distinction between data and information, highlighting their respective roles in supporting health environment at an organisation such as Zambia Environmental Management Agency.

Part (c) required candidates to explain the meaning of MS Excel errors seen in spreadsheet after computation.

The common mistakes were as follows:

- (i) Some candidates were mentioning information systems and not information frameworks. Others were mentioning IT platforms.
- (ii) Some candidates had difficulties in explaining the meaning of the #Ref! and #Num! errors in MS-Excel experienced in computations

QUESTION FIVE

The general performance on this question was excellent. 97 out of the 109 candidates that attempted the question passed (got at least 10 out of the total 20 marks available). The pass rate recorded was 89%. The highest mark scored on this question was 19 out of 20 and the lowest was 4 out of 20

Part (a) required candidates to write an appropriate letter to Phoenix Electronics explaining the situation and assure them of your commitment.

Part (b) required candidates to explain any three (3) differences between a formal and informal letter.

The common mistakes were as follows:

- (i) Wrong layout/ format.
- (ii) Very poorly present content. (The content did not matching with the scenario provided in the question.)
- (iii) Failure to present addresses correctly, (recipient's address was presented as if it was for the sender).
- (iv) Statements on the subject line were of very poor quality
- (v) Some appropriate parts of a letter were not included by some candidates
- (vi) Very poor grammar and spellings in most cases.
- (vii) Some candidates provide answers for formal and informal meetings instead of differentiating formal and informal letters.

- (viii) Some candidates described informal letters as letters written by a specific person in an organization which was not correct.

QUESTION SIX

The general performance on this question was good. 71 out of the 99 candidates that attempted the question passed (got at least 10 out of the total 20 marks available). The pass rate recorded was 71.7%. The highest mark scored on this question was 20 out of 20 and the lowest was 1 out of 20.

Part (a) of this question required candidates to state any two (2) reasons why holding AGMs is important.

Part (b) of this question required candidates to explain any three (3) rules governing formal meetings.

Part (c) of this question required candidates to explain some terms used in minute writing of meetings.

The common mistakes were as follows:

- (i) Some candidates presented content on the importance of communication in general. There was a failure to specify the importance of holding annual general meetings.
- (ii) Repeated answers
- (iii) Some candidates omitted this part of the question
- (iv) Some candidates presented duties of a chairperson or a secretary of a meeting instead of the rules governing formal meeting.
- (v) In some cases, the rules governing meetings were not well explained or not explained at all.
- (vi) Some candidates produced meeting documents such as agenda.
- (vii) Failure to distinguish one aspect of the given task in the sub questions. (It was either one was correct and the other one wrong)
- (viii) Omitting this part of the question

Overall performance of candidates

Highest mark obtained in this paper: 82%

Lowest mark obtained in this paper: 29%

Overall pass rate in this paper: 64.5%

SUBJECT: CA2.1 FINANCIAL REPORTING

QUESTION ONE

The general performance on this question was good. Only 71 out of the 134 candidates that attempted the question achieved a pass (that is a score of at least 20 out of 40 marks), representing a pass rate on the question of 52.9%. The lowest score was 0.5 whilst the highest was 36.5 out of the available 40 marks.

The question had one (1) part. It required candidates to prepare a consolidated statement of financial position in accordance with applicable IFRSs.

It is disappointing that such performance was recorded for a question that is so predictable. Future candidates are reminded to invest more study time on such a question if they are to maximize on achieving higher marks.

The following are the common mistakes made by candidates:

- (i) A reasonable number of candidates were wrongly calculating unrealized profit using the 30% normal markup instead of the 20% that Mansa used to sell goods to Luapula. Future candidates are reminded to pay attention to the contents of the question.
- (ii) It was surprising to see a few candidates using K200 million as subsidiary's (Mansa Ltd) equity in the working for net assets at acquisition and at reporting, instead of the K50 million that was clearly recorded in the question. It appears the candidates went for number of shares in issue unlike the equity value.
- (iii) Most candidates at this sitting could not appreciate the fact that the 6% loan note issued by Mansa and purchased by Luapula to the value of K8 million, needed to be treated as an intra group cancellation and excluded from consolidated investments figure and consolidated 6% loan note figure under non-current assets and non-current liabilities respectively. A very small number of candidates accounted for this correctly.
- (iv) Many candidates expressed ignorance generally on how to ascertain the 'other investments' figure. Many of them merely added the amounts in the question for Luapula and Mansa with no further adjustment to them.
- (v) The majority candidates could not even adjust the consolidated receivables figure for the automated interest (amounting to K1 million) on overdue balance from Luapula with a number of candidates failing to account even for the basic intra group payable/receivable of K10 million. Future candidates are reminded to familiarize with these common adjustments.

- (vi) In isolated but quite common cases, candidates were adding parent, subsidiary and associate assets and liabilities to arrive at consolidated amounts and those who did so, hardly made any meaningful adjustment to their figures. It just shows how some candidates opt to sit for this exam with very low level understanding of the syllabus. Future candidates are reminded that the associate's assets and liabilities do not get consolidated by virtue of the equity method of accounting.
- (vii) Another isolated issue is that of applying the percentage control on all subsidiary assets and liabilities. The candidates lacked the basic knowledge of the principle of consolidation which require addition of 100% of the assets and liabilities of the subsidiary. Again, this calibre of candidates hardly made adjustments to the consolidated figures the generated by their inappropriate way of doing it.
- (viii) Most candidates were, quite alright able to recognize deferred tax liability that had not been recognized by Mansa, but under current liabilities, instead of non-current liabilities.
- (ix) Another common error committed by most candidates at this sitting was inclusion of impairment loss of the investment in Associate (Chama) in the calculation of goodwill on acquisition of the subsidiary (Mansa), which in fact, had not suffered any impairment. Future candidates are reminded to pay attention to these small details to avoid losing marks unnecessarily.
- (x) Many candidates failed to calculate the total number of shares in issue in the subsidiary on acquisition date, for use in the computation of % control (shareholding). This is a very basic concept, and candidates must ensure they do not wonder about this in future but learn from the mistakes of past candidates.
- (xi) Another issue observed was the subtraction of declared dividends by the associate from the 'carrying amount of investment in Associate' which had already been accounted for and needed not be adjusted for.
- (xii) Many candidates at this sitting failed to correctly account for contingent consideration especially the movement which was a decrease and hence needed to be added to retained earnings. Many candidates were subtracting it from consolidated retained earnings. Further, at reporting date, candidates were mainly recognizing the same K110 million unlike the reporting date K90 million. Future candidates are reminded to learn from this and not to be victims of similar mistakes.

- (xiii) Another common mistake exhibited by candidates at this sitting was failure to realize that Mansa's fair value brand had a fair value that was less than the carrying amount and hence should have been listed as a negative amount of K40 million among the net assets with a nil closing balance as the brand had been written off at the reporting date. Most of the candidates still recorded it within net assets at reporting date as a positive figure.
- (xiv) Failure to calculate the correct amount of depreciation on fair value adjustment. Only a few candidates were able to correctly calculate depreciation on fair value of Mansa's property on acquisition date. This was the issue of not realizing acquisition had taken place two (2) years earlier but most candidates were charging one (1) year depreciation.
- (xv) Lastly on this question, only a few candidates realized that the investment property needed to be accounted for as PPE in consolidated financial statements and that it had to be depreciated and its earlier fair value gain reversed. Hardly did the candidates show any understanding of IAS 40 principles regarding investment property leased to a subsidiary in the consolidated financial statements. Future candidates are reminded to pay attention to all basics of all accounting standards.

QUESTION TWO

The general performance on this question was good. 73 of the 116 candidates that attempted the question managed to obtain at least 10 marks out of a total of 20 available marks. A pass rate of 62.9% was recorded. The highest score was 20 out of 20 marks while the lowest was 0.

The question required candidates to prepare single entity financial statements in accordance with IAS 1 – Presentation of Financial Statements. It was made up of parts (a), (b) and (c).

In Part (a) candidates were required to prepare the Statement of Profit or Loss and Other Comprehensive Income.

In Part (b) candidates were required to prepare the Statement of Changes in Equity.

In part (c) candidates were required to prepare the Statement of Financial Position, taking into account adjustments arising from application of various IFRSs.

The following are the common mistakes made by the candidates:

- (i) Failure to calculate the correct amount of depreciation charge on buildings. Some candidates failed to split the value of land and buildings before charging

depreciation, whilst others were charging depreciation on the revalued instead of on the cost as the revaluation was done at the end of the year.

- (ii) Failure to calculate the correct amount of revaluation gain. Most candidates calculated revaluation gain before charging depreciation instead of comparing the carrying amount (after depreciation) and the revalued amount. Future candidates are reminded to pay attention to the details of the question.
- (iii) Failure to calculate the correct amount of property, plant and equipment (PPE) to be posted in the statement of financial position.
- (iv) Incorrect calculation of the tax charge to the statement of profit or loss. Most candidates did not realize that the deferred tax at the beginning of the year was a deferred tax asset and a deferred tax liability at the end of the year giving rise to a total deferred tax charge to PL of K255,000 (decrease in deferred tax asset of K150,000 and increase in deferred tax liability of K105,000). Future candidates are reminded to understand the accounting treatment of both deferred tax asset and deferred tax liability.
- (v) Failure to calculate the correct amount of bonus issue as some candidates failed to determine the number of shares in issue before rights issue. In addition, some candidates failed to record the bonus issue correctly in the statement of changes in equity.
- (vi) Failure to calculate the correct amount of interest charge on lease liability and the lease liability at the end of the accounting period. This was as a result of failure to prepare an amortization schedule to determine the movement in lease liability.

QUESTION THREE

The general performance on this question was poor. 27 of the 103 candidates that attempted the question managed to obtain at least 10 marks out of a total of 20 available marks. A pass rate of 26.2% was recorded. The highest score was 17 out of 20 marks while the lowest was 0.5.

This question had two (2) parts; part (a) and part (b). Candidates were tested on four (4) specific ratios and IAS 33 Earnings per share.

The following are the common mistakes made by the candidates, contributing to the unsatisfactory performance:

- (i) Non adherence to the command (verb) of part (a) (i), students were writing the formulae instead of explaining the meaning of each of the four (4) ratios that had already been calculated. For future examinations, candidates are advised to pay particular attention to command words (verbs) used.

- (ii) Failure to comment on the performance of the company (Jerusha) by comparing the calculated ratios of the company with the sector average ratios. Candidates of future sittings are advised to understand the meaning of each ratio used in the interpretation of financial statements.
- (iii) Some Candidates wrongly stated that asset turnover is a liquidity ratio, they confused the asset turnover ratio with the current ratio.
- (iv) Most candidates demonstrated their lack of understanding of IAS 33. Candidates are advised to have an understanding of each area of the syllabus in order to increase their chances of passing.
- (v) Candidates wrongly used value of shares in issue (K300,000) as the denominator instead of number of shares ($K300,000/K1.5 = 200,000$ shares) to compute the basic earnings per share.
- (vi) Failure to outline possible actions that the company (Jerusha) should take to improve the EPS and P/E ratios.

QUESTION FOUR

The general performance on this question was very poor. 13 of the 74 candidates that attempted the question managed to obtain at least 10 marks out of a total of 20 available marks. A pass rate of 17.6% was recorded. The highest score was 14 out of 20 marks while the lowest was 0.5.

The question was on International Financial Reporting Standards (IFRSs) – IAS32/IFRS 9 and IAS 36. It was made up of parts (a) and (b).

In part (a) candidates were required to explain, with supporting calculations, how the issue of convertible bonds was supposed to be accounted for in the financial statements of Matyola Investments for the year ending 31 March 2024 (end of year).

The following are the common mistakes made by the candidates:

- (i) Failure to cite the accounting standard applicable to convertible bonds. Most candidates demonstrated lack of knowledge on IAS 32 – Classification and Presentation of Financial Instruments as they failed to provide the explanations supported by calculations.
- (ii) Failure to split the financial instrument into financial liability and equity instrument in accordance with IAS 32. Most candidates were using the discounting factors at the coupon rate of 8%, instead of the effective interest rate of 12% (interest rate applicable on similar instruments without conversion rights).
- (iii) Failure to calculate the correct amount of finance costs and the financial liability to be included in the financial statements for the year ended 31 March 2024.

Most candidates were using 8% as effective interest rate, instead of 12%. Candidates of future sittings are reminded to have an understanding of the basics of all IFRSs.

In part (b) candidates were required to explain the meaning of impairment of assets, outline two (2) internal and two (2) external indicators of impairment, and to allocate the impairment loss to the individual assets of the Cash-Generating Unit (CGU). The following were the common mistakes made by the candidates:

- (i) Failure to define impairment in accordance with IAS 36 – Impairment of Assets. Most candidates demonstrated lack of knowledge on IAS 36.
- (ii) Failure to outline both internal and external indicators of impairment as outlined by IAS 36. Most candidates wrongly included depreciation as an internal indicator of impairment.
- (iii) Failure to allocate the impairment loss to individual assets of the cash-generating unit. Most candidates demonstrated lack of knowledge on the allocation of impairments loss.

It seems most candidates are not covering the entire syllabus and are ignoring accounting standards. It must be noted that accounting standards are part of the financial reporting syllabus and are examinable. Therefore, candidates of future sittings are reminded to make sure they learn and study the accounting standards.

QUESTION FIVE

The general performance on this question was poor. 34 of the 79 candidates that attempted the question managed to obtain at least 10 marks out of a total of 20 available marks. A pass rate of 43% was recorded. The highest score was 18 out of 20 marks while the lowest was 0.5.

This was on creative accounting and historical cost accounting. It made up of parts (a) and (b).

In part (a) candidates were required to explain what is meant by “creative accounting” and describe the common ways in which management can manipulate financial statements to indulge in “creative accounting”.

In part (b) candidates were required to explain why historical cost accounting has been criticized and explain some the advantages associated with its use.

It appeared that many candidates were not comfortable with theory part and had little or no knowledge of the creative accounting. Future candidates are reminded that the theoretical portion of the financial reporting is extremely important to learn for such theory questions.

Again, this shows how much financial reporting students do not pay attention to learning the main principles (theory components) of the subject. In extreme cases, a few candidates completely left this part of the question unattempted.

The following were the common mistakes:

- (i) Not knowing the meanings of the term 'creative accounting', hence gave the wrong answers.
- (ii) Listed instead of explaining the advantages and disadvantages of historic cost accounting.
- (iii) Not attempting part of questions.

The message is not changing to future candidates; the syllabus is what must guide you. It seems most candidates are not covering the entire syllabus and are ignoring accounting standards. As per previous examiner's reports, you are again advised and warned to avoid predicting what will come in the examinations, you are not the examiner.

Further, candidates are advised not to take the increase in the examinations sittings (four sittings per year) for granted. They should ensure that they have completed the syllabus, revised and worked through series of questions before registering for the examinations.

Overall performance of candidates

Highest mark obtained in this paper:	89%
Lowest mark obtained in this paper:	1%
Overall pass rate in this paper:	38.1%

SUBJECT: CA2.2 – MANAGEMENT ACCOUNTING

QUESTION ONE

The general performance on this question was very poor. Only 29 out of the 130 candidates that attempted the question achieved a pass (that is a score of at least 20 out of 40 marks), representing a pass rate on the question of 22.3%. The lowest score was 0, whilst the highest was 36 out of the available 40 marks.

This question required candidates to:

- (i) Calculate the product cost per unit of products P1, P2, and P3 using the Activity Based Costing (ABC) system.
- (ii) The variable cost per unit, the total variable cost for the production of 3,000 units and the total fixed costs
- (iii) Three possible plant-wide (blanket) overhead absorption rates (OAR's), two possible OAR's for department 1 and to explain under or over absorption of overheads.

Common errors were as follows:

- (i) Failing to identifying cost drivers and cost pools.
- (ii) Using the wrong ratios to apportion the overhead costs. E.g. for engineering costs using ratios of 0.5, 0.5 and 0.2 to apportion the engineering cost of K100,000 to products P1, P2 and P3, respectively. The correct approach was to multiply those ratios by the respective production units of 7,500, 12,500 and 4,000. The correct ratios were, therefore, 3,750, 6,250 and 800 for products P1, P2 and P3, respectively.
- (iii) Part (b). Some candidates failed to derive the total cost by simply subtracting the profit from the sales figure.
- (iv) As a result of the above, the variable cost per unit, total variable cost for the production of a given quantity of units, was, in most cases, wrong.
- (v) Of the candidates that attempted this question, the majority applied the high-low method on sales values and production quantities and ended up with the wrong variable cost per unit, total variable cost, and total fixed cost.
- (vi) Part (c): Some candidates did not understand that a plant-wide (or blanket) overhead absorption rate applies one single rate across the whole factory, not per department or per activity.
- (vii) A good number of candidates failed to distinguish between: Actual overheads incurred (what the business actually spent) and Overheads absorbed (what was allocated to products using the overhead absorption rate).

QUESTION TWO

The general performance on this question was also very poor. Only 16 of the 82 candidates that attempted the question managed to obtain at least 10 marks out of a total of 20 available marks. A pass rate of 19.5% was recorded. The highest score was 15.8 out of 20 marks while the lowest was 0.

Question Two required candidates to:

- (a) Prepare calculations to show whether LMN enterprise will have sufficient production capacity to meet budgeted demand for its products.
- (b) Calculate the optimal production plan for LMN enterprise and showing the annual profit expected.
- (c) Explain the relevant cost terms of sunk costs and opportunity costs.

The question was attempted by few candidates and the results were poor.

Common mistakes made by the candidates included:

- (i) Most candidates could not make calculations to determine whether the company had sufficient capacity to meet the demand. This stemmed from the failure to compute the labour hour per unit.
- (ii) Most candidates could not compute the budgeted variable production overhead which was 20% of the total budgeted production overhead for the year.
- (iii) Some candidates attempted part (c) only, which had 4 marks; thereby reducing their chance of getting high marks.
- (iv) Candidates had difficulties calculating the total variable cost per unit of trousers, skirts and school uniforms. Consequently, they could not get the correct contribution per labour hour and the correct ranking in production.

QUESTION THREE

The general performance on this question was fair. 55 of the 106 candidates that attempted the question managed to obtain at least 10 marks out of a total of 20 available marks. A pass rate of 51.9% was recorded. The highest score was 16.5 out of 20 marks while the lowest was 0.

This question required candidates to:

- (a)
 - (i) Calculate the break-even point if commission is paid.
 - (ii) Calculate the break-even point if staff salaries are increased

- (iii) Calculate margin of safety (in units and percentage) for the two alternatives.
- (iv) Commenting on the decision by the company between paying commission or increasing.
- (b) Discussing the assumptions which underpin break-even analysis and limit its use as a management tool.
- (c) Stating two differences between financial accounting and management accounting.

Common mistakes made by the candidates included:

- (i) Most candidates mixed up the net contribution in (i) as K11.00 instead of K9.60 and vice-versa in (ii) as K9.60 instead of K11.00.
- (ii) Poorer candidates computed the margin of safety as a percentage only and not in units.
- (iii) On break-even analysis, most candidates did not state the limitations. Their answers were only limited to assumptions.

QUESTION FOUR

The general performance on this question was good. 74 of the 119 candidates that attempted the question managed to obtain at least 10 marks out of a total of 20 available marks. A pass rate of 62.2% was recorded. The highest score was 19 out of 20 marks while the lowest was 1.

This question required candidates to:

- (a) Explain (i) Incremental Budgeting, (ii) Zero-Based Budgeting, and (iii) Activity-Based Budgeting.
- (b) prepare a budgetary control statement, which includes a flexible budget that will be useful for management cost control purposes, and briefly comment on the company's performance at the end of the year.

The common mistakes made by the candidates included:

- (i) Many candidates confused Zero-Based Budgeting (ZBB) with Activity-Based Budgeting (ABB)
- (ii) Some candidates restated the original figures without adjusting to actual output levels. A flexible budget is recalculated based on actual activity levels to provide a fair comparison with actual results.
- (iii) Failure to calculate the variances as required by the budgetary control statement, i.e. the difference between the flexible budget and actual results.

- (iv) Failure to apply the high/low method to the semi-variable costs in order to split them into variable and fixed cost components.

QUESTION FIVE

The general performance on this question was very poor. Only 8 of the 80 candidates that attempted the question managed to obtain at least 10 marks out of a total of 20 available marks. A pass rate of 10% was recorded. The highest score was 12.5 out of 20 marks while the lowest was 0.

Question Five required candidates:

- (i) Prepare profit statements using absorption costing (part(a)) and marginal costing(part(b) principles.
- (ii) Prepare a process account part(c).

Common mistakes made by the candidates included:

- (i) Failure by most candidates to calculate the correct unit costs of material, direct labour and variable production overheads under absorption costing, which gave a total unit cost of K26.20. This figure was crucial in the preparation of an absorption costing statement.
- (ii) Failure by most candidates to calculate the correct unit costs of material, direct labour and variable production overhead under marginal costing, which gave a total unit cost of K24.20. This figure was crucial in the preparation of a marginal costing statement.
- (iii) Some candidates deducted fixed costs of K17, 250 in the preparation of the profit statement under absorption costing. This figure should have been used for calculating the under or over-absorption in the absorption costing statement
- (iv) Most candidates did not attempt Question Five (part (c) which examined process costing. This was a simple and straight forward account because no equivalent units were involved.

Overall performance of candidates

Highest mark obtained in this paper:	74%
Lowest mark obtained in this paper:	11%
Overall pass rate in this paper:	22.3 %

SUBJECT:2.3-AUDITING PRINCIPLES AND PRACTICE

QUESTION ONE

The general performance on this question was fair. 128 out of the 224 candidates that attempted the question achieved a pass (that is a score of at least 20 out of 40 marks), representing a pass rate on the question of 57.1%. The lowest score was 3, whilst the highest was 22 out of the available 40 marks.

Part (a)

- (i) This part of the question required candidates to explain the difference between audit strategy and the audit plan.

This is a knowledge based question and well prepared candidates scored maximum marks. The candidates that did not score maximum marks gave answers that were clearly wrong in explaining these terms. For example stating that audit strategy sets out the level of materiality and risks identified.

- (ii) This part of the question required candidates to explain 4 reasons why audit documentation is important in the audit of financial statements.

This too was a general knowledge question and candidates needed to explain 4 reasons to score maximum marks.

A sizeable number of candidates lost marks on account of the following:

There were candidates that gave less than the required four reasons on the importance of auditing documentation and scored marks according to the number of correct reasons given.

There were clearly wrong answers that were given by some candidates clearly showing lack of necessary knowledge on the importance of audit documents and below are some examples of answers that were given:

- (i) Audit documentation is used for identifying errors and audit documentation is done before an audit.
- (ii) Audit documentation is important for future strategies as it shows client's name.
- (iii) Documentation is required to confirm assertions.
- (iv) Audit documentation helps to see and know if authorized people in the company authorized payments.
- (v) Audit documentation helps to prevent fraud in the organization because paper work is there to see.
- (vi) Audit documentation is management representations.

Part (b)

This was an application question and required candidates to use the information in the scenario in identifying the audit risks and suggesting suitable responses. This topic has been examined in this manner in previous examinations and candidates that were

well prepared and practiced with past examination questions should have had no trouble answering this question.

The following observations were made:

- (i) A number of candidates could not identify and explain the required 6 audit risks.
- (ii) There were candidates that did not suggest suitable responses to the risks identified and so lost the marks allocated to doing so. Candidates are reminded to address the question requirements in full in answering examination questions.
- (iii) A sizeable number of candidates explained responses from the point of view of the management of Zuba Co rather than from the point of view of the auditors. They explained recommendations on how management could respond to the identified risks.

Part (c)

This part of the question required candidates to describe 5 substantive audit procedures that should be performed in the audit of additions to new equipment bought.

The performance in this part of the question was poor as has been observed in the past with regards audit procedures of specific areas in the syllabus. Candidates are reminded that audit procedures are a core area of the syllabus and will feature in all auditing examinations.

A sizeable number of candidates lost easy marks because they explained the methods used to obtain evidence such as completeness and accuracy without explaining how these could be used to design audit procedures.

Part (d)

This part of the question required candidates to identify and explain 6 internal control weaknesses in the payroll system of Zuba and to recommend improvements to remedy the weaknesses.

The following observations were made:

- (i) There were candidates that could not explain 6 internal control weaknesses and required and scored marks in proportion with the correct weaknesses explained.
- (ii) There was a sizeable number of candidates that did not suggest suitable recommendations to remedy the identified weaknesses and lost marks allocated to doing so. Candidates should endeavor to address all parts of the question requirements to score maximum marks.

- (iii) Some candidates discussed audit risks and explained these in answering this part of the question instead of dealing with internal control weaknesses. No marks were awarded for doing so.

Part (e)

This part of the question required candidates to describe 5 substantive audit procedures that should be performed in the audit of the payroll expense of Zuba.

The following observations were made:

- (i) A sizeable number of candidates explained audit procedures for other expenses and not payroll expenses as required.
- (ii) There were candidates that could not suggest audit procedures but instead explained methods used to obtain audit evidence. Audit procedures are a core area of the syllabus and candidates should ensure that they are able to describe audit procedures for the accounting areas in the syllabus.
- (iii) There was a minority of candidates that provided answers to the weaknesses in the payroll system instead of the payroll expenses which did not earn any marks.

QUESTION TWO

The general performance on this question was very good. 175 of the 212 candidates that attempted the question managed to obtain at least 10 marks out of a total of 20 available marks. A pass rate of 82.5% was recorded. The highest score was 18 out of 20 marks while the lowest was 0.

Part (a) of the question required candidates to identify and explain 3 ethical matters and suggest safeguards that would affect the objectivity of the audit team.

A large majority of the candidates identified and explain the ethical matters in the scenario and suggested suitable safeguards scoring maximum marks.

The following observations were made that resulted in candidates losing marks:

- (i) A minority of candidates explained the general threats to objectivity of auditors of self-interest, self-review, familiarity, intimidation and advocacy which was not the requirement of the question. No marks were awarded for doing so. Candidates needed to identify the specific ethical matters in the scenario and explain these.

- (ii) There were candidates that struggled to explain ethical matters relating to any three general threats instead of just identifying and explaining the ethical issues in the scenario.
- (iii) There were candidates that could not suggest suitable safeguards to ethical matters and instead made recommendations as if the question was on internal controls.

Part (b) of the question required candidates to identify 3 corporate governance concerns faced by Wanga and to provide recommendations to address each concern. A majority of candidates correctly identified the corporate governance concerns faced by Wanga and scored maximum marks. A sizeable number of candidates lost marks for explaining ethical matters in answering this question. Candidates are encouraged to ensure they address the question requirements and should read the question carefully before attempting to answer the question.

Part (c) of the question required candidates to describe 4 audit procedures that should be performed by the auditors during the year-end inventory count.

Most of the candidates ably explained the audit procedures that should be undertaken by the auditors during inventory count.

A minority of candidates suggested audit procedures on inventory that were not related to the inventory count. Candidates should note that the inventory count is important and that auditors have specific tasks that they perform during the inventory count. There were a few that could not suggest the required 4 audit procedures and lost marks for not doing so. There were other that simply did not know the audit procedures that should be undertaken and gave answers such as the auditors requiring to check with the suppliers of inventory without any further explanation which is not correct.

Part (d) of the question required candidates to explain the responsibilities of the auditors with regards fraud and error.

Candidates were expected to explain that it is not the auditor's responsibility to prevent and detect fraud and error and that the auditors needed to perform audit procedures to confirm that the financial statements are not misstated due to and error. A minority of candidates expressly stated that auditors are responsible for fraud prevention and detection which is clearly incorrect.

QUESTION THREE

The general performance on this question was good. Only 108 of the 193 candidates that attempted the question managed to obtain at least 10 marks out of a total of 20 available marks. A pass rate of 55.9% was recorded. The highest score was 18 out of 20 marks while the lowest was 0

Part (a) of the question required candidates to explain 6 indicators of going concern in the operations of Mazabuka Co. A majority of candidates managed to identify and explain the going concern indicators and scored maximum marks.

A minority of candidates scored less than half the available marks and the following observations were made:

- (i) There were candidates that explained less than the required number of going concern indicators suggesting lack of knowledge of this topic.
- (ii) There were candidates that simply identified going concern indicators without making any explanations as required by the question.

Part (b)

This part of the question required candidates to describe 5 substantive audit procedures in relation to the receivables balance. Candidates could not score maximum marks for lack of understanding of year end balances for accounts receivables provided by the client and as such could not suggest suitable audit procedures. Candidates needed to know and understand that the client company will provide the auditors with an age analysis of receivables giving details of the individual receivables and that the total of this schedule should agree with the balances in the receivables control accounts. Candidates needed to consider the financial statement assertions related to receivables in designing suitable audit procedures.

The following observations were made:

- (i) A sizeable number of candidates could not provide the 5 audit procedures required and as such lost marks for not doing so.
- (ii) Surprisingly there were candidates that explained audit procedures related to accounts payables for which no marks were awarded. Candidates are reminded to

read and understand the question requirements before attempting to answer examination questions. For example suggesting that a sample of payables should be reconciled with the balances from the supplier's statement to show accuracy.

- (iii) There were some that seem not to understand audit procedures for example a suggestion that consider to check with the bank statement with no further explanation as an audit procedure. If the accounts receivable is outstanding at the period end then there is no relevance with the bank statement because the amount have not been paid unless the explanation refers to post year bank statements when the balances may have been paid.

Part (c), candidates were required to explain the auditor's responsibilities with regards misstatements observed during the audit of financial statements. A majority of candidates did not attempt to answer this part of the question indicating lack of knowledge and understanding of misstatements observed during the audit. Candidates needed to understand the provisions of ISA 450 Evaluation of misstatements identified during the audit which gives guidance in this area. It is clear from the answers given that a majority of the candidates do not understand the provisions of the auditing standard.

Part (d) of the question required candidates to explain 5 factors that should be considered in placing reliance on the work of the independent expert valuer. A majority of the candidates could not explain the 5 factors that should be considered in placing reliance on the work of the independent valuer. There were candidates that suggested that auditors should check if the independent valuer has complied with IFRS which clearly shows lack of understanding because the independent expert is not an accountant and is not bound to complying with accounting standards.

QUESTION FOUR

The general performance on this question was poor. Only 75 of the 171 candidates that attempted the question managed to obtain at least 10 marks out of a total of 20 available marks. A pass rate of 43.9% was recorded. The highest score was 19 out of 20 marks while the lowest was 0

Part (a)

- (i) This part of the question required candidates to explain 4 factors that should be considered in accepting a new audit engagement. Candidates needed to understand that when the client company nominated the firm they are making an offer which should be accepted or declined by the auditors. In accepting appointment, the auditors need to consider certain matters. A sizeable number of candidates scored less than half the available marks.

The following observations were made:

- (i) There were candidates that discussed matters relating to gaining an understanding of the entity according to ISA 315 in answering this part of the question. This is done after accepting appointment, but the question required candidates to explain matters prior to accepting appointment.
 - (ii) There were candidates that discussed the letter of engagement which comes later after accepting appointment.
 - (iii) A sizeable number of candidates could not give the 4 matters to be considered and lost easy marks for not doing so. The most likely reason for failing to give the number of matters required is lack of knowledge of the topic.
- (ii) This part of the question required candidates to explain 3 preconditions for the audit engagement that should be present. The performance in answering this part of the question was poor with a majority of candidates scoring less than half the available marks. ISA 210 Agreeing the terms of audit engagements gives guidance in this area which states that auditor appointment should only be accepted when the preconditions for an audit are present.

The following observations were made:

- (i) Candidates failing to explain three preconditions as required thereby losing easy marks.
- (ii) There were candidates that explained methods of obtaining evidence such as observations in answering this part of the question which is not correct.
- (iii) There were some that discussed the duties of the auditors and the scope of work of the auditors which were not correct.

Part (b)

This part of the question required candidates to describe 5 substantive audit procedures that should be performed on the accounts payables balance at the period end.

The following observations were made:

- (i) A significant number of candidates could not give the required 5 audit procedures, losing the marks for not doing so.
- (ii) There were candidates that explained methods of obtaining evidence which do not answer the question requirement. These methods should be used to design suitable audit procedures.
- (iii) There were candidates that simply explained assertions for accounts payables which are not audit procedures. In designing audit procedures candidates should bear in mind the assertions being tested.

- (iv) Disappointingly some candidates explained audit procedures for accounts receivables in a question requiring audit procedures for accounts payables. The two are different and audit procedures are required to be performed for each of them. Candidates should read and understand the question requirements before attempting to answer questions.

Part (c)

This part of the question required candidates to explain the responsibilities of management and the auditors with regards preventing and detecting non-compliance with laws and regulations. Candidates should have observed that there are two aspects to this question relating to management and the auditors. Knowledge of ISA 250 Consideration of laws and regulations in an audit of financial statements was necessary in answering this part of the question. The answers given show lack of understanding of the provisions of this standard by candidates.

The following observations were made:

- (i) A majority could not distinguish the auditor and management responsibilities for laws and regulations
- (ii) There were candidates that suggested that it is both management and the auditor's responsibility to detect non-compliance, which is incorrect. Management has the primary responsibility for compliance with laws and regulations.
- (iii) Surprisingly there were candidates that discussed responsibilities for fraud and error, which was not the question requirement.
- (iv) There were candidates that simply gave wrong answers signifying lack of understanding of the topic, for example: Candidates stating assertions.

There were some that explained indicators of non-compliance with laws and regulations which did not answer the question requirement.

There were a few that discussed indicators of going concern which was not the question requirement.

Part (d)

This part of the question required candidates to explain 4 differences between a review engagement and an external audit. The performance in this part of the question was poor with a majority of candidates simply not attempting to answer the question. Candidates needed to understand that reviews are an alternative to audits particularly for entities that are not legally required to have their financial statements audited by external auditors.

The following observations were made:

- (i) There were candidates that explained review engagements as audit assignments conducted by those who are not qualified accountants which is incorrect.
- (ii) Others suggested that reviews are only conducted by internal auditors, which is incorrect.

QUESTION FIVE

The general performance on this question was very poor. Only 7 of the 79 candidates that attempted the question managed to obtain at least 10 marks out of a total of 20 available marks. A pass rate of 8.9% was recorded. The highest score was 12.5 out of 20 marks while the lowest was 0

Part (a)

This part of the question required candidates to explain the meaning of each of the following terms:

- (i) Materiality
- (ii) Performance materiality
- (iii) Random sampling
- (iv) Systematic sampling

A majority of the candidates lost the marks for not being able to explain the above terms. It is important that candidates are able to explain key terms in the subject to show understanding of the terms and their relevance to auditing.

Part (b)

This part of the question required candidates to evaluate issues 1 to 3 in the scenario and to explain the impact of each issue on the audit report and opinion assuming the issues remain unresolved. To answer this question satisfactorily, candidates need to have a good understanding of the possible forms of opinion and the circumstances under which they are issued.

The following observations were made:

- (i) Candidates could not explain the accounting for depreciation relating to land and that it should not be depreciated. As a result, it could not correctly relate this to the audit opinion if the incorrect accounting is not corrected.
- (ii) A majority of the candidates could not relate the matter of incorrect accounting to the audit report and could not suggest suitable opinions that should be issued.
- (iii) The matter related to issue two is with regards limitation of scope and a majority of candidates could not suggest the suitable opinion under the circumstances which is a disclaimer of opinion if the matter is considered material and pervasive to the financial statements.
- (iv) A majority of candidates failed to explain issue three as one that will require to be explained in the emphasis of matter paragraph which does not result in the modification of the opinion and as such an unmodified opinion is appropriate.

A majority of candidates simply suggested an opinion under each issue without explaining why such an opinion is appropriate, suggesting lack of understanding of the various forms of opinions that could be issued under different circumstances.

This part of the question required candidates to state 4 matters that should be included in the written representations in accordance with the provisions of ISA 580 Written representations.

A sizeable number of candidates simply did not attempt to answer this part of the question. A majority of candidates explained matters that are not in accordance with the provisions of ISA 580 for which no marks were awarded.

Overall performance of candidates

Highest mark obtained in this paper: 81%

Lowest mark obtained in this paper: 7%

Overall pass rate in this paper: 57.6%

SUBJECT: CA 2.4 TAXATION

QUESTION ONE

The general performance on this question was poor. 77 out of the 230 candidates that attempted the question achieved a pass (that is a score of at least 20 out of 40 marks), representing a pass rate on the question of 33.5%. The lowest score was 2, whilst the highest was 31 out of the available 40 marks

The question covered taxation of farming operations.

In part (a), candidates were required to the amount of provisional income paid by the company and to state the due dates when the provisional income tax was paid, and the amount paid on the relevant due dates. This part of the question was attempted poorly. Common mistakes made by the candidates were:

- (i) Failure to compute the correct provisional income tax due to wrongly identified profit figure.
- (ii) Failure to use the correct farming income tax rate for the company which had offered more than one third ($1/3$) of its shares to indigenous Zambians which required the deduction of a discount of 5% from the farming income tax rate of 10%.
- (iii) failure to state the correct quarterly due dates when the provisional income tax would be paid.

In part (b), (i) and (ii) candidates were required to explain the meaning of farm works, farm improvements and to compute the total amounts of the allowances by the company in the tax year. Some candidates demonstrated a lack knowledge of the meaning of the terms and as a result failed to compute the correct amounts of the allowances in each case.

In part (b) (iii), candidates were required to describe the type of expenditure which qualifies for the development allowance and to compute the total amount of the development allowance claimable for the year. Some candidates demonstrated a lack knowledge of the type of expenditure that qualifies for the allowance and as a result failed to compute the correct amount of the allowance available.

In part (c), Candidates were required to compute the amount of capital allowances claimable by the company on implements, plant and machinery.

In part (d) (i), candidates were required to compute the final tax adjusted farming profit for the tax year 2025. Some candidates made the following common mistakes:

- (i) Failure to identify disallowable expenditure which should have been added to the net profit in order to arrive at the tax adjusted business profit.

- (ii) Some candidates added all the expenses including those that were allowable, which was contrary to the requirements of the question.
- (iii) Failure to compute the accommodation benefit for the manager who was provided with free accommodation by the company.

In part (d) (ii), candidates were required to compute the final amount company income tax payable by the company for the tax year. Some other common mistakes were:

- (i) Failure to use the correct company income tax rates for farming and non - farming income.
- (ii) Failure to use the correct company income rate for a farming business which was also subjected to a discount of 5% because the company offered its shares to indigenous Zambians.
- (iii) Failure to tax non-farming separately at rate of 25% after the deduction of a discount of 5% for offering shares to indigenous Zambians from the normal company tax rate of 30%

In part (e) (i) and (ii), candidates were required to compute the amount of penalties and interest arising on the late payment of the company income tax. Common mistakes made by candidates were:

- (i) Failure to count the number of days the company income tax was paid late.
- (ii) Failure to compute the correct penalty at the rate of 5% on the overdue tax.
- (iii) Failure to compute the amount of interest charged on the overdue tax based on the Bank of Zambia discount rate plus 2%.
- (iv) Failure to compute the correct penalty for the late submission of the late payment of the self- assessment return income tax.

QUESTION TWO

The general performance on this question was good. Only 112 of the 189 candidates that attempted the question managed to obtain at least 10 marks out of a total of 20 available marks. A pass rate of 59.3% was recorded. The highest score was 20 out of 20 marks while the lowest was 0.

The question covered taxation of employment income and investment income.

In part (a) candidates were required to calculate the amount of withholding tax deducted at source from the investment income. Common mistakes made by candidates were:

- (i) Failure to use the correct rates to compute the correct withholding tax deducted at source.

- (ii) Some candidates grossed up the amounts instead of computing the withholding tax deducted at source.

In part (b), candidates were required to compute the amount of income tax payable by an employee for the tax year.

- (i) Failure to compute the correct basic salary for the eight months (8) the individual was in employment in the tax year.
- (ii) Wrong computation of some of the allowances which depended of the basic salary.
- (iii) Including terminal benefits which are exempt in the computation of taxable emoluments
- (iv) Including income on which withholding is final in the computation of taxable income.
- (v) Failure to use the correct tax bands for individuals even when they were provided in the tax tables.

QUESTION THREE

The general performance on this question was fair. 99 of the 182 candidates that attempted the question managed to obtain at least 10 marks out of a total of 20 available marks. A pass rate of 54.4% was recorded. The highest score was 20 out of 20 marks while the lowest was 0.

This question was professional ethics and property transfer tax.

In part (a) (i) candidates were required to how the principles of integrity and confidentiality apply in the provision of tax services. This part of the question was generally answered well with the exception of a few candidates who demonstrated a lack of knowledge of the principles and therefore failed to provide the required explanations

In part (a) (ii), candidates were required to explain how the provision of tax services create self-review, self-interest and advocacy threats. This part of the question was generally answered well with the exception of a few candidates who demonstrated a lack of knowledge of the meaning of the threats and therefore failed to provide the required explanations

In part (b) (i), candidates were required to explain the property tax implications arising from the transfers made to members of the immediate family. Some candidates demonstrated a lack of knowledge of the implications and therefore failed to provide the required explanations.

In part (b) (ii), candidates were required to explain the property transfer tax implications arising from the sale of non-currents assets and to compute the transfer

tax payable on each transaction. The following were the most common mistakes made by candidates:

- (i) Failure to determine the correct realized value on chargeable transfers.
- (ii) Using the wrong rates to compute the amount of PTT arising on the chargeable transfers even the correct rate was given in the tax tables.
- (iii) Computing PTT on certain transactions such as the sale of a motor car and sale of shares in a company listed on LUSE which are exempt from PTT.

QUESTION FOUR

The general performance on this question was poor. Only 56 of the 152 candidates that attempted the question managed to obtain at least 10 marks out of a total of 20 available marks. A pass rate of 36.8% was recorded. The highest score was 16.5 out of 20 marks while the lowest was 0.

This question covered Value Added TAX.

In part (a), candidates were required to list any three conditions to be met by the trader in order to claim input VAT. This part of the question was generally answered well with the exception of a few candidates who demonstrated a lack of knowledge of the conditions and therefore failed to provide the required explanations.

In part (b), candidates were required to compute the amount of VAT payable by the company for the month of August 2025. Common mistakes made by most candidates were:

- (i) Failure to compute the correct amount of output VAT on sales.
- (ii) Failure to compute the correct amount of input VAT on purchases.
- (iii) Failure to compute the correct percentage for claimable non-attributable input VAT.
- (iv) Failure to identify which items were chargeable to VAT and which were not. Some candidates computed VAT even on those which are exempt.
- (v) Failure to compute the correct amount of input on items which were stated at their VAT inclusive items.

In part (c), candidates were required to compute the amount penalty arising from the late payment of VAT and the interest chargeable on the overdue tax. Common mistakes made by candidates were:

- (i) Failure to compute the penalty chargeable for the late payment of VAT. Some candidates used 5% for income tax instead of 0.5% for VAT.
- (ii) Failure to compute the correct interest chargeable on overdue tax which was at the Bank of Zambia discount rate plus 2%.

QUESTION FIVE

The general performance on this question was fair. 84 of the 154 candidates that attempted the question managed to obtain at least 10 marks out of a total of 20 available marks. A pass rate of 54.5% was recorded. The highest score was 17.5 out of 20 marks while the lowest was 0.

This question covered tax administration, Customs and Excise duties.

In part (a), candidates were required to explain the meaning of various classification of taxes and to give example in each case. The performance on this part of the question was good except a few candidates who demonstrated a lack of knowledge of the classifications of the taxes and therefore failed to provide the required explanations

In part (b), candidates were required to state the three (3) functions of the Customs Services division and was equally answered well with the exception of a few candidates who demonstrated a lack of knowledge of the FUNCTIONS and therefore failed to provide the required explanations

In part (c), candidates were required to explain how the company would be assessed to tax in the tax year 2025 and to compute the total amount of tax that would be chargeable on the company for the year. Common mistakes made by candidates were:

- (i) Failure to determine which tax the company was assessable based on its turnover.
- (ii) Lack of knowledge that the annual turnover tax threshold for turnover tax changed from K800,000 to K5,000,000.
- (iii) Failure to compute the correct turnover tax payable by the company since its turnover was below K5,000,000.

In part (d), candidates were required to compute the total amount of import taxes paid by the trader on the importation of the motor car. Common mistakes made by candidates were:

- (i) Failure to compute the correct CIF before computing the Value for duty purposes.
- (ii) Failure to compute the correct VDP because of the use of the wrong conversion rate.
- (iii) Failure to compute the correct Customs duty, Excise duty and import VAT due to the use of wrong rates.
- (iv) Some candidates used specific taxes for the importation of the second hand motor vehicles as opposed to new motor cars.

Overall performance of candidates

Highest mark obtained in this paper: 80%

Lowest mark obtained in this paper: 6%

Overall pass rate in this paper: 45.2%

SUBJECT CA 2.5 - FINANCIAL MANAGEMENT

QUESTION ONE

The general performance on this question was poor. 51 out of the 194 candidates that attempted the question achieved a pass (that is a score of at least 20 out of 40 marks), representing a pass rate on the question of 26.3%. The lowest score was 1, whilst the highest was 29 out of the available 40 marks.

- (a) The question asked candidates to explain the features of finance lease, operating lease and sale and lease back. Candidates who attempted the question did well except that some were mixing up the features of operating lease and finance lease. Some had no knowledge on sale and lease back.
- (b) The question asked candidates to explain the barriers to entry and most candidates did well on this question. The few who did not do well demonstrated lack of knowledge in this area. Candidates were expected to bring out barriers to entry such as product differentiation barriers, absolute cost barriers, economy of scale barriers, fixed cost and legal barriers.
- (c) The required candidates to determine the after-tax cash flows and the NPV of the cash flows under each of the following alternatives being considered by the company (i) Leasing and (ii) Owing. Candidates had the following challenges:
 - (i) Calculating the implicit interest on the purchase cost (K350,000) which is calculated using an amortization schedule especially that the equal repayment amount was given in the question.
 - (ii) Calculating the tax savings on implicit interest was another challenge. Candidates completely failed to work out implicit interest and as a result tax savings could not be calculated. The tax saving is calculated by multiplying 30% by implicit interest.
 - (iii) Candidates failed to work out the interest rate implicit in the lease using the internal rate of return. Some who tried to calculate used wrong cash flows.
 - (iv) Wrong discount rate was used to calculate the NPV of leasing and purchase options. Most candidates used the current rate of interest of 18% which is pre-tax instead of the 13% post tax calculated as $18\%(1 - 0.30)$.
 - (v) Service costs used to calculate the cost of purchase were not converted to post tax and most candidates treated service costs as cash-inflows instead of cash-outflows.
 - (vi) The scrap value was wrongly calculated because most candidates failed to apply depreciation principles to find the NBV at the end of the project which is equivalent to scrap value in this case.
- (d) The question asked candidates to recommend to AW Limited the alternative that should be selected on financial grounds. It was fairly attempted.

QUESTION TWO

The general performance on this question was good. 116 of the 170 candidates that attempted the question managed to obtain at least 10 marks out of a total of 20 available marks. A pass rate of 68.2% was recorded. The highest score was 16 out of 20 marks while the lowest was 0.

Part (a) required candidates to explain the impact of each of the policies below on the profitability and liquidity of the organization: Aggressive, moderate and conservative working capital management. Aggressive working capital management was not well explained. Candidates should have explained the use of lower levels of cash, stocks and debtors relative to high level of activity. Conservative working capital management was not well explained too.

Part (b) of the question required the candidates to calculate the profit under the old policy, profit under the new policy and advise management whether to revert to the old policy or maintain the new policy. Profit after financing and Bad debts was generally wrongly calculated. Financing cost as well as Bad debts should have been subtracted from Total profit before interest and Bad debts.

Part (c) required candidates to explain two (2) reasons for holding stock and three (3) costs associated with holding stocks. This part of the question was fairly attempted.

QUESTION THREE

The general performance on this question was poor. Only 18 of the 67 candidates that attempted the question managed to obtain at least 10 marks out of a total of 20 available marks. A pass rate of 26.9% was recorded. The highest score was 14 out of 20 marks while the lowest was 0.

The question required candidates to estimate the value of the company using the book value, replacement cost, realizable value, Gordon growth model and P/E ratio. Candidates who attempted this question had following challenges:

- (i) How to deal with the 2% bad debt. Candidates were applying this on all the valuation methods instead of applying to the realizable value method as it will not be realized. The 2% bad debt is subtracted from the receivables amount in order to arrive at the net realizable value.
- (ii) Calculating the growth rate in dividends was also another issue. Candidates demonstrated they had no idea on how growth rate in dividends is calculated using the Gordon's growth model.
- (iii) Some candidates used the 2018 profit after tax on the P/E ratio method instead of the current year (2022) profit after tax of K52,200.
- (iv) Some candidates used the wrong discount rate when finding the value of the company when using the Gordons growth model. The cost of capital (9%) of the

acquiring company was used instead of the minimum rate of return (12%) of the company under valuation.

QUESTION FOUR

The general performance on this question was poor. Only 62 of the 191 candidates that attempted the question managed to obtain at least 10 marks out of a total of 20 available marks. A pass rate of 32.5% was recorded. The highest score was 17 out of 20 marks while the lowest was 0.

Part (a) asked candidates to discuss four similarities between the financial objectives of listed company such as Keembe Meats Plc and financial objectives of a not-for-profit organization. This part of the question was fairly attempted by most candidates.

Part (b) required candidates to calculate the gearing ratio. Candidates exhibited lack of knowledge of prior charge capital and got wrong calculation.

Part (c) asked candidates to calculate the WACC using market values as weighting factors. Some candidates did not understand equity risk premium and got the cost of equity wrong.

QUESTION FIVE

The general performance on this question was very poor. Only 28 of the 140 candidates that attempted the question managed to obtain at least 10 marks out of a total of 20 available marks. A pass rate of 20% was recorded. The highest score was 17 out of 20 marks while the lowest was 0.

Part (a) of the question required the candidates to estimate the cost of capital to use as discount rate. Equity Beta and Asset Beta seems not to have been understood. Proof was in the wrong calculation of both Asset and Equity Beta.

Part(b) required candidates to explain the meaning of the term "beta factor" and interpret the risk of the investments relative to the market. Surprising most of the candidates exhibited lack of knowledge of beta and its meaning.

Overall performance of candidates

Highest mark obtained in this paper: 66%

Lowest mark obtained in this paper: 9%

Overall pass rate in this paper: 25.8%

SUBJECT: CA2.6 STRATEGIC BUSINESS ANALYSIS

QUESTION ONE

The general performance on this question was excellent. Only 178 out of the 209 candidates that attempted the question achieved a pass (that is a score of at least 20 out of 40 marks), representing a pass rate on the question of 85.2%. The lowest score was 0, whilst the highest was 35 out of the available 40 marks.

This question had three (3) parts.

Part (a) required candidates to analyze Five (5) corporate social responsibilities strategies adopted by Premium Insurance Company. Part (b) required candidates to further discuss five (5) merits of corporate responsibility which made the REMIUM insurance Company to grow. The last part of this question required candidates to discuss five (5) challenges in managing Institutional Investor businesses.

QUESTION TWO

The general performance on this question was very good. 143 of the 179 candidates that attempted the question managed to obtain at least 10 marks out of a total of 20 available marks. A pass rate of 79.9% was recorded. The highest score was 20 out of 20 marks while the lowest was 0.

This question was divided into three (3) parts.

Part (a) candidates were asked to describe any three potential advantages of unrelated conglomerate diversification. Many candidates were able to describe the potential advantages while a few of them struggled to specifically bring out these advantages.

Part (b) the candidates were required to justify any three disadvantages of the type of diversification discussed in part (a). The responses were specific for most candidates and they scored good marks.

Part (c), candidates were asked to explain in two brief sentences why this change of decision may have an impact on workforce of the company. Majority of the candidates

answered this part of the question very well and about 80% of those who attempted this part of the question got it right.

QUESTION THREE

The general performance on this question was very poor. 14 of the 89 candidates that attempted the question managed to obtain at least 10 marks out of a total of 20 available marks. A pass rate of 15.6% was recorded. The highest score was 17 out of 20 marks while the lowest was 0.

This question had three (3) parts; part (a) required candidates to define the term lock-in in industry competition as proposed by Hax and Wilde (1999). The term was well defined by some candidates while a good number of candidates failed completely to define.

Part (b) candidates were asked to mention five (5) customer segmentation bases being used by Trade Kings to satisfy its customers. Majority of the candidates failed to explain the customer segmentation bases for Trade Kings. The observation here was that the Marketing aspects of the CA2.6 Manual were not adequately taught. This part of the question had 10 marks.

In part (c) candidates were required to give three (3) reasons why business should have a serious consideration to establish a clear concept of its corporate mission and values. The justification of corporate mission and values was not correctly explained by many candidates.

QUESTION FOUR

The general performance on this question was poor. 60 of the 170 candidates that attempted the question managed to obtain at least 10 marks out of a total of 20 available marks. A pass rate of 35.3% was recorded. The highest score was 20 out of 20 marks while the lowest was 0.

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

In part (a) candidates were expected to defend with three (3) reasons why Chilanga Holdings limited should consider establishing a clear concept of its mission and values in light of change in the business environment. The observation was that majority of the candidates dealt on environmental changes using the PESTEL model with no reference to corporate mission and values.

Part (b) candidates were required to explain the four (4) moral attributes that individual directors should have as proposed by the King report of 1994. Majority of the candidates failed to give the specific attributes that individual directors should have as proposed by the King report of 1994. Many candidates gave general attributes of Board of Directors and others gave functions of the board.

Part (c) candidates were asked to explain the three (3) roles of a mission in the strategic planning Process. Majority of the candidates were defining the mission instead of explain the role of the mission. This indicated a failure of understanding the question which costed candidates marks.

QUESTION FIVE

The general performance on this question was very good. 143 of the 180 candidates that attempted the question managed to obtain at least 10 marks out of a total of 20 available marks. A pass rate of 79.4% was recorded. The highest score was 20 out of 20 marks while the lowest was 0.

This question was divided into two (2) parts; part (a) and part (b).

Part (a) required candidates to discuss with the help of a well labeled diagram the impact of the Ansoff matrix on Business Positioning Strategy. Most of the candidates performed well in this part of the question with only about 10% of the candidates who failed to understand the question and used different business analysis models.

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

In part (c), this part of the question required candidates to explain to staff the importance of Mission Statement and the Values to the organization's Corporate

Strategy. Most of the candidates did well but could not get full credit of the marks because they were just defining the mission and the values as opposed to discussing the importance of these two terms in an organization's corporate strategy formulation and implementation.

Overall performance of candidates

Highest mark obtained in this paper: 82%

Lowest mark obtained in this paper: 6%

Overall pass rate in this paper: 81.8%

SUBJECT: CA 3.1 – ADVANCED FINANCIAL REPORTING

QUESTION ONE

The general performance on this question was fair. 99 out of the 203 candidates that attempted the question achieved a pass (that is a score of at least 20 out of 40 marks), representing a pass rate on the question of 48.8%. The lowest score was 3.5, whilst the highest was 34.5 out of the available 40 marks.

This was a forty (40) – mark question and had one (1) part. The question required candidates to prepare the consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2024.

The question had the following main technical issues which were examined; Plant acquired under share based payment transaction (IFRS 2), discontinued operations (IFRS 5), Investment in a foreign Joint Venture (IFRS 11); Deferred tax on Investment in joint venture (IAS 12); Equity accounting of associates (IAS 28); computation of goodwill (IFRS 3); and the changes in group structure during the year (disposal) where control is retained and where control is lost (IFRS 10).

The following are the common mistakes made by the candidates:

- (i) Candidates failed to present separately results from continuing operations and discontinued operations as per requirement of IFRS 5 Non-current assets held for sale and discontinued operations. The question guided that the disposal of Ituba constituted a discontinued operation in accordance with IFRS 5.
- (ii) Failure to calculate the amount of profit on disposal of Ituba, as control was lost. Most candidates demonstrated lack of knowledge on how to account for a disposal of subsidiary and how a profit or loss on disposal should be calculated.
- (iii) Candidates wrongly valued the plant that was acquired under share based payments. As per IFRS 2 Share based payments, cost of goods acquired in a cash settled share based payment is the amount payable i.e. fair value of the equity instrument on the arrangement date. The correct initial cost of the plant should have been K6 million (I.e. K2 per share X 3 million shares). A handful of students demonstrated lack of knowledge on IFRS 2.
- (iv) Some candidates accounted for a joint venture using full consolidation (IFRS 10) instead of equity accounting as per IAS 28. Candidates need to know that investment in joint Venture and Associate is accounted for using the equity method.

- (v) Failure to calculate the correct amount of share of profit and other comprehensive income (foreign exchange difference) from a foreign joint venture (Synergy). Most candidates divided the exchange rates during translation of a joint venture, instead of multiplying as the results of Synergy were in South African Rands (stronger currency) and needed to be converted into Zambian Kwacha (weaker currency).
- (vi) Some candidates wrongly valued non-controlling interests in Ituba Plc at fair value (full goodwill method), instead of share of the fair value of identifiable net assets at acquisition (proportionate goodwill method) as required by note (3) of the question.
- (vii) Failure to calculate the correct amount of profit for the year and total comprehensive income attributable to non-controlling interest taking into account the disposal of shares in both Munaka and Ituba.
- (viii) Showed consolidated figures for Revenue and cost of sales without showing how they were arrived at. Hence marks were lost especially where their consolidated figures were incorrect.

Candidates of future sittings are encouraged to study and revise the principles of consolidation, especially when there is a change in group structure as a result of either disposal or further purchase of shares in a subsidiary. Knowledge acquired in financial reporting, under group financial statements, is a must at advisory level if one is to pass advanced financial reporting.

QUESTION TWO

The general performance on this question was very poor. Only 2 of the 107 candidates that attempted the question managed to obtain at least 10 marks out of a total of 20 available marks. A pass rate of 1.9% was recorded. The highest score was 10 out of 20 marks while the lowest was 0.

The question had two parts (a) and (b). Part (a) required candidates to discuss the importance and significance of the factors that impact on impairment of assets when conducting an impairment test for non-current assets according to IAS 36 Impairment of Assets.

Part (b) required candidates to discuss the acceptability of the Shark's accounting practices in estimating cash flows for the forthcoming year.

Part (a) was very poorly attempted. Candidates were completely off the requirement. A few that got some marks merely defined impairment of assets, recoverable amount and value-in-use which were not necessarily part of the question requirement. In extreme cases, they merely listed the factors that indicate impairment which the scenario highlighted already instead of explaining/discussing them.

Overall, the question appears to have been misunderstood by those that attempted it.

Candidates were able to raise one or two points on part (b) but not so impressive. Mostly, they were just acknowledging that the accounting practices were not acceptable, without tangible justification.

Future candidates are reminded to go deeper in understanding this standard and many more to improve the quality of their answers. IAS 36 is a basic standard that is covered from lower level but a lot of ignorance was observed about it from candidates at this sitting.

QUESTION THREE

The general performance on this question was very poor. Only 9 of the 104 candidates that attempted the question managed to obtain at least 10 marks out of a total of 20 available marks. A pass rate of 8.7% was recorded. The highest score was 15.5 out of 20 marks while the lowest was 0.

This question was on IFRS 9 – Financial Instruments. It was made up of parts (a) and (b).

In part (a) candidates were required to discuss, from the perspective of preparers and users of financial statements, how the measurement of financial instruments under IFRSs can create confusion and complexity.

Part (a) was poorly attempted by most candidates as they failed to bring out the most critical issues of accounting for financial instruments such as measurement of financial instruments as required by various accounting standards (IFRS 9, IFRS 10, IAS 28, and IFRS 11), classification of financial assets and financial liabilities which mostly creates confusion, derivatives and hedge accounting, accounting for gains and losses arising from different measurement basis.

Most candidates were defining financial instruments, financial assets, financial liabilities and examples of financial instrument which were not required by the question.

In part (b) candidates were required to set out the reasons why using fair value to measure all financial instruments may result in less complexity in accounting for financial instruments but may lead to uncertainty.

This part of the question was also poorly attempted by most candidates. They demonstrated lack of knowledge on fair valuation of financial instruments and some the benefits associated with it, but at the same time candidates failed to explain how fair valuation may lead to uncertainty in financial statements.

Most candidates demonstrated lack of knowledge on financial instruments citing IAS 32 as the standard that deals with measurement of financial instruments, and it appeared that candidates with the theory question. Future candidates are reminded that the theoretical portion of the advanced financial reporting is extremely important

and are advised to pay attention to principles of the accounting standards. Candidates should understand that financial instruments are highly examinable in CA 3.1.

QUESTION FOUR

The general performance on this question was very poor. Only 38 of the 165 candidates that attempted the question managed to obtain at least 10 marks out of a total of 20 available marks. A pass rate of 23% was recorded. The highest score was 19 out of 20 marks while the lowest was 0.

The question was on IAS 7 combined with professional ethics, IAS 21 and IFRS 16 combined with professional ethics. It had three parts (a), (b) and (c).

In part (a) candidates were required to discuss the ethical responsibility of Lion Plc's Chief Financial Officer in ensuring that manipulation of the statement of cash flows does not occur.

The general performance on (a) was quite fair as most candidates were able to identify that proceeds from disposal of non-current assets are an 'investing activities' item and not 'operating activities item' except many answers lacked the substance argument against including the disposals as operating activities. Instead the defense was mere mention of 'unethical and unfaithful presentation'. This made candidates lose good amount of marks for providing unsubstantiated answers.

Very poor answers did not even comment on the wrong with neither the presentation nor the required presentation but listed and explained all ethical principles and associated the decision of directors of lion Plc to the breaches of the principles. This was more on the 'rote learning' end.

In isolated cases, few candidates were totally out of track as they referred to the disposals to be treated as per IFRS 5 non-current assets and discontinued operations.

In part (b) candidates were required to advise the directors of Fox Plc on the correct accounting treatment of various issues raised concerning transactions with a foreign subsidiary.

The general performance on part (b) was impressive from most candidates as all major principles of recognition, initial measurement for monetary and non-monetary items were fairly brought out by a good number of candidates.

Few candidates expressed total ignorance on the principles of IAS 21 with a handful of candidates swapping the principles for translation of monetary and non-monetary items as well as non-monetary items carried at historic cost and fair value.

The question specifically required candidates to comment on the requirements of IAS 21 regarding the disposal of all the shares held by parent in the subsidiary. This matter was hardly correctly explained by most candidates except few who tried to bring out aspect of re-measurement of the reserve to retained earnings.

For the loan that was given out to subsidiary, candidates mainly ignored its required treatment in the parent's separate financial statements, but instead concentrated on group financial statements, which was not a focus of the question.

In part (c) candidates were required to discuss the ethical issues which arise from the proposal by Hyena to sign ten (10) – six month leases instead of a one five-year lease contracts.

Part (c) was the worst attempted part of this question as most candidates mainly condemned the proposed treatment without suggesting the right treatment and without justification of the condemned proposal. At advisory level, candidates are reminded to articulate issues in a more analytical manner than the quality of answering observed. For instance, saying the treatment was unethical without giving reason for one's assertion is poor answering technique at this level.

There was totally no connection of the proposed lease treatment to the debt covenant thereby making the answers low quality.

Candidates of future sittings are encouraged to study and understand the professional ethics in financial reporting and grasp the basics of all accounting standards.

QUESTION FIVE

The general performance on this question was good. 121 of the 173 candidates that attempted the question managed to obtain at least 10 marks out of a total of 20 available marks. A pass rate of 69.9% was recorded. The highest score was 18 out of 20 marks while the lowest was 1.

This question was on comparative financial performance analysis and was made up of one (1) part. The question required candidates to write a report to the directors of Mizyu Plc on the comparative financial performance and position of the two (2) target acquisitions; Sibajene Ltd and Mapenzi Ltd recommending which of the two entities should be acquired.

The performance on this question was good by most candidates although the following common mistakes were observed:

- (i) Failure to adjust the financial statements of the target companies to include transactions that were not accounted for and taking into account the policies of these companies to make the financial statements and ratios comparable.
- (ii) Failure to calculate the key ratios such as ROCE, gearing, asset turnover and interest cover. Most candidates demonstrated lack of knowledge on how these ratios are calculated.
- (iii) Failure to write the report as most candidates demonstrated lack of knowledge on the format of a report and lack of skills in report writing. At advisory level, it is expected that candidates should be able to communicate either through a report, a memo and/or emails.

- (iv) Most candidates failed to interpret the ratios which they calculated and commenting on their implication on the companies in question. This resulted in candidates failing to recommend which of the two companies should be acquired.

Candidates of future sittings are encouraged to study and understand the financial ratios that may be calculated when interpreting the financial statements or when performing financial performance and position analysis. Financial ratios should not give candidates problems at this level as this is knowledge is brought forward from financial accounting and financial reporting.

Overall performance of candidates

Highest mark obtained in this paper:	64%
Lowest mark obtained in this paper:	10%
Overall pass rate in this paper:	23.6%

SUBJECT:3.2-ADVANCED AUDIT AND ASSURANCE

QUESTION ONE

The general performance on this question was very poor. Only 19 out of the 226 candidates that attempted the question achieved a pass (that is a score of at least 20 out of 40 marks), representing a pass rate on the question of 8.4%. The lowest score was 0, whilst the highest was 27 out of the available 40 marks

It was very disappointing for the marking team to see the low average score in this compulsory question which contained a significant number of easy marks that a well-prepared candidates should have scored. Historically a majority of the candidates that pass this examination score more than half the available marks in the compulsory question. The low average score in this question contributed significantly to the poor overall performance.

The question related to the audit of a single company namely Innovations Plc. and the audit of group financial statements. Candidates needed not to have been confused and intimidated as a result because there were easy marks as will be observed in the specific parts of the report.

Candidates should have noted that both parts (a) and (b) were with regards accepting professional appointments. Candidates needed to know the matters that auditors need to consider before and after accepting nomination as auditors. Regardless of whether the appointment is for a single company or both as auditors of the parent company and the group financial statements the issues of consideration are similar.

Part (a)

- (i) This part of the question required candidates to describe three matters that Petkin & Associates the audit firms should consider before accepting nomination as auditors of Innovation Plc. and the Innovations group.

It was disappointing to note that a significant number of candidates could not describe the matters that should be considered before accepting appointment. This is indicative of the fact that they did not know the requirements on appointment as auditors. Candidates could have used the knowledge on appointment and simply explain the requirements.

The following observations were made:

- There were candidates that discussed the risks of tendering for offer of audit services. This is despite the fact that the question clearly states that this is before accepting appointment meaning that tendering would have already taken place.
- There were a sizeable number of candidates that discussed the procedure for communicating with the outgoing auditors which is an ethical matter that is relevant to part (ii) of the question.

- (ii) This part of the question required candidates to three professional or ethical matters that Petkin & Associates after accepting nomination as auditors of Innovations group of companies.

There are procedures and matters that should be considered after accepting appointment as auditors and these are the matters that should have been discussed in answering this part of the question. A majority of candidates struggled to identify and explain ethical matters relating to the independence of the auditors which do not have any impact on accepting appointment. Candidates should have noted that at the stage of accepting appointment the audit team may not even have been put in place and the audit would not have commenced. Again the candidates that knew the professional matters on appointment should have had no problems answering this question.

The following observations were made:

- A large number of candidates discussed the five fundamental ethical principles instead of identifying and discussing ethical issues using the information in the scenario. At this level of the examinations candidates are expected to use the information in the scenario.
- Some candidates simply did not make use of the information in the scenario in answering the question which is required at this level of the examinations.
- Surprisingly, there was a sizeable number of candidates that discussed matters that should have been explained in part (i) of the question in answering this part of the question and no marks were awarded for doing so.

Part (b)

- (i) This part of the question required candidates that should be considered in planning the audit of the financial statements of Innovations Plc. and the group financial statements. Candidates should have considered the fact that the question talks of planning the audit which will be the first time for the firm and there are a number of restrictions and matters that should be considered in order to conduct the audit and achieve the client requirements. A significant number of candidates discussed matters that should be considered in conducting the audit which did not address the question requirement.

A lot of candidates scored less than half the available marks in this part of the question signifying lack of practice with past examination questions in preparing for the examinations.

The following observations were made:

- A large number of candidates discussed business and audit risks in answering this part which did not address the question requirements. Candidates that go through past examination questions and answers will have noted that questions on risk are specific and require candidates to identify and explain either audit or business risk and to suggest appropriate responses to these risks.
- There were candidates that discussed the importance of planning instead of discussing the matters that should be considered in planning the audit of the financial statements in question.
- There were candidates that focused on the challenges likely to be faced in the audit of the group financial statements. Planning should have dealt with matters needed to overcome such challenges.

- (ii) This part of the question required candidates to evaluate the accounting treatment of the results of the revaluation of properties that was done.

Candidates are referred to section 3 ((i), 3(j) and 3 (k) that require candidates to be able to evaluate the appropriateness of stated accounting treatments and the related risks. This can only be done if candidates are familiar with specific accounting issues contained in this syllabus. A significant number of candidates did not attempt to answer this part of the question and of those that did a significant number showed lack of understanding of the accounting for revaluations of property.

The following observations were made:

- There were many candidates that discussed audit procedures for revalued properties which was not the question requirement. Candidates were expected to discuss on the appropriateness of the accounting for the revaluation surpluses or deficits.
 - There were candidates that discussed the cost and revaluation models of IAS 16 without commenting on the accounting that was used by the client on the revaluations.
 - Many candidates did not know the accounting for revaluation surpluses or deficits for properties previously revalued.
- (iii) This part of the question required candidates to describe audit procedures in the audit related party transactions in the audit of the financial statements of Innovations Plc. To answer this part of the question satisfactorily, candidates needed to understand the accounting for related parties and related party transactions as provided by IAS Related party disclosures because the audit risk is that the provisions of the accounting standard may not have been complied with. As previously observed in previous examinations, most candidates are not able to describe suitable audit procedures that should be undertaken. This is a core area of the syllabus and will be examined in future examinations and candidates are encouraged to ensure that they are able to describe audit procedures considering the financial statements assertions contained in the figures in the financial statements.

The following observations were made:

- (i) There were candidates that described audit procedures for revalued properties in part (ii) of the question. No marks were awarded for doing so even when the audit procedures were correct.
- (ii) There were candidates that discussed audit procedures in general using methods of obtaining audit evidence with no relationship to related parties.
- (iii) Some candidates explained audit procedures in auditing components again with no specific relationship with related parties and related party transactions.
- (iv) Some answers showed a lack of understanding of the subject matter.

Part (c)

This part of the question required candidates to describe the extent of the work that should be done by the group auditors on the subsidiary companies. Candidates needed to understand that the group auditors will form an opinion on financial statements that include figures of components some of which were audited by component auditors. In view of the fact that the group auditors are responsible for the group opinion they require to perform audit procedures on significant components and ISA 600 Special considerations – audits of group financial statements (including the work of component auditors) gives guidance in this area. Candidates are reminded that they are required and expected to use the guidance of auditing standards in answering examination questions. A significant number of candidates scored less than half the available mark showing lack of understanding of group audits.

Candidates needed to identify the significant subsidiary in answering this question. There was sufficient information to enable candidates discuss the two components one of which is significant and explain the extent of work that should be done by the group engagement team.

The following observations were made:

- (i) Many candidates explained the audit of goodwill arising on consolidation clearly showing that they did not understand the question requirement.
- (ii) Some candidates discussed the problems the group auditors may face in auditing Lobatse Wholesalers on matters such as adherence to IFRS and the fact that the accounting profession is not regulated which again was not addressing the question requirement.
- (iii) A significant number of candidates discussed audit procedures for specific assertions in the financial statements of a component without addressing the question requirement.

Part (d)

This part of the question required candidates to explain the levels of assurance arising from an audit and a review of the financial statements. It was disappointing to note that a significant number of candidates at the advisory level had no clue on the difference between reviews and audits and the levels of assurance that are given. This topic is fully covered at the lower CA 2.3 and well prepared candidates should have scored maximum marks.

The following observations were made:

- (i) A majority of candidates discussed the two levels of assurance with no reference to either reviews or audits which was the gist of the question.
- (ii) There were candidates that discussed how to prepare interim financial statements which was not the question requirement.
- (iii) There were answers that were clearly incorrect showing lack of understanding such as the following:
 - (i) " Component auditors will give a limited level of assurance for audit of both interim financial statements and annual statutory audits as their opinion only accounts for a component of the group." – This is not understandable and technically incorrect, and it is common for candidates at this level to simply

explain anything audit related even when it does not address the question requirements.

QUESTION TWO

The general performance on this question was poor. Only 57 of the 170 candidates that attempted the question managed to obtain at least 10 marks out of a total of 20 available marks. A pass rate of 33.5% was recorded. The highest score was 19 out of 20 marks while the lowest was 0.

This was a simple question on laws and regulations, the engagement letter and the management letter issued by auditors after conducting an audit of financial statements. It was disappointing to the marking team that candidates at this level could not score maximum marks in these topics that are covered at CA 2.3 and are repeated at the advisory level. Candidates are expected to use the knowledge gained at the application level and this is assumed at the advisory level.

Part (a)

This part of the question that required candidates to explain non-compliance with laws and regulations will impact the financial statements of Liam Farms Ltd. The key here was the impact on non-compliance on the financial statements which is the related audit risk.

The following observations were made:

A significant number of candidates defined and explained noncompliance with laws and regulations without explaining the impact on the financial statements and no marks were given for doing so.

This part of the question required candidates to explain how the audit team should deal with the discovery on non-compliance with the provisions of the statutory instrument by Lima Farms Ltd. Knowledge of the provisions of ISA 250 Consideration of laws and regulations in an audit of financial statements gives guidance in the area of auditors reporting identified or suspected noncompliance with laws and regulations. In this case there is identified noncompliance and the issue is how the auditors should report on this noncompliance. Candidates that did not know the provisions of the standard did not score any marks.

The standard clearly guides that the auditors should report noncompliance to those charged with governance, to the users of the financial statements through the audit report and to the regulators if considered necessary. Candidates were expected to apply this theory to the case of Lima Farms Ltd.

A majority of candidates scored less than half the available marks signifying lack of knowledge of the provisions of the auditing standard. Candidates are reminded that they are expected to answer questions in accordance with the applicable auditing standards.

The following observations were made:

A majority of candidates explained general audit procedures with no relationship with the reporting requirement as per question requirement.

A sizeable number of candidates simply did not attempt to answer this part.

Part (b)

This part of the question required candidates to state and explain four matters that should be included in the engagement letter for the provisions of the statutory instrument by Lima Farms Ltd. In answering this part of the question candidates needed to use the information in the scenario in explaining the matters that should be included in the engagement letter with Lima Farms Ltd. It should be noted that there are many and varied matters that can be included in an engagement letter. In this case a few matters have been included in the information in the scenario and it is these matters candidates were expected to identify and explain. General answers not related to the scenario did not earn maximum marks. Candidates are once again reminded that at this level of the examinations candidates are expected to apply their knowledge to the information in the scenario.

It was disappointing to note that many candidates were unable to satisfactorily answer this part of the question.

Part (c)

This part of the question required candidates to extract a suitable management letter to Lima Farms Ltd showing the relevant elements. A management letter is one that is issued to the client management by the auditors as a byproduct of the audit containing internal control weaknesses observed during the audit. This topic is covered in the lower CA 2.3 examination and candidates at this level are expected to draft such a letter using information in the scenario.

In the case at hand the question included two internal control weaknesses that were observed and candidates were expected to use this information in drafting suitable extracts of the management letter as per question requirement. To satisfactorily answer this question candidates needed to know the elements of a management letter which include the observations made, the impact of the observations, the recommendations to remedy the weakness and management response to the observed weaknesses and recommendations.

It was disappointing that a majority of candidate showed lack of understanding of the contents of the management letter failed to use the information in the scenario to demonstrate their understanding.

The following observations were made:

There were candidates who mistook the management letter for the independent auditors report signifying lack of knowledge of this topic.

Many candidates explained elements of an audit report which is incorrect and no marks were awarded for doing so.

There were candidates that simply stated the elements of a management letter without illustrating suing the weaknesses in the scenario thereby losing marks allocated to doing so.

QUESTION THREE

The general performance on this question was very poor. Only 47 of the 207 candidates that attempted the question managed to obtain at least 10 marks out of a total of 20 available marks. A pass rate of 22.7% was recorded. The highest score was 17 out of 20 marks while the lowest was 0.

Part (a)

This part of the question required candidates to explain 5 professional or ethical matters in the audit of the financial statements of Kalabo Ltd and to suggest suitable safeguards.

It was disappointing to note that in a question with half the marks on an important easy topic of ethics and related safeguards, a majority of candidates scores less than half the available marks with an average score of 7 of the total 20 maximum marks. Ethics have been examined in a similar manner in the past and are likely to feature in future examinations requiring candidates to identify and explain ethical matters in a given scenario.

The following observations were made:

- (i) There were many candidates that simply identified and stated ethical matters in the scenario without any explanations as required by the question.
- (ii) There were candidates that identified and explained the ethical issues but failed to suggest suitable safeguards that should be put in place. It is common for candidates to suggest abandoning the audit as a safeguard. Candidates are reminded that resigning or abandoning the audit is an act of last resort as auditors are in the business of conducting audits and if they continue resigning they will run out of business. There are other safeguards suggested by guidance on ethics that auditors can apply.
- (iii) Sadly there was a sizeable number of candidates that discussed risks in answering this part of the question for which no marks were awarded. Clearly this shows that such candidates can't distinguish ethics from audit risk.
- (iv) Many candidates discussed the fundamental ethical principles in general with no reference to the issues in the scenario and no marks were awarded for doing so. The question clearly requires an explanation of the ethical issues in the audit of the financial statements of Kalabo Ltd and candidates did not require to labor explaining the five ethical threats to independence of self-interest, self-review etc. In this type of questions candidates should discuss the matters in the scenario and

- may conclude and state the ethical threat caused rather than explaining each of the ethical threats and struggling to identify an issue related to the ethical threats.
- (v) There were candidates that showed lack of understanding of the fact that ethical matters are from the point of view of the auditors and not the client company. There were candidates who explained that the VAT fraud is an ethical issue!

Part (b)

This part of the question required candidates to suggest with suitable justification suitable materiality levels at the planning stage of the audit of the financial statements of Kalabo Ltd. Materiality is an important matter in an audit of financial statements and candidates require to fully understand the theory behind materiality and how it impacts the audit work and opinion.

The information in the scenario such as the levels of risk and changes in the assessment of audit risk should have guided candidates in answering this part of the question. Candidates should have discussed on determination of materiality and performance materiality at the planning stage and the fact that the materiality level for accounting estimates would be lower because of higher risk and that the results of tests of controls that suggested that the controls were not operating effectively should have resulted in a revision of the materiality levels. At this level of the examinations candidates should apply the theory they learnt to the information in the scenario.

The following observations were made:

- (i) Many candidates discussed the meaning of materiality and its use in planning the audit and conducting substantive audit procedures. This was not addressing the question requirement and no marks were awarded for doing so. Candidates should ensure they understand the question requirement before attempting to answer the questions.
- (ii) There were candidates that explained the benchmarks for computing materiality which did not address the question requirement.

Part (c)

This part of the question required candidates to describe 4 audit procedures that should be performed in the audit of VAT account in the audit of the financial statements of Kalabo Ltd. In order to describe audit procedures correctly candidates needed to understand the financial statement assertions contained in the figure for Vat. Remember audit procedures are meant to obtain evidence that the assertions in the figures are correct. In designing audit procedures for vat figure candidates could have considered the assertions of accuracy, completeness, cut off and allocation among others and design audit procedures around these such as recalculate the figure of vat for arithmetical accuracy. It is clear from the answers given that a majority of candidates have challenges in designing audit procedures that should be conducted. Audit procedures will feature in future examinations and candidates are encouraged to ensure they are able to suggest suitable audit procedures for specific accounting issues in the syllabus.

The following observations were made:

- (i) A significant number of candidates discussed audit objectives instead of describing the audit procedures necessary to meet the audit objectives.
- (ii) Candidates used the word check in describing the audit procedures and they were explaining the assertions contained in the vat amount and these are not audit procedures.

QUESTION FOUR

The general performance on this question was very poor. Only 34 of the 157 candidates that attempted the question managed to obtain at least 10 marks out of a total of 20 available marks. A pass rate of 21.7% was recorded. The highest score was 17.5 out of 20 marks while the lowest was 0.

The performance in this question was very poor with only 34 of the candidates who attempted this question scoring half or more of the available marks and with a low average score of 6 out of a maximum 20 marks.

This was a simple question covering two important topics of reports and audit risks each carrying 10 marks. Both topics have been examined in the past and will feature in future examinations. These are core areas of the syllabus and candidates are encouraged to go through past examination questions and answers and practice with these before taking the examination.

Part (a)

- (i) This part of the question required candidates to comment with justification a suitable audit opinion of Batoka Ltd based on the evidence gathered. The key word that should have been considered in answering this part of the question is 'with justification.' Simply stating an opinion with no arguments to support the opinion did not earn maximum marks.

Candidates should have considered the level of uncorrected misstatements compared to the materiality level and including undetected misstatements that may exist and applied the criteria of materiality and pervasiveness in coming up with a recommended opinion. Consideration should also have been made on the existence of material uncertainty regarding going concern whose impact on the opinion is the adequacy of disclosure and in this case this has been adequately disclosed and will not adversely impact the opinion.

The following observations were made:

- (i) Most candidates were giving suggested opinions for each of the issues in the question. There is always only one opinion that auditor's issue

regardless of the issues that may arise during the audit. What is required is to assess the impact of the issues on the opinion and come up with one overall audit opinion.

- (ii) A majority of the candidates simply suggested an opinion with no justification whatsoever and this did not attract maximum marks and shows a lack of understanding of the topic.
- (iii) There were many candidates that did not use all the relevant information in the scenario in arriving at an opinion.

Part (b)

This part of the question required candidates to draft suitable extracts of the audit report including the elements of opinion, basis of opinion and any other paragraph based on the recommendations in part (i) above. The question requirement was very specific on the paragraphs that should be included in answering this part of the question based on the available information. Any other paragraphs included and not required did not earn any marks. Candidates needed to use the suggested opinion in (i) in answering this part of the question. The marking team awarded marks for correctly using the opinion in (i) even when it was not the correct opinion or even justified.

It was disappointing that most candidates showed lack of understanding on the impact of the opinion on the elements of an audit report. Again this is a question that required application of the theory on reporting to the information given in the scenario.

The following observations were made:

- (i) There were many candidates that put the wrong headings for the suggested opinions in (i). For example, when a qualified opinion was suggested in (i) the candidates put the heading of the opinion paragraph as 'Opinion' instead of 'Qualified opinion'.
- (ii) There were candidates that swapped information meant to be in the opinion paragraph and put it in the basis of opinion paragraph.
- (iii) There were many others who do not seem to know the elements of a standard unmodified report and did not realize that this was what was being examined.
- (iv) Interestingly and surprisingly many candidates introduced an emphasis of matter paragraph in which they discussed the material uncertainty which is incorrect and is no longer the use of the emphasis of matter paragraph. There is a new paragraph the 'Material Uncertainty Related to Going Concern' that was introduced for this purpose and this is the paragraph that should have been included in the answer.

Part (b)

This part of the question required candidates to describe 5 audit risks in the audit of the financial statements of Limestone Plc. and to suggest suitable audit responses for each risk. In explaining audit risk at this level of the examinations candidates are

required and expected to clearly explain the figures in the financial statements that will be misstated as a result of the explained audit risk. Simply explaining an audit risk without relating it to what could go wrong in the financial statements is not sufficient to earn maximum marks. Use of information in the scenario is essential because discussing audit risks not in the scenario would not earn any marks.

It was disappointing that many candidates scored poorly in this part of the question where a well prepared candidate should have scored maximum marks.

The following observations were made:

- (i) There were many candidates that identified audit risks in the scenario but did not explain what makes them audit risks and what could go wrong in the financial statements.
- (ii) There were many others that discussed audit risks but did not provide suitable responses to the identified risks thereby losing the marks located for doing so.
- (iii) Surprisingly, there were candidates that discussed audit procedures to address the audit risks identified which was not the question requirement. Candidates are reminded to ensure they understand the question requirements before attempting to answer questions and ensure that they address the question requirements.
- (iv) There were candidates that discussed business risks in answering this part of the question. The information in the scenario included business risks in order to test whether candidates are able to distinguish audit risks from business risks.
- (v) Many candidates discussed response to the identified risks from the point of view of management and yet this should be looked at from the point of view of the auditors. It is not management that identified and deals with audit risk.

The above points suggests that a majority of candidates still have challenges in explaining audit risk and understanding its importance in the audit of financial statements.

QUESTION FIVE

The general performance on this question was very poor. Only 20 of the 114 candidates that attempted the question managed to obtain at least 10 marks out of a total of 20 available marks. A pass rate of 17.5% was recorded. The highest score was 15 out of 20 marks while the lowest was 0.

Part (a)

This part of the question required candidates to explain big data and data analytics and the impact it will have on the audit fee and sampling risk. Candidates should have observed that this part of the question related to two aspects which both should have been addressed in answering the question. Big data and data analytics impact the audit fee and sampling risk and to answer this question candidates needed to know and understand that the audit fee is based on how much time auditors spend on the

audit and sampling risk arises because of not being able to test the whole population and relying on sample results. Using big data and data analytics this can reduce the time taken to conduct audits and also enable the testing of 100% of populations hence result in not placing reliance on sampling and sample results thereby reducing or eliminating sampling risk.

A majority of the candidates scored less than half the available marks signifying limited knowledge of big data and data analytics.

The following observations were made:

- (i) Many candidates simply explained what big data is and whatever they knew about it without discussing the impact on the audit fee and sampling risk and no marks were awarded for doing so.
- (ii) A sizeable number of candidates discussed sampling risk with no relationship to how big data and data analytics may impact it. No marks were awarded for doing so.

This part of the question required candidates to describe 2 substantive audit procedures on the summary key financial results contained in the documents containing the financial statements of Mukuni Plc. In order to answer this part of the question satisfactorily, candidates needed to know and understand the provisions of ISA 720 The auditor's responsibility in relation to other information in documents containing audited financial statements which gives guidance in this area. Candidates require to be familiar with other information that may be included in the documents containing the financial statements and what the responsibilities of the auditors are with regards this information. The key financial results in the scenario are considered other information subject to the provisions of ISA 720. Candidates are expected to answer questions in accordance with relevant auditing standards and so should ensure that they understand the guidance given even if they do not remember the standard reference.

The following observations were made:

- (i) A majority of candidates described audit procedures not related to other information.
- (ii) A majority of candidates simply did not attempt to answer this part of the question. This part of the question required candidates to describe the reporting requirements for other information in the auditor's report. It was clear from the answers that were given that many candidates did not know the contents of the other information paragraph in the auditor's report.

The following observations were made:

- (i) There were candidates that described audit procedures in trying to answer this part of the question, but this did not address the question requirement.
- (ii) There were a sizeable number of candidates that described the contents of an auditor's report instead of concentrating on the content of the other information paragraph.

Part (b)

This part of the question required candidates to evaluate management's assessment of Mukuni Plc. as a going concern using the information in the scenario and to explain the action that should be taken by the audit team.

In answering this question, candidates should have noted that management has the primary responsibility for assessing the ability of the company as a going concern. The auditor's responsibility is to assess management's assessment for its appropriateness and this is what the question required candidates to do. This basically requires assessing management's assumptions for validity as a basis for preparing the financial statements. ISA 570 Going concern gives guidance in the area of going concern.

A majority of the candidates evaluated management's assessment as a going concern, they did not address the second part of the question which required an explanation of the action that should be taken thereby losing the marks allocated to doing so. Candidates should have given a clear result of the evaluation and the action that should be taken particularly when management's assessment is considered inappropriate.

Part (b)

This part of the question required candidates to evaluate the treatment of items (2) and (3) in the information extracted from the financial statements and to make suitable recommendations.

This part of the question related to subsequent events and to answer this question satisfactorily candidates needed to have a clear understanding of IAS 10 Events after the reporting period and auditing standard IAS 560 Subsequent events. Candidates needed to have a clear understanding of adjusting and non-adjusting events and how they impact the audit. In this case the information given is in relation to how two subsequent events have been treated by management of Mukuni Plc. and the candidates needed to evaluate the accounting treatment and to make any recommendation as necessary.

A majority of candidates scored less than half the available marks signifying lack of clear understanding of this important area of the syllabus.

The following observations were made:

- (i) Candidates had difficulties in classifying the two matters between adjusting and non-adjusting events.
- (ii) A majority of candidates did not comment on whether management's treatment of amending or not amending the financial statements on account of the matters in question was appropriate.

Overall performance of candidates

Highest mark obtained in this paper:	61%
Lowest mark obtained in this paper:	1%
Overall pass rate in this paper:	11.9%

SUBJECT: CA3.4 ADVANCED TAX

QUESTION ONE

The general performance on this question was fair. Only 52 out of the 159 candidates that attempted the question achieved a pass (that is a score of at least 20 out of 40 marks), representing a pass rate on the question of 32.7%. The lowest score was 1.5, whilst the highest was 35 out of the available 40 marks.

The question covered tax planning were involving evaluation of alternative remuneration packages.

In parts (a) and (b) candidates were required to calculate the amount of income tax payable for the year under each offer and the amount of net income arising under each offer.

Candidates were failing to distinguish taxable benefits from exempt benefits resulting categorizing exempt benefits as taxable and at the same time misclassifying some taxable benefits as exempt when computing taxable income under each offer.

Other candidates lost marks because they were treating employee's NHIMA and NAPSA contributions as allowable deductions while others failed to compute the correct amounts of employee's NAPSA and NHIMA contributions to be deducted from the gross income under each offer when computing net income under each offer. Omitting to deduct the income tax payable under each offer from gross income arising from each offer to compute the net income in each case.

In part (c), Candidates were required to advise whether the employee should stay with the current revised remuneration package or accept the proposed remuneration package. Most candidates failed to make a comparison of the net income arising under each package as the basis for their advice.

In part (d) and (e), candidates were required to compute the additional tax payable or tax savings arising to the company arising from each remuneration package and to show the net after tax cash flow position of the company.

Candidates were failing to include capital allowances when computing total allowable deductions under the existing remuneration package and others ended up losing marks.

Others omitted skills development levy, employers NAPSA and Employers NHIMA contributions from allowable deductions, when computing the total allowable deductions arising under each offer.

They were others that lost marks due to omission of the personal- to- holder car benefit and accommodation benefit from disallowable deductions under the existing package and staff canteen expenses under the revised package.

QUESTION TWO

The general performance on this question was very good. 118 of the 154 candidates that attempted the question managed to obtain at least 10 marks out of a total of 20 available marks. A pass rate of 76.6% was recorded. The highest score was 18.5 out of 20 marks while the lowest was 2.

The question required candidates to compute the adjusted mining profit and company income tax payable by kwacha mining corporation for the tax year 2025.

The question covered taxation of mining companies

Common mistakes made by candidates were:

- (i) Failure to identify the relevant disallowed items to be added back to accounting profit when computing taxable profits for the company.
- (ii) Failure to compute the correct mineral royalty tax paid on copper.
- (iii) Failure to compute the indexation of capital allowances correctly.
- (iv) Failure to compute the loss relief correctly.

QUESTION THREE

The general performance on this question was poor. Only 27 of the 97 candidates that attempted the question managed to obtain at least 10 marks out of a total of 20 available marks. A pass rate of 27.8% was recorded. The highest score was 16 out of 20 marks while the lowest was 0.5.

The question covered international aspects of taxation.

In part (a) (i) candidates were required to advise on the tax implications arising on the employee on the grant of share options and subsequent exercise of the options. The most common weaknesses shown by some candidates were:

- (i) Failure to understand the question resulting in responding to the tax implications of the grant of the share option and ignoring the tax implications of the exercise of the option.
- (ii) Failure to distinguish between the grant of share options and the exercise of the share option scheme.
- (iii) Insufficient knowledge of the difference between tax implications of a share option schemes which is approved from the one which is not approved.

In part (a) (ii), candidates were required to explain the tax implications of the sale of shares acquired under an unapproved share option scheme. Most candidates failed to compute the PTT which would arise.

In part (b), candidates were required to explain the tax implications arising in part (a) (i) (ii) if the share option scheme was approved. Most candidates demonstrated a lack of knowledge as to the tax implications of an approved share option scheme and therefore failed to provide the required explanations.

In part (c) candidates were required to compute the income tax payable for the tax year. The following common mistakes:

- (i) Omission of foreign dividends and foreign bond interest in the computation of taxable income.
- (ii) Failure to compute the correct amount of Double Taxation Relief arising on the income from foreign sources.
- (iii) Failure to compute the correct total assessable income by omitting the gross Zambian dividend when computing the total assessable income and failure to compute the Zambian Tax Charge when determining the amount of Double Taxation Relief on the income from foreign sources.

QUESTION FOUR

The general performance on this question was very poor. Only 12 of the 58 candidates that attempted the question managed to obtain at least 10 marks out of a total of 20 available marks. A pass rate of 20.7% was recorded. The highest score was 13.5 out of 20 marks while the lowest was 0.

This question was on the tax implications of the various financing and investment options.

In part (a) (i) candidates were required to advise on the income tax and VAT implications of various financing options.

The performance on this part of the question was poor. common mistakes made by some candidates were:

- (i) Failure to follow instructions, the question required candidates to show calculations were applicable.
- (ii) Failure to compute capital allowances on the building.

In part (b), candidates were required to explain the taxation implications of investing in various financial securities.

The performance on this part of the question was poor. Some candidates made the following common mistakes:

- (i) Failure to follow instructions – explaining taxation implications of investing rather than financing.
- (ii) Failure to understand that dividends received by individuals from companies listed on the LUSE are exempt from taxation and the withholding tax is the final tax.

QUESTION FIVE

The general performance on this question was poor. Only 44 of the 151 candidates that attempted the question managed to obtain at least 10 marks out of a total of 20 available marks. A pass rate of 29.1% was recorded. The highest score was 17 out of 20 marks while the lowest was 0.

This question covered ethical issues in tax practice and the interaction of taxes.

In part (a) candidates were required to explain four ethical threats arising from the provision of tax services and recommending any appropriate courses of action that should be taken.

The most common mistakes made by some candidates were:

- (i) Failure to distinguish between the meaning of objectivity and familiarity threat.
- (ii) Failure to understand that familiarity may lead to lack of objectivity.
- (iii) Assuming that provision of an interest free loan was one of the ethical threats.
- (iv) Failure to provide appropriate courses of action.

In part (b) (ii), candidates were required to advise on the tax implications of the provision of an interest free loan.

The performance on this part of the question was poor. Some candidates made the following common mistakes:

- (i) Failure to explain the 5% threshold to be considered an effective shareholder.
- (ii) Failure to compute the amount of tax payable by the company.

In part (c) candidates were required to advise on the tax treatment of rental income and to calculate the amount of tax payable on rental income for the tax year. Some candidates demonstrated a lack of knowledge of how rental income tax is taxed and therefore failed to provide the appropriate computations.

In part (d) candidates were required to advise the exposure to penalties and interest showing appropriate computations.

The most common mistakes made by some candidates included the following:

- (i) Failure to compute the correct number of days by which the return of provisional income tax was paid late.

- (ii) Failure to compute the correct amount of penalties on the late payment as a result of using the incorrect percentage or formula.
- (iii) Failure to compute the interest on overdue tax by using an incorrect rate or incorrect formula.
- (iv) Failure to compute the provisional tax payable for the year.

Overall performance of candidates

Highest mark obtained in this paper: 76%

Lowest mark obtained in this paper: 7%

Overall pass rate in this paper: 41.9%

SUBJECT: CA3.5 – ADVANCED MANAGEMENT ACCOUNTING.

QUESTION ONE

The general performance on this question was very poor. Only 3 out of the 26 candidates that attempted the question achieved a pass (that is a score of at least 20 out of 40 marks), representing a pass rate on the question of 11.5%. The lowest score was 2.5, whilst the highest was 24 out of the available 40 marks.

Question One part (a) examined traditional absorption costing (TAC) and Activity Based Costing (ABC) in parts (a) and (b). Part (b) required a report.

Part (c) required candidates to prepare a memo which explained target costing TC) and discussed whether ABC and TC could be used side by side.

Part (d) was about discussing the content of the scenario extract and what approaches are being adopted by management accountants to overcome the criticism of absorption costing.

Part (e) (i) required candidates to discuss the impact of recent IT developments in management accounting and business performance; and in part (e) (ii) to explain the problems the company might experience in the successful implementation of ABC using IT systems.

Common mistakes made by the candidates included:

Failure in calculating component (material) costs and direct wages.

Inability to calculate TAC and ABC costs led to the poor pass rate on this question.

Using wrong ratios to apportion the variable overheads. E.g. for components, adding up the per unit figures of 4.5, 5 and 0.5 and using these as ratios to apportion overheads. Correct approach: multiply those figures by the production volumes to get 225,000, 1,000,000 and 50,000. These were the correct ratios.

Avoiding part (a) which required calculations.

Tackling parts (b) and (c). However, these sub-question parts required answering part (a) before advising. Advising without doing computations did not make sense.

Explaining in detail Target Costing in part (c). The question was about whether TC and ABC could both be used side by side.

Part (d): Some candidates suggested methods like Life Cycle Costing and Target Costing. These methods do not deal with the problems of overheads.

Part (d): candidates answered "role of a management accountant in the modern environment". This has been examined several times in the past. So such candidates

remembered past questions and reproduced past solutions. However, part (d) required the discussing of the content of the scenario extract and what approaches are being adopted by management accountants to overcome the criticism. They needed to address the quoted extract in the scenario. This is what is meant by 'applying' at this advisory level. Future candidates should read the requirements carefully.

Part (e) (i): The majority of the candidates discussed the role of IT. But the major thrust of the question was on the implementation problems of ABC

in the recently introduced 'state of the art' IT system.

QUESTION TWO

The general performance on this question was very good. 17 of the 22 candidates that attempted the question managed to obtain at least 10 marks out of a total of 20 available marks. A pass rate of 77.3 % was recorded. The highest score was 18 out of 20 marks while the lowest was 2.

This question required candidates to:

- (a) Evaluate whether TH Ltd can go ahead and enter the new market using Porter's Five Forces model.
- (b) Advising TH Ltd on what strategy it can use to outperform its competitors.

Common mistakes made by the candidates included:

Lack of detailed explanation on Porter's Five Forces. Some candidates just listed the Five Forces and ended there. The examining verb was "evaluate". One cannot get good marks by listing.

On the strategy to outperform competitors, most candidates stated differentiation only and nothing more. They should have also mentioned building strategic partnerships, optimizing cost and efficiency, enhancing marketing and branding, and investing in long-term sustainability

QUESTION THREE

The general performance on this question was very poor. Only 3 of the 14 candidates that attempted the question managed to obtain at least 10 marks out of a total of 20 available marks. A pass rate of 21.4% was recorded. The highest score was 11 out of 20 marks while the lowest was 3.

Question Three required candidates to:

- (a) Prepare a report for the senior management team that outlines:
 - (i) The key strategies that should be used to manage people and change when implementing a new performance management system.
 - (ii) The advantages and disadvantages of each strategy, and how these strategies can help in overcoming potential resistance to change.
 - (iii) A set of recommendations for how to effectively communicate the changes to employees and ensure their engagement and buy-in throughout the implementation process.
- (b) Prepare a detailed recommendation to management which takes into account
 - (i) cost-effectiveness and scalability of the solution, (ii) Integration with existing systems and processes and (iii) Security and data privacy concerns.

Common mistakes made by the candidates included:

- (i) Some candidates did not provide a report format as required in part (a);thereby losing the marks allocated to the report format,
- (ii) Candidates did not state in an orderly way how to implement a new system starting with communication and ending with partial implementation or full implementation.
- (iii)Most candidates did not state the advantages and disadvantages at each stage as required by the question.
- (iv)Most candidates did not provide a set of recommendations on how to effectively communicate the changes.
- (v) Some candidates attempted part (b) only thereby reducing their chances of getting high marks.

Candidates are urged to plan how to answer theory questions. They should plan the heading or statements to start with and statements to conclude with.

QUESTION FOUR

The general performance on this question was fair. 10 of the 19 candidates that attempted the question managed to obtain at least 10 marks out of a total of 20 available marks. A pass rate of 52.6% was recorded. The highest score was 15.25 out of 20 marks while the lowest was 1.

This question required candidates to:

- (a) Discuss the need for separate measures in respect of managerial and divisional performance appraisal.
- (b) Calculate ROCE, RI, and EVA for Divisions P and Q.

Common errors were as follows:

- (i) Many candidates treated the manager and the division as one and the same, assuming that if the division performs well, the manager must have performed well too.
- (ii) Giving advantages of divisionalisation. This was not required by question.
- (iii) A lot of candidates provided theoretical responses that did not link back to the given scenario.
- (iv) Lack of knowledge of performance management tools such as the RI, ROI, ROCE, and EVA. As a result, candidates struggled to comment on the.
- (v) Using profit instead of net operating profit after tax (NOPAT).
- (vi) Mistaking RI for ROCE by omitting the capital charge
- (vii) Forgetting to apply the cost of capital to capital employed.

QUESTION FIVE

The general performance on this question was fair. 11 of the 23 candidates that attempted the question managed to obtain at least 10 marks out of a total of 20 available marks. A pass rate of 47.8% was recorded. The highest score was 15 out of 20 marks while the lowest was 1.

This question required candidates to:

- (a) Advise the board (by way of a report) on how the implementation of a balanced scorecard delivers a range of performance measures aligned with corporate strategy.
- (b) Justify appropriate management approaches to each of the stakeholders, and based on the analysis, evaluate the appropriateness of the performance measures suggested.

Common mistakes made by the candidates included:

Part (a)

- (i) Many candidates lacked a clear grasp of the **four key perspectives** of the balanced scorecard
- (ii) Failing to mention all the four perspectives.
- (iii) Many candidates struggled to link performance measures to strategic goals.
- (iv) Listing measures without explaining how they reflect the company's specific objectives.
- (v) Ignoring key strategic themes mentioned in the scenario.
- (vi) Some candidates relied on theoretical explanations without applying them to the details of the scenario.

Part (b)

- (i) Failing to identify all key stakeholders (e.g., shareholders, employees, customers, suppliers, government and the community).
- (ii) Failure to use a structured stakeholder framework, such as Mendelow's matrix.
- (iii) Candidates struggled to apply theory to practice, especially when tailoring responses to stakeholder needs in a given scenario.

Overall performance of candidates

Highest mark obtained in this paper: 56%

Lowest mark obtained in this paper: 24%

Overall pass rate in this paper: 30.8%

SUBJECT: CA 3.6- ADVANCED FINANCIAL MANAGEMENT

QUESTION ONE

The general performance on this question was very poor. Only 3 out of the 27 candidates that attempted the question achieved a pass (that is a score of at least 20 out of 40 marks), representing a pass rate on the question of 11.1%. The lowest score was 3, whilst the highest was 31 out of the available 40 marks.

- (a) The question required candidates to explain the meaning of basis risk in the futures market and assess the reason the revenue from the sale of drinks dropped despite hedging the prices of drinks by KOLE Plc. Majority of the candidates did not completely know the basis risk. Some mistook it for currency risk and transaction risk.
- (b) The question required candidates to evaluate the proposed investment in the hospitality business using the APV and advise the management of KOLE. Surprisingly, most candidates failed to calculate sales and operating costs. Instead, they were inflating them. Capital allowances were wrongly calculated. The present value of the tax shield was wrongly computed.

QUESTION TWO

The general performance on this question was very poor. None of the 11 candidates that attempted the question managed to obtain at least 10 marks out of a total of 20 available marks. A pass rate of 0.0% was recorded. The highest score was 8 out of 20 marks while the lowest was 0.

Part (a) required candidates to explain the implication of MM theory. The question was poorly answered and the following were the challenges:

Candidates failed to calculate the value of KAKA Ltd and KATA Limited on which the explanation should be based.

The tax effect on the value of debt was not considered or taken into account.

Part (b) of the question required the candidates to estimate how much the financial position is expected to improve. Challenges faced were as follows:

Candidates completely failed to find the earnings attributed to ordinary shareholders for both companies. Interest on debentures of 12% of K50 m was omitted affecting the earnings for KATA Limited.

Some candidates used the profit from the profit and loss account when calculating the earnings attributed to ordinary shareholders instead of the earnings before interest and tax given of K50 million.

Part (c) required candidates to comment on the implications of the company's choice of capital structure after borrowing using MM theory. Challenges faced were as follows:

Calculating cost of equity before debt for KAKA which is $35\text{m}/112\text{m} \times 100 = 31.25\%$
Calculating cost of equity after debt for KAKA was equally a challenge which is $31,640/84,000 \times 100 = 37.66\%$
WACC was wrong calculated by candidates and because of this they completely failed to explain the implication of the company's choice of capital structure.

QUESTION THREE

The general performance on this question was very poor. Only 6 of the 25 candidates that attempted the question managed to obtain at least 10 marks out of a total of 20 available marks. A pass rate of 24% was recorded. The highest score was 17 out of 20 marks while the lowest was 0.

Part (a) required candidates to evaluate whether the company should accept the offer made to acquire it using the CIV method. a) Candidate did very well on this question except that some candidates did not remove tax from the pre-tax cost of debt when calculating the weighted average cost of capital. Most candidates failed to get the average pre-tax earnings and average tangible assets because they did not divide the total earnings and total assets by 3.

Part (b) required candidates to discuss the merits and demerits of demerger. Candidates performed poorly on this question and this is because of inadequate preparation. This was a straight forward question but candidates demonstrated lack of knowledge on demergers.

QUESTION FOUR

The general performance on this question was very poor. All of the 18 candidates that attempted the question managed did not obtain at least 10 marks out of a total of 20 available marks. Thereby resulting in a pass rate of 0.0% was recorded. The highest score was 8 out of 20 marks while the lowest was 0.

Part (a) asked candidates to illustrate the results of the futures hedge if, by 1 march the interest rates rise by 3% and futures prices move by 2.7%. Candidates continue to exhibit lack of knowledge of managing currency risks using derivatives. Challenges faced by candidates included:

- (i) Failure to calculate the number of contracts which was supposed to be calculated by dividing 20,000,000 by 500,000.
- (ii) Tick value was wrong calculated because some candidates were using 6 months instead of 3 months.

(iii)The cash market was equally wrongly calculated because of wrong interest rate used.

(iv)The futures gain was wrongly calculated because candidates failed to identify the correct contract date.

Part (b) asked candidates to explain the ways in which a country may resolve both the short- and long-term debt crisis. Candidates demonstrated lack of knowledge on how the country can resolve the debt crisis. Surprising some candidates were suggesting resolving debt crisis by borrowing instead of restructuring or liquidating the debt such through write off.

QUESTION FIVE

The general performance on this question was excellent. 26 of the 27 candidates that attempted the question managed to obtain at least 10 marks out of a total of 20 available marks. A pass rate of 96.3% was recorded. The highest score was 18 out of 20 marks while the lowest was 7.

Part (a) of the question required the candidates to explain five (5) strategic reasons multinationals engage in foreign direct investment. The performance was good although some candidates' explanation of strategic reasons multinationals engage in foreign direct investment was not clear.

Part(b) required candidates to explain various sources of finance for small and medium size enterprises. This part of the question was fairly attempted.

Part (c) required candidates to discuss the benefits of corporate governance to shareholders. Advantages of good corporate governance did not come out clearly from some responses of candidates.

Overall performance of candidates

Highest mark obtained in this paper: 63%

Lowest mark obtained in this paper: 14%

Overall pass rate in this paper: 18.5%

SUBJECT: 3.7 PUBLIC SECTOR AUDITING AND ASSURANCE

QUESTION ONE

The general performance on this question good. 78 out of the 114 candidates that attempted the question achieved a pass (that is a score of at least 20 out of 40 marks), representing a pass rate on the question of 68.4%. The lowest score was 0, whilst the highest was 36 out of the available 40 marks.

Part (a)

- (i) This part of the question required candidates to explain the general objectives of financial, performance and compliance auditing in the public sector.

A majority of candidates scored maximum marks and ably explained the objectives of the stated public sector audits. It was observed that a majority of candidates went into great detail in explaining the three objectives for 1 mark each which was not necessary. Candidates should use the available marks as an indicator of the expected depth of the answer.

- (ii) This part of the question required candidates to explain 4 benefits of auditing in the public sector. A majority of candidates explained correctly the benefits of public sector auditing and scored maximum marks.

A few candidates how auditing in the public sector is done for which no marks were awarded.

Part (b)

This part of the question required candidates to describe audit procedures to assess the accuracy, transparency and effectiveness of expenditure incurred in the funded malaria program.

A majority of candidates explained the audit procedures expected and scored maximum marks. A few candidates gave general answers without relating them to the malaria program that was to be audited.

Part (c)

This part of the question required candidates to explain 4 threats and safeguards to the objectivity of the auditors in the audit of the Ministry of Health of Belize.

A majority of the candidates explained the ethical issues using the information in the scenario. There were a few candidates that did not explain suitable safeguards for the ethical matters explained.

Part (d)

This part of the question required candidates to describe 4 audit procedures to verify adherence to public procurement regulations and donor guidelines.

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

The following observations were made:

- (i) Some candidates could not provide the required 4 audit procedures and scored marks in proportion to the correct procedures explained and lost easy marks for explaining less than the required number of procedures.
- (ii) There were candidates that discussed how to adhere to public procurement and not provide audit procedures as required and no marks were awarded for doing so.
- (iii) There were candidates that explained the audit evidence they expect to find to show adherence to procurement regulations.
- (iv) Further, some candidates discussed the audit objectives in auditing public procurement regulations and donor guidelines which did not address the question requirement.

Part (e)

This part of the question required candidates to explain the three approaches to conducting performance audits in the performance audit of the Ministry of Belize.

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

The following observations were made:

- (i) A sizeable number of candidates simply explained the three approaches without explaining how they could be applied in the performance audit of the Ministry of Health of Belize thereby losing the marks allocated to doing so. Candidates are reminded to ensure they address all the question requirements particularly relating to multi requirement questions as is the case here.
- (ii) A majority of candidates discussed the value for money principles of economy, efficiency and effectiveness which were the question requirement.
- (iii) There were candidates that discussed how to conduct a performance audit in the Ministry of Health of Belize which was not answering the question requirement.

Part (f)

This part of the question required candidates to explain 4 controls that should be put in place in the implementation of the IT system implementation.

Candidates lost marks for discussing audit procedures for controls around the IT system instead of explaining the controls that are expected to be in place.

QUESTION TWO

The general performance on this question was poor. Only 37 of the 93 candidates that attempted the question managed to obtain at least 10 marks out of a total of 20 available marks. A pass rate of 39.8% was recorded. The highest score was 15 out of 20 marks while the lowest was 0.

The performance in this question was poor with an average score of 8 marks. The question was based on a number of topics including audit procedures, evidence and fundamental ethical principles.

Part (a)

This part of the question required candidates to describe 5 audit procedures for the payroll management irregularities in the scenario.

The following observations were made:

- (i) Candidates explaining less audit procedures than the number 5 required in the question.
- (ii) Some candidates explained methods of obtaining audit evidence instead of describing audit procedures that should be undertaken.

Part (b)

This part of the question required candidates to explain 5 methods that could be used in obtaining audit evidence in conducting the audit of the payroll in (a).

A majority of candidates scored maximum marks but there was a sizeable number that simply stated methods that could be used without explaining them in relation to the audit as required.

Part (c)

This part of the question required candidates to explain the five fundamental ethical principles that should be observed in planning and conducting the audit of the payroll of Zurich.

It was disappointing to note that a sizeable number of candidates could not remember and explain the fundamental ethical principles in public sector auditing. There were some who simply stated the ethical principles with no explanation resulting in them losing the marks allocated to explaining.

Part (d)

This part of the question required candidates to suggest 5 control activities to prevent unauthorized payments and discrepancies in the payroll records.

While most of the candidates suggested internal control activities to prevent unauthorized payments and discrepancies in payroll records, there was a sizeable

number of candidates that discussed and gave general controls not related to the payments and discrepancies in the payroll records.

QUESTION THREE

The general performance on this question was poor. Only 17 of the 60 candidates that attempted the question managed to obtain at least 10 marks out of a total of 20 available marks. A pass rate of 28.3% was recorded. The highest score was 19 out of 20 marks while the lowest was 0.

Part (a)

This part of the question required candidates to describe 4 audit procedures to address discrepancies in the financial reporting and fund utilization in the audit of Resilient Katanga initiative. To answer this question satisfactorily, candidates needed to consider assertions related to discrepancies in fund utilizations.

A large number of candidates did not attempt to answer this part of the question and lost all the available marks. There were candidates that explained the method of obtaining audit evidence instead of describing the audit procedures as required.

Part (b)

This part of the question required candidates to describe the SAI ISSAI 12 Value and benefits of SAIs considering the drought response in Katanga.

A majority of the candidates did not know the three objectives contained in ISSAI 12 and so did not discuss these in their answers. The few that explained the value and benefits objectives did not relate them to the drought response in Katanga as required in the question. Marks allocated to doing so were not awarded and were lost. Candidates should ensure they address all the question requirements in answering examination questions.

Part (c)

This part of the question required candidates to describe 4 key areas to examine and the specific procedures required to evaluate compliance with the Resilient Katanga 202 initiative.

A majority of candidates were able to describe the key areas that should be examined in the compliance audit of the initiative in the question. A minority of candidates did not answer this part of the question, signifying a lack of knowledge of these topics.

Part (d)

This part of the question required candidates to discuss the requirements related to the main stages of the performance audit of the Resilient Katanga 2024 initiative.

In order to score maximum marks, candidates were expected to explain at least three stages in the performance audit. A significant number of candidates explained less than this number of stages and in some case with little explanation. Candidates should be guided by the number of marks on offer to decide how much to write.

QUESTION FOUR

The general performance on this question was fair. Only 48 of the 98 candidates that attempted the question managed to obtain at least 10 marks out of a total of 20 available marks. A pass rate of 48.9% was recorded. The highest score was 19 out of 20 marks while the lowest was 0.

Part (a)

This part of the question required candidates to describe 4 objectives of the compliance audit of Green Fields Ltd. a majority of the candidates that attempted this question scored less than half the available marks.

The following observations were made:

- (i) Most of the candidates discussed general objectives with no reference to the information relating to Green Fileds Ltd. At the advisory level of the examinations, candidates are expected to use the information in the scenario in answering examination questions.
- (ii) There were candidates that discussed how to conduct a compliance audit with no reference to the objectives of compliance audits for which no mark were awarded.
- (iii) There were some that discussed the consequence of non-compliance and the effect that this would have on the financial statements. This did not address the question requirement.

Part (b)

This part of the question required candidates to describe materiality and audit criteria in the compliance audit regarding environmental, health and safety regulations of Green Fields Ltd.

Only a few candidates score half or more of the available marks.

Most of the candidates scored more than half the available marks. A sizeable number did not perform as expected and the following observations were made:

- (i) A significant number of those that did not perform well focused in explaining materiality and not addressing the part on the criteria.
- (ii) In describing criteria, most candidates discussed audit procedures in compliance audits.

Part (c)

This part of the question required candidates to identify and explain the three parties to the performance audit of Green Fields Ltd:

Candidates were expected to use the information in the scenario in identifying the three parties which most candidates did not do and instead gave general answers. There were candidates who discussed the elements of assurance engagements which were not the question requirement. There were candidates that discussed the three value for money principles which were not addressing the question requirement.

Part (d)

This part of the question required candidates to evaluate the company response to the spill considering the value for money principles of economy, efficiency and effectiveness.

Most of the candidates discussed and explained the three value for money principles without making any reference to the scenario which was the question requirement.

QUESTION FIVE

The general performance on this question was very poor. Only 14 of the 78 candidates that attempted the question managed to obtain at least 10 marks out of a total of 20 available marks. A pass rate of 17.9% was recorded. The highest score was 16 out of 20 marks while the lowest was 0.

The question was on forensic audits and related matters and well prepared candidates should have scored at least half the available marks.

Part (a)

- (i) This part of the question required candidates to describe the scope of the forensic investigation of the Immigration Department.

Candidates lost marks largely because:

- (i) Most of the candidates defined forensic audits without addressing the question requirement which required candidates to describe the scope of the intended forensic investigation.
 - (ii) There were candidates that discussed the objectives of a forensic investigation instead of describing the scope of the intended forensic investigation. Candidates should have noted that the objectives of the forensic investigation were a requirement of part (ii) of the question.
- (ii) This part of the question required candidates to describe 3 objectives of the forensic investigation of the Immigration Department.

Most of the candidates score less than half the available marks and the following were observed:

- (i) Some candidates did not attempt to answer this part of the question which is a poor examination strategy.
- (ii) There were candidates that discussed the objectives of audit engagements rather than those of a forensic investigation showing lack of understanding of the difference between these two.
- (iii) A sizeable number of candidates discussed the stages that should be followed in a forensic audit which was not the question requirement.

Part (b)

This part of the question required candidates to describe 4 key stages in the forensic audit of the Immigration Department.

A significant number of candidates lost marks in answering this question and the answers given showed lack of knowledge of the key stages of a forensic investigation and the following were observed:

- (i) Many candidates discussed the general process of collecting audit evidence which was not the question requirement.
- (ii) There were candidates that explained objectives of a forensic investigation which are not the key stages of the forensic investigations.

Part (c)

This part of the question required candidates to discuss 2 each of general and application controls expected in the new immigration management system.

Whereas a majority of candidates were able to describe general and application controls a number of candidates lost marks because they did not specify which ones were general and application controls which was the question requirement.

Part (d)

This part of the question required candidates to describe 4 pieces of audit evidence expected in the forensic audit of the immigration department of Kariba Republic.

A majority of candidates scored less than half the available marks on account of the following observations:

- (i) Some candidates discussed the weaknesses identified in the scenario rather than the audit evidence that could be obtained arising from the forensic investigation.
- (ii) Others discussed how audit evidence can be obtained.
- (iii) Some candidates discussed the various sources of evidence.

Overall performance of candidates

Highest mark obtained in this paper:	71%
Lowest mark obtained in this paper:	3%
Overall pass rate in this paper:	40.4%

SUBJECT: CA 3.8 - PUBLIC SECTOR FINANCIAL MANAGEMENT

QUESTION ONE

The general performance on this question was very poor. 4 out of the 18 candidates that attempted the question achieved a pass (that is a score of at least 20 out of 40 marks), representing a pass rate on the question of 22.2%. The lowest score was 4, whilst the highest was 28 out of the available 40 marks.

Part (a) the question asked candidates to evaluate the proposed investment in the tourist site project using NPV. Candidates performed poorly on calculations and the challenges faced were as follows:

- (i) Failed to account for inflation correctly.
- (ii) Working capital was not inflated before calculating the working capital injections.
- (iii) Working capital injections were not recovered at the end of the project.
- (iv) Some candidates failed to split the initial investment of K150 m into K90m in year 0 and K60m in year 1 resulting in loss of marks.
- (v) Operating costs equally were not inflated correctly.

Part (b) the question asked candidates to discuss the appropriateness of the use of the Government recurring grant to finance the investment in the tourist site. Candidates focused on what government grant is instead of explaining the use of government grants in financing investments.

Part (c) required candidates to explain how a lease agreement would be arranged to finance the tourist site project. Candidates did well on this part of the question.

Part (d) required candidates to distinguish concession arrangement and a leasing agreement as way of financing the tourist site project. Candidates did well on this section despite some candidates focused on the features of leases instead of explaining the differences between concession arrangement and leasing.

QUESTION TWO

The general performance on this question was very good as 13 out of the 17 candidates that attempted the question managed to obtain at least 10 marks out of a total of 20 available marks. A pass rate of 76.5% was recorded. The highest score was 17 out of 20 marks while the lowest was 6.

Part (a) required candidates to explain the budget credibility and reasons realistic budgets are a prerequisite of effective budget execution. Further, the question required candidates to discuss the issues ministries face with spending commitments under the framework. Some candidates failed to bring out the points. This showed lack of depth in reading. Similarly explaining the issues Ministries, Provinces and Agencies face with spending commitments under the framework were not well

explained. Key points were missing. Candidates were coming up with general and wild points.

Part (b) of the question required the candidates to explain the financial reporting and external audit scrutiny process in Zambia. Candidates did not talk about Financial statements and budget reports produced by Ministries that should be scrutinised. They also did not talk about the report of the Auditor General that should be submitted to the National Assembly for hearing in depth and scrutiny.

QUESTION THREE

The general performance on this question was also good as 10 out of the 14 candidates that attempted the question managed to obtain at least 10 marks out of a total of 20 available marks. A pass rate of 71.4% was recorded. The highest score was 14 out of 20 marks while the lowest was 6.

Part (a) required candidates to prepare a paper explaining the benefits the PEFA framework can bring to a country.

Part (b) required candidates to explain the sources of information for the PEFA framework. The performance was good.

QUESTION FOUR

The general performance on this question was good. 8 out of the 13 candidates that attempted the question managed to obtain at least 10 marks out of a total of 20 available marks. A pass rate of 61.5% was recorded. The highest score was 17 out of 20 marks while the lowest was 6.

Part (a) asked candidates to assess the project that is preferable by each of the following categories of investors (i) risk seekers and (ii) risk averse.

Part (b) asked candidates to advise the Government what other information would be required to incorporate risk neutral investors in the consultation process.

Part (c) required candidates to construct the minimax regret table and recommend which project would be selected using the minimax regret model, giving reasons. Candidates exhibited lack of knowledge.

Part (d) required candidates to advise the government which project offers the most balanced decision-making approach given the diverse risk attitudes of the investors and public sector financial management principles. The question was fairly attempted.

QUESTION FIVE

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

Part (a) of the question required the candidates to calculate NPV. Challenges faced were:

- (i) Candidates failed to identify the correct cash-flow.
- (ii) Candidates failed to use the correct annuity factor to discount the net cash-flow.

Part(b) required candidates to advise management the possible financial implications of increased private funding given the government probable reduction of funding by 40%. Candidates completely failed to split the initial investment of K80 m into 40% government funding and 60% private investment funding and because of this they failed to determine the implication of government reducing funding by 40%.

Part (c) required candidates to conduct sensitivity analysis. This was poorly answered and candidates seemed not to have understood sensitivity analysis. Candidates lacked knowledge on sensitivity analysis.

Part (d) required candidates to advise management how they can mitigate the potential risks identified and provide recommendations. Many Candidates who attempted the question managed to identify the risk strategies but failed to explain them properly.

Overall performance of candidates

Highest mark obtained in this paper:	64%
Lowest mark obtained in this paper:	24%
Overall pass rate in this paper:	50.0%