



DECEMBER 2025 EXAMINATIONS

CHIEF EXAMINERS REPORTS

CA ZAMBIA

SUBJECT: CA 1.1: FINANCIAL ACCOUNTING

QUESTION ONE

The general performance on this question was fair. 122 out of the 248 candidates that attempted the question passed (got at least 10 out of the total 20 marks available). The pass rate recorded was 49.2%. The highest mark scored on this question was 20 out of 20 and the lowest was 0 out of 20.

This was a compulsory question with ten (10) parts.

QUESTION TWO

The general performance on this question was good. 174 out of the 241 candidates that attempted the question passed (got at least 10 out of the total 20 marks available). The pass rate recorded was 72.2%. The highest mark scored on this question was 20 out of 20 and the lowest was 0 out of 20.

This was a compulsory question with two requirements.

Part (a) required candidates to prepare the partnership appropriation account for the year ended 31st March 2025. Candidates failed to calculate interest on loans from Bob by just calculating 6% without taking into account the period of nine months only.

Part (b) required candidates to prepare the partners current accounts for the year ended 31st March 2025. One common error was to include capital balances in this account.

QUESTION THREE

The general performance on this question was very poor. None of the 122 candidates that attempted the question passed (none got 10 out of the total 20 marks available). The pass rate recorded was 0%. The highest mark scored on this question was 8 out of 20 and the lowest was 0 out of 20.

Part (a) required candidates to compare and contrast the accounting systems utilized in public and private sectors. Very poor answers were given as they did not address what the question requested.

Part (b) required candidates to prepare a statement of changes in equity. Candidates failed to calculate the equity value, share premium value and retained earnings after tax. Candidates are encouraged to adequately prepare themselves before attempting this core paper.

QUESTION FOUR

The general performance on this question was very poor. Only 22 out of the 192 candidates that attempted the question passed (got 10 out of the total 20 marks available). The pass rate recorded was 11.5%. The highest mark scored on this question was 15 out of 20 and the lowest was 0 out of 20.

The question required candidates to prepare a statement of cash flows using the direct method. Candidates used the indirect method which was not asked for in operating activities.

QUESTION FIVE

The general performance on this question was poor. Only 89 out of the 242 candidates that attempted the question passed (got at least 10 out of the total 20 marks available) The pass rate recorded was 37%. The highest mark scored on this question was 18 out of 20 and the lowest was 0 out of 20.

Part (a) required candidates to prepare journal entries to correct the given errors. Candidates lost easy marks by failing to state the nature of each error.

Part (b) required candidates to prepare AB Co. suspense account to eliminate the amounts in suspense.

Part (c) required candidates to briefly explain, using examples, how part transposition and single entry errors, could cause a trail balance not to balance. Many candidates just defined the two errors without giving examples.

QUESTION SIX

The general performance on this question was very poor. Only 11 out of the 127 candidates that attempted the question passed (got at least 10 out of the total 20 marks available) The pass rate recorded was 8.7%. The highest mark scored on this question was 12 out of 20 and the lowest was 0 out of 20.

Part (a) required candidates to prepare adjusted net profit. Candidates had real challenges on reversal of provision for warranties, excess depreciation and loss on disposals in relation to the reported profits.

Part (b) required candidates to prepare a statement of changes in equity. Candidates failed to establish the value of bonus issue and how it should be accounted for in the statement.

Part (c) required candidates to prepare a statement of financial position as at 31 December 2024. Candidates failed to reduce the net book value of motor vehicles (K12000-2458) to take account of the disposed vehicle.

OVERALL PERFORMANCE OF CANDIDATES

Highest mark obtained in this paper:	74%
Lowest mark obtained in this paper:	4%
Overall pass rate in this paper:	22.6%

SUBJECT: CA 1.2 BUSINESS STATISTICS

QUESTION ONE

The general performance on this question was fair. 70 out of the 151 candidates that attempted the question passed (got at least 10 out of the total 20 marks available). The pass rate recorded was 46.4%. The highest mark scored on this question was 18 out of 20 and the lowest was 0 out of 20.

The question covered the entire syllabus hence students had a wide range of questions to answer. In most cases, candidates lost marks for using wrong formulae when computing the required tasks, and others didn't just know what to do.

QUESTION TWO

The general performance on this question was very good. 119 out of the 151 candidates that attempted the question passed (got at least 10 out of the total 20 marks available). The pass rate recorded was 78.8%. The highest mark scored on this question was 20 out of 20 and the lowest was 2 out of 20.

Part (a) of the question required candidates to define qualitative and quantitative type of data stating clearly the difference. Most of the candidates were able to define the terms in question correctly.

Part (b) of the question required the candidates were required to classify the given scenarios as discrete or continuous. A good number of candidates were able to correctly classify the given scenarios.

Part (c) of the question required candidates to use a time series model to calculate the four (4) quarterly moving average of the quantities of maize collected for the given time series data. The performance on this part of the question was good. Candidate demonstrated good knowledge of the topic.

QUESTION THREE

The general performance on this question was very good. 101 out of the 134 candidates that attempted the question passed (got at least 10 out of the total 20 marks available). The pass rate recorded was 75.4%. The highest mark scored on this question was 20 out of 20 and the lowest was 0 out of 20.

Candidates were required to use the given data to find the regression line and to estimate the value of y given the value of x . Further, the candidates were required to calculate and interpret the coefficients of correlation and determination of the data. It was observed that the performance on this question was good, candidates had less challenges in solving the questions given. Those that lost marks on this question made computational errors.

QUESTION FOUR

The general performance on this question was very poor. Only 10 out of the 108 candidates that attempted the question passed (got at least 10 out of the total 20 marks available). The pass rate recorded was 9.3%. The highest mark scored on this question was 20 out of 20 and the lowest was 0 out of 20.

This question was based on grouped data and candidates were required to calculate the range, the quartiles, the interquartile range and the quartile deviation. It was observed that candidates seriously lacked knowledge of the study topic. Perhaps they are used with a different line of questioning on grouped data. There is need to emphasize thorough coverage of the study topic to both tuition providers and students.

QUESTION FIVE

The general performance on this question was poor. Only 25 out of the 76 candidates that attempted the question passed (got at least 10 out of the total 20 marks available). The pass rate recorded was 32.9%. The highest mark scored on this question was 20 out of 20 and the lowest was 0 out of 20.

Part (a) required candidates to use the normal distributions to calculate the probabilities from the given scenario. It was observed that most candidates were able to use the normal probability distribution concept correctly. However, they could not arrive at the correct probabilities due to inability to use the normal distribution tables correctly. Perhaps emphasis should be made on how to read probabilities from probability tables.

Part (b) of the question required candidates to use probability rules such as complements, tree diagrams and additional rule to solve the given tasks from the probability table. The general performance on this part of the question was fairly good. However, there was some inconsistencies in using correct formulae. Others lost marks because they lacked basic knowledge on the topic of study.

QUESTION SIX

The general performance on this question was fair. 64 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 48.9%. The highest mark scored on this question was 20 out of 20 and the lowest was 0 out of 20.

Part (a) of the question required candidates to calculate the range, mean deviation, variance and standard deviation from a given scenario of ungrouped data. The first part of the question was solved without much struggle, but application of concepts emphasized in the second part of the question was not well done.

There was an observed lack of understanding of the question as most candidates could not find the correct mean deviation and standard deviation despite using the correct mean. There is need to emphasize the difference between population standard deviation and sample standard deviation formula.

Part (b) of the question required the candidate to explain the meaning of the term 'measure of dispersion'. Most of the candidates were able to correctly explain but with challenges.

Part (c) required candidates to state briefly two (2) advantages of using the following measures of dispersion: the range, mean deviation and standard deviation. It was observed that candidates seriously lack knowledge of what they were required to state. The performance on this part of the question was poor.

Overall performance of candidates

Highest mark obtained in this paper:	92%
Lowest mark obtained in this paper:	12%
Overall pass rate in this paper:	53%

SUBJECT: CA 1.3 BUSINESS ECONOMICS

QUESTION ONE

The general performance on this question was poor. Only 45 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 40.2%. The highest mark scored on this question was 18 out of 20 and the lowest was 4 out of 20.

This was a compulsory question made up of 10 multiple choice questions examining across the syllabus.

QUESTION TWO

The general performance on this question was poor. Only 44 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 39.6%. The highest mark scored on this question was 18 out of 20 and the lowest was 2 out of 20.

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

(a) This had three parts namely (i), (ii), and (iii) as follows:

- (i) Required candidates to derive the equation for total cost from the given cost function. Majority of the students merely stated the usual equation $TC = FC + VC$ rather than deriving the equation using the given information.
- (ii) Required candidates to calculate total cost, average cost, and marginal cost when $Q = 30$. Candidates who failed to derive the TC equation failed this one since all that was needed was to substitute $Q = 30$ in the derived equation.
- (iii) Required candidates to evaluate whether or not the farmer should sell a bag of wheat at a price of K350. This too was poorly answered. Candidates need to compare the selling price (marginal revenue) with the marginal cost to make the right decision. Some candidates' answers were not connected to these two concepts.

(b) Required candidates to explain how free entry and exit affected long run profitability of firms. This was well attempted by majority of the candidates.

(c) This required candidates to describe the output decision for the firm when the selling price fell below the average cost. This was fairly done, although some candidates seemed to confuse average variable cost with average total cost.

(d) Required candidates to outline any two (2) advantages of perfectly competitive market structure. This was poorly done as majority of the candidates outlined

characteristics or features of perfect competitive market structure instead of the advantages as required.

QUESTION THREE

The general performance on this question was good. 67 of the 93 candidates that attempted the question passed (got at least 10 out of the total 20 marks available). The pass rate recorded was 72%. The highest mark scored on this question was 20 out of 20 and the lowest was 1 out of 20.

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

- (a) This question required candidates to define the term market structure. Overall performance was not good. Majority of the candidates defined the term 'market' instead of 'market structure as required.
- (b) Required candidates to list the other two (2) market structures not mentioned in the scenario given. This was well answered by almost all candidates who attempted the question.
- (c) This required candidates to describe any two (2) characteristics of perfect competition not mentioned in the scenario. This was well answered. However, a few candidates repeated the same characteristics already given in the scenario.
- (d) Required candidates to use and explain separate diagrams or graphs to depict the average revenue and marginal revenue under perfect competition and under monopoly. The performance on this question was average. The common mistakes included poorly drawn graphs without labels on the axes or the axes interchanged. Further, some who drew the graphs correctly could not explain their graphs as required and lost some marks. Candidates are strongly urged to ensure that all graphs are explained to obtain full marks allocated for that question. Candidates are also urged to use the Graph Papers at the end of the Answer Booklet for need graphs.

QUESTION FOUR

The general performance on this question was good. 45 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 62.5%. The highest mark scored on this question was 17 out of 20 and the lowest was 0 out of 20.

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

- (a) This question required candidates to outline any three (3) functions of money. Performance was fair. The most common mistake was that some candidates presented either qualities of money or reasons for holding money. Candidates are advised to read the questions thoroughly and address the specific requirements of the questions.
- (b) Required candidates to explain how money solved the efficient problem of barter system. This was fairly done too. However, some candidates merely explained the barter system as opposed to explaining how money solved the problem of barter system.
- (c) This required candidates to determine what happens to nominal GDP if the Central bank increases money supply by 10% while velocity remained constant. Only a few candidates got this one correct. Majority of the candidates answered this question without stating the relevant Fisher equation $MV = PY$ and performing the necessary calculation. This was required to identify the change in nominal GDP following a 10% increase in money supply.
- (d) Required candidates to explain one (1) positive and One (1) negative effect of the decision to increase money supply. This was fairly done although some explanations were very weak.

QUESTION FIVE

The general performance on this question was very good. 63 out of the 83 candidates that attempted the question passed (got at least 10 out of the total 20 marks available). The pass rate recorded was 76%. The highest mark scored on this question was 17 out of 20 and the lowest was 3 out of 20.

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

- (a) This question required candidates to outline any three (3) benefits of international trade. This was well answered by majority of candidates.
- (b) Required candidates to explain why exporters benefit while importers lose out when the local currency depreciates. Overall performance on this question was poor. Some candidates answered the question using their financial knowledge or general answers unconnected to the depreciation of the local currency in the scenario.
- (c) This required candidates to describe the impact of currency depreciation on:
 - (i) The trade balance. This was poorly answered. Majority of the candidates merely defined trade balance as opposed to describe how trade balance is affected by the depreciation of the currency.
 - (ii) Inflation. This part of the question was fairly done.

- (iii) Domestic production. This part of the question was fairly done.
- (d) Required candidates to outline any two policies that government could implement to stabilize the exchange rate. This too was fairly done. However, some candidates indicated monetary and fiscal policies without clearly explaining how they can be used to stabilize the exchange rate.

QUESTION SIX

The general performance on this question was excellent. 79 out of the 88 candidates that attempted the question passed (got at least 10 out of the total 20 marks available). The pass rate recorded was 90%. The highest mark scored on this question was 20 out of 20 and the lowest was 4 out of 20.

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

- (a) This question required candidates to define the terms (i) peaks, (ii) recession and (iii) economic growth. Over performance was good except that some candidates defined these concepts in terms of business performance rather than the economic performance of the nation.
- (b) This question required candidates to list any four (4) factors that affected economic growth according to the scenario. This was well attempted by majority of the candidates. However, a few candidates presented factors which were not covered by the scenario and could not get marks for that. The question only required factors stated in the scenario.
- (c) This required candidates to demonstrate their understanding of the given concepts using graphs:
 - (i) Movement along the supply curve for maize in Zambia. This was well attempted by majority of candidates.
 - (ii) Shift in the supply curve for maize in Zambia. This too was well done. However, a few candidates only showed one side of the shift instead of two. This is because a supply curve can shift either to the left or to the right.

Overall performance of candidates

Highest mark obtained in this paper: 84%
Lowest mark obtained in this paper: 29%
Overall pass rate in this paper: 67%

SUBJECT: CA 1:4 COMMERCIAL AND CORPORATE LAW

QUESTION ONE

The general performance on this question was very good. 175 out of the 225 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 18 out of 20 and the lowest was 0 out of 20.

This was a compulsory question, and all candidates attempted this question.

QUESTION TWO

The general performance on this question was good. 154 out of the 224 candidates that attempted the question passed (got at least 10 out of the total 20 marks available). The pass rate recorded was 68.8%. The highest mark scored on this question was 20 out of 20 and the lowest was 2 out of 20.

The question was made up of two parts

Part (a) required candidates to identify any five (5) ways by which a contract of employment may be terminated in relation to employment law.

Part (b) required candidates to explain the meaning of anticipatory breach and the remedies available in such a situation in relation to the law of contract.

Candidates answered the questions well. No problems were observed. The challenge with those who did not do well is indicative of lack of adequate preparation for the course. Candidates are encouraged to study thoroughly all topics, especially Law of Contract, be it simple contracts or contracts of employment which constitute an integral part of the syllabus.

QUESTION THREE

The general performance on this question was good. 43 out of the 86 candidates that attempted the question passed (got at least 10 out of the total 20 marks available). The pass rate recorded was 50%. The highest mark scored on this question was 20 out of 20 and the lowest was 0 out of 20.

The question had three parts.

- (a) Candidates answered this question satisfactorily. Their answers revealed that maybe the question was too loaded for the marks allocated to it. This part focused on Agency and candidates were expected to exhibit knowledge of the same.
- (b) This question looked at two ways of classifying the Law. Candidates did well under this section. Generally, candidates answered this question satisfactorily.

- (c) This question focused on Articles of Association of a company. Candidates answered this question well. Future candidates are encouraged to read widely on this topic as there is always a question bordering on constitutive documents of companies. The ZICA manual is comprehensive on this topic.

QUESTION FOUR

The general performance on this question was very good. 124 out of the 154 candidates that attempted the question passed (got at least 10 out of the total 20 marks available). The pass rate recorded was 81%. 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 two parts (a) and (b). Part (a) of the question was based on scenario question which required students to apply the principles of Company Law. Under this part, more than half of the candidates who answered the question got the answer 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.

(a) Part (b) had four sub questions which focused on Ordinary shares, preference shares, Debentures secured by floating charge and debentures secured by a fixed charge. Part (i) of this question was well tackled by all candidates. Under Part (ii) as well was well answered by all candidates but some exhibited ignorance of the key issues relating to the topic. Under Part (iii) equally, candidates did well. Part (iv) was well attempted by candidates.

In future, candidates should read the modules to understand and not concentrate on certain topics.

QUESTION FIVE

The general performance on this question was very good. 172 out of the 223 candidates that attempted the question passed (got at least 10 out of the total 20 marks available). The pass rate recorded was 77%. The highest mark scored on this question was 18 out of 20 and the lowest was 4 out of 20.

The question had four parts.

- (a) Candidates answered this question satisfactorily.
- (b) Candidates were able to make a clear distinction between the two types of winding up.
- (c) Candidates demonstrated an understanding of the distinction between the two concepts.

- (d) Candidates struggled with this question, with many incorrectly interpreting it as relating to the privacy of contract. In future, candidates should read the modules adequately.

QUESTION SIX

The general performance on this question was good. 134 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 64%. The highest mark scored on this question was 20 out of 20 and the lowest was 3 out of 20.

The question had four parts.

- (a) Candidates struggled with this question as many discussed foreseeability which may be considered at the first stage of establishing negligence, while remoteness of damage arises after negligence has already been established. It seemed to be a bit of a grey area for most as they didn't grasp that what was required was a discussion about the limitation of damage.
- (b) Candidates answered this question well.
- (c) Candidates did not answer this question well.
- (d) The failure to answer such a straightforward question entails that candidates may not have devoted enough attention to this topic. Going forward candidates are encouraged to study all topics and do case study where necessary.

All candidates managed to get 10 Marks above. Going forward candidates are encouraged to put more effort into their studies.

Overall performance of candidates

Highest mark obtained in this paper: 90%
Lowest mark obtained in this paper: 21%
Overall pass rate in this paper: 77.8%

SUBJECT: CA 1.5 MANAGEMENT THEORY AND PRACTICE

QUESTION ONE

The general performance on this question was very good. 95 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 78.5%. The highest mark scored on this question was 20 out of 20 and the lowest was 2 out of 20.

This question was compulsory comprised of ten (10) multiple choice questions. Many candidates performed very well in this question.

QUESTION TWO

The general performance on this question was fair. 60 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 50%. The highest mark scored on this question was 20 out of 20 and the lowest was 0 out of 20.

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

Part (a) candidates were asked to explain briefly the four (4) decisional roles that a manager is expected to discharge in the exercise of his work. A good number of candidates mixed up the managerial roles and managerial functions which cost them a lot of marks.

Part (b) the candidates were asked to explain the four (4) managerial skills important to a good leader. This part of the question was answered fairly well by most candidates.

QUESTION THREE

The general performance on this question was excellent. 97 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 88.8%. The highest mark scored on this question was 20 out of 20 and the lowest was 2 out of 20.

The general performance on this question was as follows:

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

Part (a) required candidates to define the three (3) broad types of stakeholders. Majority of the candidates who attempted this question gave correct classifications of the three (3) broad stakeholders.

Part (b) required candidates to state the main interests for the groups that are within the organization. Many candidates managed to answer this part of the question well without having many difficulties.

Part (c) required candidates to explain the 'give and take' relationship that the organization has with some stakeholders. This part of the question was well answered by majority of the candidates that attempted this question. Only a few candidates had difficulties understanding the 'give and take' relationship.

QUESTION FOUR

The general performance on this question was excellent. 33 out of the 36 candidates that attempted the question passed (got at least 10 out of the total 20 marks available). The pass rate recorded was 91.6%. The highest mark scored on this question was 20 out of 20 and the lowest was 4 out of 20.

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

In part (a) candidates were required to explain the four (4) characteristics of services that may enhance customer satisfaction. Many candidates managed to explain the four (4) characteristics very well.

Part (b) candidates were asked to explain the three (3) kinds of systems that an organization should put in place to continue motivating employees. Part (b) was fairly well answered. Some candidates simply could not recall the three (3) systems as required in the question.

Part (c) candidates were required to provide any three (3) signs of low morale in employees at work. This again was well answered by many candidates as they correctly recalled the signs of low morale or dissatisfaction of employees at the workplace.

QUESTION FIVE

The general performance on this question was excellent. 111 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 91.7%. The highest mark scored on this question was 20 out of 20 and the lowest was 0 out of 20.

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

Part (a) candidates were required to state five (5) reasons why the two Sole Traders failed to perform. This part of the question was well answered by many candidates as they were able to bring out the disadvantages of operating a business as a sole trader.

Part (b) candidates were asked to discuss any five (5) features of a partnership type of business organization. Candidates with a good understanding of the various forms of business organizations got good marks as they managed to correctly discuss the features of a partnership type of business.

QUESTION SIX

The general performance on this question was good. 58 out of the 92 candidates that attempted the question passed (got at least 10 out of the total 20 marks available). The pass rate recorded was 63%. The highest mark scored on this question was 20 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) required candidates to explain the four (4) issues pertaining to change management that are important to consider in strategic planning. Part (a) was not well answered by many candidates who attempted this question.

Part (b) required candidates to give any three (3) examples of strategic changes that may be there in the business environment. Part (b) was equally not well answered candidates gave various answers which were not in line with the requirements of the question.

Part (c) required candidates to list six (6) external triggers of change.

Overall performance of candidates

Highest mark obtained in this paper:	90%
Lowest mark obtained in this paper:	21%
Overall pass rate in this paper:	85.1%

SUBJECT CA1.6 – BUSINESS COMMUNICATION

QUESTION ONE

The general performance on this question was excellent. 175 out of the 176 candidates that attempted the question passed (got at least 10 out of the total 20 marks available). The pass rate recorded was 99.4%. The highest mark scored on this question was 20 out of 20 and the lowest was 8 out of 20.

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

QUESTION TWO

The general performance on this question was excellent. 163 out of the 176 candidates that attempted the question passed (got at least 10 out of the total 20 marks available). The pass rate recorded was 93%. The highest mark scored on this question was 20 out of 20 and the lowest was 2 out of 20.

This question required candidates to:

Part (a) required student to Draw a bar chart representing the expenses per department in the first part of the question.

Part (b) required student to identify any two (2) key conclusions that can be drawn from the bar chart that candidates drew.

Part (c) required student to explain any three (3) benefits of using a bar chart instead of a table for financial analysis.

Part (d) required candidates to also explain any two (2) disadvantages of using a bar chart for financial analysis.

Despite a very good performance on this question, there were some common errors that were observed on this question: Drawing wrong diagrams without titles and correct keys.

- (i) In cases where some candidates attempted to include titles, they were not correct.
- (ii) There was incomplete and untidy work that was presented too.
- (iii) Some candidates rearranged the values in ascending order per department such that the diagrams appeared different from the expected answer.
- (iv) Some candidates simply omitted this question.

- (v) Mixing up answers of benefits as disadvantages or disadvantages as benefits of using a bar chart for financial analysis.

QUESTION THREE

The general performance on this question was good. 52 out of the 86 candidates that attempted the question passed (got at least 10 out of the total 20 marks available). The pass rate recorded was 61%. The highest mark scored on this question was 18 out of 20 and the lowest was 0 out of 20.

This question required candidates to:

Part (a) requires students to outline five (5) common issues that can disrupt the performance of a network.

Part (b) required students to describe how the spelling tool in Microsoft Word would be used to correct any spellings and grammar in the document.

Part (c) required candidates to explain the concept of data encryption and how it is applied in safeguarding financial data.

The common mistakes that were observed on this question were:

- (a) Question was poorly answered.
The common issues that can disrupt the performance of a network were not explained correctly; students explained the performance of the internet and not the general network.
- (b) This question was well answered by students.
- (c) Some students explained the concept of data encryption correctly but could not explain correctly how it is applied in safeguarding financial data.

QUESTION FOUR

The general performance on this question was good. 73 out of the 122 candidates that attempted the question passed (got at least 10 out of the total 20 marks available). The pass rate recorded was 60%. The highest mark scored on this question was 18 out of 20 and the lowest was 2 out of 20.

This question required candidates to:

Candidates were required to outline five (5) uses of the intranet within an organization in part (a) of the question. In part (b) they were required to state one (1) major difference between a file server and a database server, giving one (1) use case for each in business operations.

Part (c) required candidates to describe two (2) types of Information Systems that are commonly used in Accounting Firms other than Management Information System (MIS).

Part (d) required students to list two (2) benefits of computerized Accounting Information System.

QUESTION FIVE

The general performance on this question was very good. 122 out of the 148 candidates that attempted the question passed (got at least 10 out of the total 20 marks available). The pass rate recorded was 82.%. The highest mark scored on this question was 20 out of 20 and the lowest was 3 out of 20.

This question required candidates define the term quorum in part (a) of the question and part (b) required them to outline any three (3) reasons why it is important to send apologies when one is not able to attend a meeting. Part (c) required them to write a notice, rescheduling the meeting following the failure of the initial one from a given scenario in the question. Candidates were also expected to include the main items for discussions in their answers.

The common errors that were observed were:

- (a) - The definition of quorum was presented as meeting documents such as agenda and minutes which was not supposed to be the case.
- (b)- Some candidates used the wrong format.
 - Some candidates presented a standard agenda with many items instead of presenting the main agenda.
 - In some cases, information such date issuance, subject on the document, signature and name, the document name and content were not included in the answers that were provided.
 - some candidates had very poor opening and closing paragraphs.

QUESTION SIX

The general performance on this question was excellent. 160 out of the 169 candidates that attempted the question passed (got at least 10 out of the total 20 marks available). The pass rate recorded was 95%. The highest mark scored on this question was 20 out of 20 and the lowest was 4 out of 20.

Part (a) required candidates to explain to the new employees what effective communication is.

Part (b) required candidates to outline any four (4) reasons that make feedback important in communication.

Part (c) required candidates to explain any five (5) barriers to effective communication that new employees may encounter. All questions were based on the scenario that was provide in the examination paper.

The common errors that were observed on this question were:

1. Some candidates indicated the importance of effective communication instead of defining what effective communication is repeated answers were a common error too on this question,
2. Some candidates drew a communication cycle which was not supposed to be the case.
3. Some barriers were mixed up with the factors that affect the choice of medium.
4. In some cases, barriers were identified, but some candidates failed to provide correct explanations as required by the question.

Overall performance of candidates

Highest mark obtained in this paper: 93%

Lowest mark obtained in this paper: 37%

Overall pass rate in this paper: 94.5%

SUBJECT: CA2.1 FINANCIAL REPORTING

QUESTION ONE

The general performance on this question was good. 95 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 60%. The lowest score was 0.5 whilst the highest was 39 out of the available 40 marks.

The question had two parts, (a) and (b). Part (a) required candidates to prepare consolidated statement of profit or loss while part (b) required candidates to prepare the consolidated statement of financial position. Most candidates were able to maximize on marks that come with easy entries from the question that do not require any adjustment. This demonstrated candidates' understanding of consolidation process.

The following were the common mistakes made by the candidates:

1. Applying the % interest rate the parent had in subsidiary Santol on the profit and loss amounts in the consolidated statement of profit or loss.
2. Using the wrong number of months to proportionate amounts for subsidiary Santol (as this was a mid –year acquisition) hence losing out on a lot of marks.
3. Failure to correctly extract the post-acquisition intra group revenue which led to wrong amounts for cancellation as well as provision for unrealized profit (PUP) calculation, thereby affecting a lot of workings. Further, most candidates calculated PUP for profit and loss based on the entire revenue figure. The question provided intra-group revenue figure for the whole year and candidates were expected to apply 5/12 on the annual amounts to ascertain the post-acquisition revenue. Future candidates are reminded that PUP arises from post-acquisition intra group revenue and is calculated only on goods remaining in inventory of the buyer at the reporting date.
4. Most of those who scored poorly failed to proportionate fair value depreciation, on fair value adjustments, for post-acquisition period for additional expenses to cost of sales and retained earnings. This meant that the group PPE was also not correctly aggregated.
5. Most candidates failed to correctly account for deferred tax not recorded by subsidiary Santol. This was being added to net assets at acquisition instead of

being subtracted from other net assets. Subsequently, the increase in the liability was hardly treated as an expense but income in retained earnings. Only selected number of candidates could even account for it as part of the income tax in the consolidated profit or loss. Generally, it was left out of statement of financial position non-current liabilities section completely.

6. A handful of candidates managed to calculate the pre-acquisition retained earnings for use in the computation of net assets on acquisition of Santol while many struggled to do this. Those who struggled used retained earnings at reporting date as an amount for acquisition. Others added the post-acquisition retained earnings to the start of reporting period retained earnings.
7. In selected cases, no cancellation was made of dividends received by Papaya from Santol. Further, very few candidates accounted for fair value gain of financial assets just like they could not appreciate the fair value at reporting was already provided in the question and mostly they used total investment figure of K142 million.
8. Selected number of candidates failed to appreciate the fact that training costs did not qualify as an intangible non-current asset and so needed to be eliminated from intangible assets and expensed in administrative expenses and retained earnings.
9. Another handful of candidates could not correctly ascertain additional share capital and share premium for Papaya arising from its purchase consideration for Santol. This was because of misapplication of the share price to use and miscalculation of number of shares bought.
10. Some candidates failed to correctly calculate Papaya's investment in Apricot (which was an associate) to be reported in the consolidated statement of financial position. The main challenge was failure to proportionate the share of post-acquisition profits attributable to Papaya.
11. Failure to calculate the correct amount of profit for the year attributable to non-controlling interest, and the fair value of net assets attributable to non-controlling interest for consolidation in the statement of profit or loss and statement of financial position respectively.

In future, Candidates are encouraged to study and practice more on consolidation to acquaint themselves with the common consolidation adjustments.

QUESTION TWO

The general performance on this question was poor. 46 of the 128 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% was recorded. The highest score was 16 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, and in part (c) candidates were required to prepare the Statement of Financial Position, taking into account adjustments arising from application of various IFRSs.

The question had accompanying notes on various International Financial Reporting Standards (IFRSs) that needed to be adjusted for. IFRSs examined included IFRS 15 – Revenue from Contracts with Customers, IAS 16 – Property, Plant & Equipment, IFRS 16 – Leases, IAS 32 – Classification and Presentation of Financial Instruments and IAS 12 – Income Taxes.

Generally, most candidates did not perform well in this question. The following are the common mistakes made by the candidates:

The following are the common mistakes made by the candidates:

1. Failure to correctly adjust the revenue figure from credit sales whose payment was to be received in two (2) years' time. Most candidates failed to calculate the present value of these sales and reduce both revenue figures and receivables figure. Those candidates who discounted correctly, failed to calculate finance income arising from the receivables due to the effect of unwinding discount.
2. Failure to calculate depreciation charge correctly on items of property, plant and equipment.
3. Failure to identify that revaluation was at the end of the financial period, hence failed to calculate revaluation loss correctly.
4. A majority of candidates failed to account for leases correctly as they failed to calculate the amount of lease liability and right of use asset to be presented in the statement of profit or loss; and the amount of interest cost arising from lease liability.
5. Failure to account for convertible debt properly. Most candidates failed to split the amount into equity and financial liability as required by IAS 32. Those who managed to split, failed to further calculate the correct amount of financial liability

as at 31 December 2024 and the amount of interest cost calculated at the effective interest rate of 14.9%. a handful of candidates failed to adjust for issue costs which led to wrong calculations of figures for equity option, financial liability and interest cost.

6. Some candidates omitted the under-provision of income tax for the previous year, when determining the income tax expense for the year. Furthermore, the K3.80 million was treated as deferred tax instead of as a reduction in deferred tax liability.
7. Failure to calculate the correct amount of proceeds from rights issue and splitting between equity share capital and share premium.
8. Picking of wrong figures from the trial balance. In future, Candidates are reminded to pay attention to the question to avoid repetition of these mistakes.
9. Most candidates did not show all necessary workings by simply dropping compound figures in the statement of profit or loss without showing how these were derived. Candidates of future sittings are advised to show all the necessary workings to avoid losing marks.

Candidates of futures sittings are reminded to do more practice on single entity financial statements and application of IFRSs and IASs that normally come as accompanying notes.

QUESTION THREE

The general performance on this question was good. 65 of the 130 candidates that attempted the question managed to obtain at least 10 marks out of a total of 20 available marks. A pass rate of 50% was recorded. The highest score was 20 out of 20 marks while the lowest was 0.

The question was made up of one (1) part and required candidates to prepare a statement of cash flows using the indirect method in accordance with IAS 7 – Statement of Cash Flows.

Common mistakes made when answering this question included:

1. Miscalculation of the amount of cash spent to acquire additional non-current assets because accounts prepared omitted the amount of revaluation loss of the assets.
2. Failure to calculate the correct amount of grant received from the government to be reported under investing activities. Some candidates also failed to adjust the cash flows from operating activities in respect of grant income amortization.
3. Failure to calculate the correct amount of repayment of lease liabilities under financing activities.
4. Failure to calculate the correct amount of income tax paid and some candidates were omitting deferred tax from the T-accounts for tax liability.

5. Failure to calculate the correct amount of dividends paid. Most candidates failed to prepare the retained earnings account in which the dividends paid were to be obtained as a balancing figure.
6. Failure to calculate the correct amount of investment income received from investment properties.
7. Most of the candidates demonstrated lack of knowledge on double entry, hence the difficulty in preparing ledger accounts (T-accounts).
8. Most candidates were confused about the increase in payables for increase in receivables when making adjustments to the profit for movement in working capital. Increase in payables is treated as a cash inflow but most candidates treated it as a cash outflow.

In future, Candidates are therefore advised to grasp the basic principles and workings when attempting a cash flows question.

QUESTION FOUR

The general performance on this question was very poor. 2 of the 42 candidates that attempted the question managed to obtain at least 10 marks out of a total of 20 available marks. A pass rate of 4.8% was recorded. The highest score was 10 out of 20 marks while the lowest was 0.

The question was made up of four (4) parts. In part (a) candidates were required to explain the accounting treatment of the redeemable preference shares issued by the company. In part (b) candidates were required to explain the accounting treatment of an investment made in GRZ bonds which were acquired at a discount. In part (c) candidates were required to explain the accounting treatment of a court action in which the company was sued for allegedly supplying faulty goods, and part (d) required candidates to explain the accounting treatment of a plant that was classified as held for sale but the entity found an alternative use for the asset as it was unable to sell it.

The IFRSs examined included IFRS 9 – Financial Instruments, IAS 37 – Provisions, Contingent Liabilities and Contingent Assets; and IFRS 5 – Non-current Assets Held – For – Sale and Discontinued Operations.

The main challenges or common mistakes were as follows:

1. Application of Accounting Standards – Most of the candidates could not apply the Accounting Standards to the scenarios given in the question.

2. Computations – Most of the candidates could not do the computations as required. They were just making general explanations without computations and reference to the IFRSs.
3. Most candidates who attempted this question failed to explain accounting treatments of financial asset and financial liability. Candidates of future sittings are advised, to fully understand the IFRSs as most of those who attempted this question demonstrated lack of knowledge on IFRS 9.
4. A good number of candidates attempted to calculate the carrying amounts of the investment in GRZ Bond using amortized cost method. The amounts were incorrect in most cases because the candidates subtracted transaction costs (K0.2 million) from the principal amount of the financial asset, hence, the interest income was also wrong. The costs were to be added to the initial carrying amount as required by IFRS 9.
5. Most candidates failed to calculate the initial carrying amount of the financial liability as most candidates failed to deduct the issue costs incurred (K0.5 million) as required by IFRS 9. This resulted in wrong amounts of finance costs and carrying amount of the financial liability.
6. Candidates failed to correctly explain the accounting treatment of interest arising on both financial asset (interest on GRZ bonds) and financial liability (loan notes).
7. Candidates failed to discount the provision to be paid in two (2) years' time, IAS 37 requires that provisions must be measured at present value where the impact of discounting is material.
8. Most candidates failed to explain the accounting treatment of an asset that was previously classified as held – for – sale. They also failed to calculate the correct amounts of depreciation and carrying amount of the asset in accordance with IFRS 5.

Potential candidates are reminded that the redeemable preference shares must be presented as a liability because they present obligation to transfer cash through redemption and dividends payments in accordance with IAS 32. Further, the redeemable preference shares are a non-derivative liability and hence classified as an amortized cost item.

Candidates of future sittings are advised to spend more time in studying IFRSs as these are a key syllabus area for Financial Reporting (CA 2.1).

QUESTION FIVE

The general performance on this question was below average. 58 of the 120 candidates that attempted the question managed to obtain at least 10 marks out of a total of 20 available marks. A pass rate of 48.3% was recorded. The highest score was 20 out of 20 marks while the lowest was 0.

Part (a) required candidates to discuss the nature and purpose of the IASB's Conceptual Framework for Financial Reporting. Part (b) required candidates to explain the qualitative characteristics of financial information and their interrelationships. Part (c) required candidates to explain the two (2) measurement bases identified in Chapter 6 of the Conceptual Framework.

The following are the common mistakes:

1. Failure to discuss the nature and purpose of the conceptual framework for Financial Reporting.
2. Failure to explain the qualitative characteristics of financial information as outlined in the 2018 IASB's Conceptual Framework for Financial Reporting.
3. Failure to explain the measurement bases as identified in the IASB's Conceptual Framework.
4. Most candidates were answering this question using general knowledge, hence losing marks. A good number of them demonstrated lack of knowledge on the conceptual framework for financial reporting and its contents.

Further, candidates are advised not to take the increase in the examination's 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.

Candidates are, once again, reminded of the importance of reviewing past papers to identify the skills required in applying their knowledge in the examination. Covering the entire syllabus is a must as the exam is not going to discriminate against syllabus areas.

Candidates are advised to understand each area of the syllabus (including theory part) to increase their chances of passing.

Overall performance of candidates

Highest mark obtained in this paper:	86%
Lowest mark obtained in this paper:	9%
Overall pass rate in this paper:	41.9%

SUBJECT: CA2.2 – MANAGEMENT ACCOUNTING

QUESTION ONE

The general performance on this question was very poor. Only 13 out of the 157 candidates that attempted the question achieved a pass (that is a score of at least 20 out of 40 marks), representing a pass rate on the question of 8.3%. The lowest score was 0, whilst the highest was 33 out of the 40 available marks.

This question required candidates to:

(a) calculate the budgeted OAR per direct labour hour; (b) distinguish between allocation and absorption of overheads; (c) explain the difference in how absorption & marginal costing separate costs; (d) calculate actual production cost per bag, based on marginal costing; (e) prepare actual difference in actual profits reported between absorption & marginal costing; (f) to explain why there is a difference in the actual profits reported between the absorption and marginal costing system for H Ltd; (g) calculate cost variances as follows: (i) Direct material price variance (ii) Direct material usage variance (iii) Direct labour rate variance (iv) Direct labour efficiency variance (v) Variable production expenditure variance (vi) Variable production efficiency variance.; (h) to explain any four(4) factors that management of H Ltd should consider in investigating a variance.

Common errors included the following:

1. Lack of appropriate understanding when it comes to variance analysis, (part g).
2. Use of wrong variables in computing the specific variances requirements, (part g).
3. Too many candidates failed to use the actual cost of production of K22.1 million and direct material component of 55kg as critical components in determining variances, (parts (e) and (g)).
4. Many candidates failed to compute and pick the standard price/kg as a critical component in establishing variances for materials, (part g).
5. Many candidates failed to compute the budgeted direct labor hours. (part a).
6. Many candidates failed to establish the labour rate/hour, (part g).
7. Many candidates failed to compute the correct numbers of bags for the labour efficiency variance, (part g).
8. Many candidates failed to complete the compulsory question requirements, due to inadequate time allocation in answering questions.
9. There were a lot of partial attempts on the set questions or parts to the question.
10. Copying the question requirement, duplication and waste of valuable time during an exam.

11. Many candidates showed little knowledge of major factors that businesses need to consider in investigating variances. Such factors included materiality, cost of investigation, controllability and variance trend, etc. (part (h)).
12. Most of the candidates got parts (b) and (c) correctly.

QUESTION TWO

The general performance on this question was very poor. Only 6 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 7.5% was recorded. The highest score was 20 out of 20 marks while the lowest was 0.

Part (a) required candidates to advise the CEO to what extent the services of the subcontractor should be used to meet the expected demand for Products A, B, C and D.

To answer, "to what extent," a candidate needed to perform a make vs. buy differential analysis. If they ranked products by total profit instead of "Extra cost of buying per unit of limiting factor," the entire distribution of production would be incorrect. Candidates should have adopted a tabular format to compare the internal variable cost vs. purchase price relative to the scarce resources (machine hours).

Part (b) required candidate to prepare a statement showing the profit that ZZ Ltd would expect if the advice is followed.

Part (c) required to state two (2) non- financial factors you should consider before subcontracting product C.

Common errors

1. Failure to identify limiting factors such as machine capacity and failure to calculate the shortfall.
2. Most candidates ranked the products by contribution per unit or lowest subcontract price. This is mathematically incorrect for this scenario. To minimize costs, candidates should have ranked products based on the **extra cost of subcontracting** per machine hour saved. Candidates should "make in-house" the products that have the highest cost for buying outside, and "buy" the ones that are relatively cheap to outsource compared to the machine hours they consume.
3. Ranking by profit instead of cost savings incorrectly identifying which product to outsource first.
4. Some candidates used "units" or "labour cost" instead of "machine hours" to determine the priority.
5. Some candidates tried to "make" everything until they run out of hours without checking which product is the most efficient use of those hours. For example,

Product B uses 4 hours (a lot of capacity). If the "extra cost" to buy Product B is low, it should be the first candidate for subcontracting, even if it has a high selling price.

Part (b) required candidates to prepare a statement showing the profit that ZZ Ltd would expect if their advice in (a) was followed.

This was a "follow-through" question. If the student's allocation in Part (a) was mathematically incorrect, the profit statement in Part (b) would be fundamentally flawed. However, marks were given for correct use of the incorrect figures from (a). Candidates struggled with whether to include fixed costs in this statement. In the profit statement, many candidates forgot to deduct the specific subcontracting costs, and conversely deducted internal variable costs for units that were being bought from outside.

- (i) Fixed costs depended on the production range. Most candidates calculated the total units produced as 180,000 across all products but failed to check if "units made in-house" vs "total units sold" determines the fixed cost range. Since fixed costs are usually related to internal capacity, the appropriate fixed costs were K2, 000, 000 because the company was going to produce 114,000 units internally.
- (ii) Some candidates, when calculating profit, used internal variable costs for units that were subcontracted.
- (iii) Most candidates used the wrong fixed cost tier (e.g., using the K1, 600, 000 range) when production actually pushed the fixed costs into a higher range. See note 1 above.

Part (c) required candidates to state two non-financial factors they should take into account before subcontracting.

Common errors

1. The question asked about non-financial factors, but some candidates reverted to financial arguments e.g., it might cost more in the future, price increases, etc.
2. Giving non-financial factors which did not relate to subcontracting
3. Not attempting this part at all.

QUESTION THREE

The general performance on this question was very poor. 10 of the 118 candidates that attempted the question managed to obtain at least 10 marks out of a total of 20 available marks. A pass rate of 8.5% was recorded. The highest score was 15 out of 20 marks while the lowest was 0.

Question Three required candidates to:

- (a) Explain the terms economy, effectiveness, and efficiency, giving examples of how each can be measured.
- (b) Prepare a cash flow budget for six (6) months from January to June 2025.

Candidates should have defined the terms as follows:

- Economy – minimizing cost of inputs
- Efficiency – maximizing output from given inputs
- Effectiveness – achieving organizational objectives

Common errors (part (a));

1. Giving definitions without examples
2. Using the same example for all three concepts
3. Writing vague or generic explanations

Common errors (part (b));

1. Not attempting part (b)
2. Wrong cash flow timing.
3. Treating invigilation as a monthly expense.
4. Forgetting PAYE implications for most students.
5. Ignoring opening cash balance by most students.
6. Arithmetic errors when calculating closing balances leading to poor scores on the question.

QUESTION FOUR

The general performance on this question was very poor. Only 10 of the 105 candidates that attempted the question managed to obtain at least 10 marks out of a total of 20 available marks. A pass rate of 9.5% was recorded. The highest score was 20 out of 20 marks while the lowest was 0.

This question required candidates to:

- (a) Calculate the fixed production overhead costs absorbed by the product using absorption costing for the fourth quarter of 2024.
- (b) Prepare the profit statement for the company using absorption costing for the fourth quarter of 2024.
- (c) Prepare the profit statement for the company using marginal costing for the fourth quarter of 2024

- (d) To explain why there is a difference between the answers in (b) and (c) above and to reconcile the two profit figures.

The common mistakes made by the candidates included:

1. Part (a): Some candidates failed to find the information to use in the question and as a result strange figures were used and as result, they could not score any mark. *To calculate the fixed overhead absorption rate, K2, 400,000 should have been picked from the question and then divided by the normal level of activity of 1,200, 000 units from the notes.*
2. Parts (b) and (c): Some candidates still had challenges in differentiating between marginal and absorption costing methods of preparing financial statements. Varying solutions were given. *Critical to this question was the calculation of the variable marginal production cost of K8 per unit (K5, 760, 000/720,000 units) and the full production cost per unit for use in the marginal costing statement and absorption costing statement, respectively. Without these two rates, a candidate would not do any justice to the question.*
3. Part (d): Several candidates failed to state clearly what caused the differences regarding valuation of closing inventory. *The difference is caused by the fixed costs in the change in inventory.*
4. Not attempting the question in full.

QUESTION FIVE

The general performance on this question was very poor. Only 16 of the 137 candidates that attempted the question managed to obtain at least 10 marks out of a total of 20 available marks. A pass rate of 11.7% was recorded. The highest score was 15 out of 20 marks while the lowest was 0.

Part (a) required candidates to explain the role of management accounting in meeting the needs of six different stakeholders.

Many candidates were focusing on management accounting providing information for planning, control and decision making. That kind of answer indicated that the candidate misunderstood the question and was not awarded any marks. The answer should have linked the management accounting role in relation to stakeholders such as internal management, shareholders, employees, government, suppliers, etc.

Part (b) required candidates to explain how sustainability improves organization efficiency and how it contributes to stakeholder support and market edge.

The common error was to casually explain sustainability in the literal English sense such as how an organization sustains itself; without reference to how it contributed to stakeholder support and market edge. Answers like that did not attract any mark. This part was poorly done.

Part (c) required candidates to define and illustrate a cost object. Answers here were mixed. Some candidates defined and illustrated a cost object. However, some candidates could not define a cost object.

Part (d) required candidates to distinguish between job costing and process costing.

Common errors. These included not clearly explaining what each term is and not offering any differences as the question required.

Therefore, performance on this question was not good even though the question was easy.

Overall performance of candidates

Highest mark obtained in this paper:	75%
Lowest mark obtained in this paper:	1%
Overall pass rate in this paper:	5.7%

SUBJECT:2.3-AUDITING PRINCIPLES AND PRACTICE

QUESTION ONE

The general performance on this question was very poor. Only 31 out of the 220 candidates that attempted the question achieved a pass (that is a score of at least 20 out of 40 marks), representing a pass rate on the question of 14%. The lowest score was 0, whilst the highest was 36 out of the available 40 marks.

Part (a) of the question required candidates to explain two reasons why the auditors cannot issue absolute assurance.

Most of the candidates scored maximum marks and the following observations were made by those that did not score any marks.

- There were candidates that gave wrong reasons as to why absolute assurance cannot be given. For example, suggesting that absolute assurance is where an external auditor is involved. This suggests lack of knowledge of the topic. The key issues that should have been discussed is the fact that the financial statements contain accounting estimates and the fact that auditors do not test all the transactions and balances and as such are not in a position to guarantee the accuracy of the financial statements.
- There were candidates who discussed reviews in answering this question which did not address the question requirement, and no marks were awarded for doing so.
- There were candidates that discussed matters that occurred subsequent to the period end as the reason why auditors may not issue absolute assurance. This question could have been answered with no reference to the information in the scenario.
- Some candidates explained what absolute assurance is without explaining why auditors cannot give absolute assurance.

Part (b)

- (i) This part of the question required candidates to explain the importance of professional conduct to ZICA members. A majority of the candidates scored maximum marks and noted that the ethical principles influence the conduct of accountants. There were a few candidates who found an opportunity to explain the ethical principles for accountants for which no marks were awarded. Candidates should ensure they understand the question requirements before attempting to answer questions.
- (ii) Most of the candidates who attempted this question scored maximum marks and ably described the categories of people subject to ethical principles.

The following observations were made:

- A minority of candidates explained the ethical principles which did not answer the question requirement and no marks were awarded for doing so.
 - There were candidates that explained the functions and roles of the ZICA regarding the regulation of accountants in the country which did not address the question requirements.
- (iii) This part of the question required candidates to explain 2 advantages of the principle-based approach and 2 disadvantages of a rule-based approach to corporate governance. The performance in this part of the question was poor with most candidates not scoring any marks. This suggested that candidates do not understand the two corporate governance approaches, one which is principle based and the other rule based such as the Sarbanes Oxley Act of 2002 of the USA.

The following observations were made:

- Even though the question required candidates to explain 2 advantages of a principle-based approach to corporate governance, there were candidates who also suggested disadvantages for which no marks were awarded and a waste of time.
- Most candidates did not address the second part that required candidates to explain two disadvantages of a rule-based approach to corporate governance thereby losing the two marks allocated to doing so.
- A sizeable number of candidates discussed advantages and disadvantages of corporate governance which was not the question requirement.
- There were candidates that defined principle based and rule-based approaches to corporate governance without explaining the advantages and disadvantages as required.

Candidates are reminded to ensure that they address all question requirements particularly those that have multiple requirements. The presentation of answers should clearly show that all question requirements have been met through brief headings to the answers.

Part (c)

This was a multi requirement question with the first part requiring candidates to explain 4 methods that auditors could use to record internal control systems, and the second part required candidates to give one disadvantage for each of the 4 methods.

The following observations were made:

- A sizeable number of candidates explained methods used by auditors to gather evidence rather than explaining the methods used for recording the internal control system. For example some explained analytical procedures which is used in obtaining audit evidence.
- There were candidates that did not address the second part of the question requiring that candidates to give one disadvantage for each of the four methods explained thereby losing the marks allocated to doing so.
- There were candidates that discussed the components of internal controls of the control environment, control activities etc. which are clearly not methods of recording the control activities in an audit.

Part (d)

- (i) This part of the question required candidates to explain the two steps that should be taken before seeking direct assistance of internal audit in the audit of the financial statements of Mubuyu Ltd. Candidates that did not know the meaning of seeking direct assistance did not answer this part of the question satisfactorily. A majority of the candidates did not score any marks in answering this part of the question.

It is important that candidates recognize that the steps are those before a decision to seek direct assistance is reached. The auditors will require to seek written agreement from management and the internal audit function.

A majority of the candidates discussed matters that auditors should consider before deciding to use the work of internal audit which is different from seeking direct assistance. A sizeable number of candidates discussed the meaning of direct assistance which did not address the question requirements, and no marks were awarded for doing so.

- (ii) This part of the question required candidates to describe two areas in the audit of the financial statements of Mubuyu Ltd where the audit team may not seek direct assistance of internal audit. ISA 610(Revised) Using the work of internal auditors specifically prohibits external auditors to seek direct assistance in specified areas. Candidates were required to describe two such areas contained in the scenario, suggesting that general answers on areas not in the scenario did not earn marks. Candidates should have looked for areas requiring significant judgements and risky areas or the requirement to evaluate the work performed by internal audit function.

The following observations were made:

- Some candidates showed lack of understanding of seeking direct assistance by stating that the auditors will not seek direct assistance from internal auditors because they are employees of the company. This is a fact, but which is not a factor because it is a well-known fact that internal auditors are employees and external auditors can seek direct assistance if this is agreed upon with management and the internal audit function.
- Some candidates discussed the functions of the internal audit function which did not address the question requirement.

Part (e)

- (i) This part of the question required candidates to explain the reason for performing audit procedures on subsequent events. The performance in this part of the question was poor. Candidates should have noted that subsequent events could provide evidence of conditions that existed at the end of the period. Incorrect accounting by management of subsequent event may lead to the misstatement of the financial statements.
- (ii) This part of the question required candidates to explain the responsibilities of the auditors from the period end to the date of issuing the financial statements.

Candidates should have discussed matters relating to the active and passive duties of the auditors. Candidates should be clear on the events that take place from the period end to the date that financial statements are issued which are as follows:

- The year end of the accounting period
- The next event is the date of signing the audit report
- The issue of the financial statements

There were clearly wrong marks that earned no marks and showed lack of understanding of the responsibilities of the auditors before issuing the financial statements such as the following answers:

- The auditor will need to perform audit procedures and ask management to amend the financial statements.

- (iii) This part of the question aimed at establishing the candidate's understanding of adjusting and non-adjusting events considering the three matters in the scenario. Candidates needed to comment on management's accounting treatment and make recommendations for what should be done.

QUESTION TWO

The general performance on this question was good. Only 98 of the 197 candidates that attempted the question managed to obtain at least 10 marks out of a total of 20 available marks. A pass rate of 50% was recorded. The highest score was 20 out of 20 marks while the lowest was 0.

Part (a)

This part of the question required candidates to describe 3 roles of the proposed audit committee in running the affairs of Giraffe Plc. This was a knowledge-based question and could have been answered without making use of any information in the scenario.

Part (b)

- (i) This part of the question required candidates to assess the sufficiency and appropriateness of audit evidence obtained as a basis for the audit opinion. Candidates should have considered analytical procedures and written representations as sources of evidence. The performance in this part of the question was poor with most candidates scoring less than half the available marks.
- (ii) This part of the question required candidates to describe the ethical matters that would impact on the objectivity and independence of the auditors of Mweru Ltd. This was an easy question that candidates should have scored maximum marks, and the question did not require an explanation of possible safeguards to mitigate ethical matters.

QUESTION THREE

The general performance on this question was poor. Only 73 of the 172 candidates that attempted the question managed to obtain at least 10 marks out of a total of 20 available marks. A pass rate of 42.4% was recorded. The highest score was 19 out of 20 marks while the lowest was 1.

Part (a)

This part of the question required candidates to compare the levels of assurance provided from a review of the financial statements and an audit of the financial

statements. Full marks were awarded for explaining reasonable and limited assurance levels.

- it was observed that there were candidates that clearly did not know the two levels of assurance and when each one of them is appropriate. Some candidates suggested that for a review the level of assurance that will be given is a true and fair one and for an audit it will be a limited assurance.
- Others explained the two types of engagements that can be entered into by the auditors without explaining the levels of assurance as required.

Part (b)

- (i) This part of the question required candidates to explain the meaning of the two terms public interest and professional skepticism. A majority of candidates scored maximum marks.

Most of the candidates that answered this question scored maximum marks for explaining these terms. There were several others that did not answer the part that required an explanation of professional skepticism. There were others who clearly did not know the meaning of professional skepticism such as suggesting that professional skepticism helps the auditors to arrive at an audit opinion.

- (ii) This part of the question required candidates to describe the areas in the scenario where professional skepticism should be applied. Use of the information in the scenario was necessary and general answers not contained in the scenario earned no marks.

The following observation was made:

- Many candidates gave general answers with no reference to the information in the scenario such as when internal controls are weak and fraud has taken place.

Part (c)

This part of the question is related to describing substantive audit procedures that should be performed in the audit of:

The performance in this question was poor, and it would appear candidates are still facing challenges in describing the audit procedures that should be used.

QUESTION FOUR

The general performance on this question was very poor. Only 9 of the 126 candidates that attempted the question managed to obtain at least 10 marks out of a total of 20

available marks. A pass rate of 7.1% was recorded. The highest score was 13 out of 20 marks while the lowest was 0.

Part (a)

- (i) This part of the question required candidates to explain the responsibilities of management and the audit team with regards inventory count instructions. The following observations were made:
- There were candidates that did not know the responsibilities of management and the auditors such as by suggesting that management's responsibility is to notify the Warehouse Manager of the count and to prepare the count sheets. Further, suggesting that the auditors have a responsibility to ensure that inventory is counted all which did not address the question requirement in inventory count instructions.
- (ii) This part of the question required candidates to suggest six (6) inventory count instructions that should be used in the conduct of the inventory count of Mukwa Trading Ltd.

The following observations were made:

- There were candidates that gave less than the required six instructions and scored marks in proportion to the correct instructions explained.
- There were candidates that suggested instructions not related to inventory count.

Part (b)

- (i) This part of the question required candidates to explain how the disagreement within the audit team should be resolved. Candidates should have explained the need to discuss withing the team and referring the matter to more senior staff within the firm.
- (ii) This part of the question required candidates to assess the materiality and pervasiveness of the matter at hand i.e. inventory and explain the effect it will have on the audit opinion. The information in the scenario included the amount for the total assets and the profit after tax. Candidates needed to compute materiality levels and comment as necessary and based on the outcome, explain the effect on the audit opinion of the inventory destroyed. This is a non-adjusting event which is material and will require disclosure in the financial statements.
- (iii) This part of the question required candidates to explain the auditor's responsibility regarding the matter discovered after the issue of the financial statements of Kalomo Ltd, Candidates needed to know and understand the

provisions of ISA 560 *Subsequent events* to satisfactorily answer this part of the question.

Candidates require to fully understand the action of the auditors when a matter arises during the passive period which may include the re-issue of a new audit opinion.

QUESTION FIVE

The general performance on this question was poor. Only 60 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 38.9% was recorded. The highest score was 17 out of 20 marks while the lowest was 1.

Part (a)

This part of the question required candidates to explain five (5) methods that could be used to gain an understanding of Timber Co. Guidance in this area is given in ISA 315(Revised) *Identifying and assessing the risks of material misstatement through understanding the entity and its environment*.

The second part of the question required an explanation of the information obtained during the planning stage. A low average score of 8.1 of the maximum 20 marks and with 61.7% of the candidates scoring less than half the available marks shows lack of understanding of the topic.

Part (b)

- (i) This part of the question required candidates to explain four substantive audit procedures in the audit of the reevaluation of land and buildings. General audit procedures were not related to the revaluation of land and buildings did not earn any marks.

The performance in this question was poor with a majority of candidates scoring way below half the available marks. Candidates are reminded of the importance of being able to design suitable audit procedures and these will most likely be examined in future examination sessions. The performance in this question on audit procedures was poor and below expectations with many candidates failing to describe the audit procedures for the revaluation of land and buildings. This can only be attributed to lack of understanding of the accounting for revaluations and the related financial statement assertions.

- (ii) This part of the question required candidates to describe four (4) substantive audit procedures in relation to the audit of trade receivables. The same comments made in (i) above are relevant here.

Part (c)

This part of the question required candidates to describe four (4) audit procedures that could be performed using audit software in the audit of trade payables. In order to answer this question satisfactorily candidates needed to know the meaning of audit software which basically means the use of information system to perform audit procedures.

Candidates should note that audit software and test data are forms of Computer Assisted Audit techniques and the question was specifically on the use of audit software by auditors in the audit of accounts payables.

Part (d)

This was a knowledge-based question requiring candidates to explain four (4) rights of auditors. A majority of the candidates were able to do so and they scored maximum marks. The rights of auditors are specified in the Company's Act and clearly stated in the study material for CA 2.3.

It was surprising to see some of the rights of auditors that were explained by candidates, most of which were incorrect and no marks were awarded including the following:

- Right to assess effectiveness of internal controls
- Right to check going concern
- Right to resign
- Right to be paid
- Right to financial statements
- Right to board meeting and
- Right to recalculate.

Overall performance of candidates

Highest mark obtained in this paper:	86%
Lowest mark obtained in this paper:	7%
Overall pass rate in this paper:	27.3%

SUBJECT CA 2.4 - TAXATION

QUESTION ONE

The general performance on this question was poor. Only 87 of the 260 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 32 out of 40 marks while the lowest was 0.5.

The question covered taxation of companies. In part (a), candidates were required to compute the amount of provisional income tax paid by Mpika Farms plc in the tax year 2025. Which required candidates not to state the due dates for the payment of the tax.

The following were the common mistakes made by candidates:

- (i) Failure to compute the correct provisional income tax due to lack of knowledge for some candidates.
- (ii) Failure to realize that the estimated manufacturing profit should have been taxed at 30% and estimated farming profit should have been taxed at 10%.

In part (b), candidates were required to calculate the final taxable profits after capital allowances from manufacturing operations for Mpika farms plc for the tax year 2025:

The following were the common mistakes made by candidates:

- (i) Failure to compute the final taxable profit due to wrongly computed capital allowances.
- (ii) Some candidates failed to compute the correct wear and tear allowances due to the use of wrong rates for certain assets.
- (iii) Failure to test whether a commercial building would qualify for industrial buildings capital allowances.

In part (c), candidates were required to compute the final taxable profits from farming operations after capital allowances for Mpika farms plc for the tax year 2025:

The following were the common mistakes made by candidates:

- (i) The majority of candidates failed to compute the correct taxable profit correctly due to wrong identification of disallowable expenditure which should have been added to net profit before tax.

- (ii) Some candidates were still using accommodation benefit rate of 37.5% instead of 37%.
- (iii) Failure also to recall that personal to holder car benefit disallowable amounts were increased by 20% from the previous figures
- (iv) Some candidates deducted investment income from the net profit after grossing them up, which was totally wrong.
- (v) Failure to realize that loss relief should be restricted to 50% of taxable profit.

In part (d), candidates were required to calculate the amount of company income tax payable by Mpika plc farms for the tax year 2025.

The following were the common mistakes made by candidates:

- (i) Failure to compute the correct taxable income for both farming and no-farming income.
- (ii) Not knowing that farming income should have been taxed at the rate of 10% and non-farming income at the rate of 30%.
- (iii) Failure to compute the correct withholding tax on GRZ bonds which should have been treated as tax credit.

In part (e), candidates were required to determine the amount of penalties and interest arising from the late payment of the tax. The following were the common mistakes made by candidates:

- (i) Lack of knowledge on how to compute penalties on the late payment of income tax.
- (ii) Failure to compute the correct amounts of penalties chargeable on the overdue income tax. Some candidates simply stated the 2% interest and the 5% but could not use them correctly to compute the actual amount penalties and interest.
- (iii) Failure to compute the penalties on the late submission of the self-assessment income tax return.

QUESTION TWO

The general performance on this question was good. Only 142 of the 246 candidates that attempted the question managed to obtain at least 10 marks out of a total of 20 available marks. A pass rate of 58% was recorded. The highest score was 20 out of 20 marks while the lowest was 1.

The question examined ethical issues and taxation of employment income.

In part (a), candidates were required to explain whether the fundamental principles of Professional competence and due care and Confidentiality apply to the provision of tax services:

The following were the common mistakes made by candidates:

- (i) Failure to explain the application of professional ethics in relation to provision of taxation services.
- (ii) Most candidates had difficulties explaining the meaning of professional competence and due care.

In part (b), candidates were required to compute the amount of the final income tax payable by the taxpayer for the charge year 2025 and to indicate using zero (0) all benefits from employment that are exempted from tax.

The following were the common mistakes made by candidates:

- (i) Failure to compute the correct taxable emoluments for eight (8) as the employee resigned by 31 August 2025.
- (ii) Some candidates did not even gross up and add investment income to the total of taxable emoluments.
- (iii) Failure to compute the correct taxable income because of not deducting capital allowances.
- (iv) Failure to compute and deduct withholding tax as a tax credit against income tax payable.

QUESTION THREE

The general performance on this question was good. Only 120 of the 222 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% was recorded. The highest score was 19 out of 20 marks while the lowest was 2.

The question examined company residence and VAT.

In part (a) and (b) candidates were required to describe the criteria used to establish whether a company is resident in Zambia and to determine the residence status of companies given in the scenario, whether they were liable to Zambian income tax.

The following were the common mistakes made by candidates:

- (i) Some candidates failed to explain the criteria used to determine the residence of companies.

- (ii) Failure to determine whether the companies mentioned in the scenario were liable to Zambian income tax based on their residence

In part (c), candidates were required to calculate the amount of VAT payable/refundable by EMC Constructions Limited for the month of October 2025 and to indicate using a zero (0) all items on which VAT is not chargeable or recoverable.

The following were the common mistakes made by candidates:

- (i) Failure to compute the correct output tax on standard rated sales and on the sale of office equipment based on the cash accounting scheme.
- (ii) Failure to compute the correct input tax on purchases and other operating expenses.
- (iii) Some candidates computed input tax on the cost of petrol which was not deductible for input tax.
- (iv) Some candidates could not recall that only 90% of input tax on diesel was deductible from output tax.
- (v) Some other candidates lost free marks for not indicating zero (0) for those items on which input tax is not claimable, such as motors cars and entertainment expenses.
- (vi) Failure to use the fraction of 4/29 for those items where VAT was inclusive.

QUESTION FOUR

The general performance on this question was good. 130 of the 203 candidates that attempted the question managed to obtain at least 10 marks out of a total of 20 available marks. A pass rate of 64% was recorded. The highest score was 20 out of 20 marks while the lowest was 0.

This question examined administration of direct taxes and presumptive taxes

In part (a), candidates were required to calculate the customs value of the Toyota Belta car and the total import taxes paid by Tawila on the importation of the motor vehicle.

The following were the common mistakes made by candidates:

1. Failure to compute the correct CIF due to inclusion of costs incurred after the border post such as Road tax and comprehensive motor insurance.
2. Failure to compute the correct Value for Duty Purposes (VDP) because of the wrongly calculated CIF.
3. Failure to use correct figures for Customs and Excise duties obtainable from the table of rates.

4. Failure to compute the correct import VAT even though the amount on which it was based was given in question.

In part (b), candidates were required to explain any four (4) methods used to determine the value for excise duty purposes on goods manufactured in Zambia.

The following were the common mistakes made by candidates:

1. Most of the candidates misunderstood the question as they ended up giving methods used to calculate the VDP.
2. Some expressed lack of knowledge on the subject matter.

In part (c), candidates were required to explain the Property Transfer Tax implications of each of the transactions (1) to (5) above entered into by Tawila in the tax year 2025 and to include calculations of the amount of Property Transfer Tax arising where applicable.

The following were the common mistakes made by candidates:

1. Failure to compute the correct property transfer tax in particular on the sale of mining rights which was at the rate of 10%.
2. Some candidates were still computing PTT at the old rate of 5% instead of 8% for the tax year 2025.
3. Some candidates computed PTT on certain transactions where it is not chargeable such as on transfer of movable properties or chattels and transfer of shares from companies listed on LUSE.

QUESTION FIVE

The general performance on this question was very poor. Only 18 of the 95 candidates that attempted the question managed to obtain at least 10 marks out of a total of 20 available marks. A pass rate of 18.9% was recorded. The highest score was 18 out of 20 marks while the lowest was 0.

The question examined taxation of partnerships

In part (a), candidates were required to prepare a computation showing the allocation of the taxable profit to each partner in the tax year 2025, before loss relief.

The following were the common mistakes made by candidates:

1. Failure to apportion partnership profit before and after the admission of a new partner. Therefore, the profit should have been apportioned between 4 months and 8 months respectively.

2. Failure to compute the correct share of profits as most candidates did not deduct interest on capitals together with salaries to arrive at the balance to be shared.
3. Some candidates used wrong formats in handling a partnership question.

In part (b), candidates were required to compute the final taxable profit for each partner for the tax year 2025, after any available loss relief.

The following were the common mistakes made by candidates:

1. Lack of knowledge on dealing with loss relief.
2. Failure to compute the correct amounts for loss relief which was supposed to be restricted to 50% of taxable profits. Most candidates deducted the actual losses without subjecting them to a restriction of 50% of taxable profits.

Overall performance of candidates

Highest mark obtained in this paper: 85%
Lowest mark obtained in this paper: 3%
Overall pass rate in this paper: 47.1%

SUBJECT CA 2.5 - FINANCIAL MANAGEMENT

QUESTION ONE

The general performance on this question was poor. 31 out of the 250 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 12.4%. The lowest score was 0, whilst the highest was 27 out of the available 40 marks.

- (a) The question asked candidates to evaluate the proposed investment in the machinery using the Net Present Value. The common mistakes included:
- (i) Surprising most candidates failed to convert the real cost of capital to nominal cost of capital.
 - (ii) Candidates failed to calculate the incremental working capital injection.
 - (iii) Candidates had challenges incorporating inflation in the relevant cash-flows such sales, variable costs and fixed costs.
 - (iv) Candidates were including the cost of the initial market research of K24,000 which is not a relevant (sunk cost) cost and therefore, it should be ignored.
- (b) The question asked candidates to discuss the types of equity financing available to the company. The common mistakes included:
- (i) Most candidates were explaining the methods of raising equity finance and not the types of equity finance. The candidates were expected to bring out types of equity finance such as retained earnings, ordinary shares and preference shares.
 - (ii) Candidates who managed to mention the types of equity finance failed to explain the advantages and disadvantages of types of equity finance.
 - (iii) Surprisingly some candidates were discussing the general sources of finance including debt financing.
- (c) The question required candidates to explain how the company can minimize the cost of receivables. Most of the candidates did well on this part of the question.

QUESTION TWO

The general performance on this question was poor. Only 44 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 42.7% was recorded. The highest score was 20 out of 20 marks while the lowest was 0.

Part (a) required candidates to prepare a set of projected financial statements. Part (b) asked candidates to assess the impact of financing the business expansion by loan

note issue on the financial position, financial risk and shareholder wealth. Part (c) required candidates to discuss the circumstances under which WACC of a company could be used in investment appraisal. Lastly, part (d) asked candidates to briefly explain how the limitations of WACC as a discount rate could be overcome.

The candidates demonstrated a good understanding of the format of the profit and loss. However, some students couldn't comprehend the information that was given to come with projections. This had an implication in calculating the ratios in the second part of the question. While students knew the formulas and interpretation of the ratios in relation to business risk, the calculated ratios were incorrect.

There were no challenges in the last parts of the question. Candidates showed a good understanding of the WACC in part (c) and (d).

QUESTION THREE

The general performance on this question was good. Only 106 of the 203 candidates that attempted the question managed to obtain at least 10 marks out of a total of 20 available marks. A pass rate of 52.2% was recorded. The highest score was 20 out of 20 marks while the lowest was 0.

Part(a) required candidates to discuss the reasons for conducting the valuation of a company while part (b) required candidates to estimate the value of the company using the (i) book value, (ii) net realizable value, (iii) P/E ratio and (iv) dividend valuation model. Lastly, part (c) asked candidates to explain the circumstances under which the net assets basis of valuation would be the preferred method to value the company.

In part (a), candidates demonstrated a good understanding of the reasons for conducting company valuation. But the majority had a challenge in calculating the Book value and net realizable value of assets. Perhaps, it could be due to limited understanding of the principle behind the calculator of the book and net asset realizable value. Further, most students were unable to recall the PE ratio and dividends valuation methods, hence they couldn't get the question correct.

QUESTION FOUR

The general performance on this question was good. Only 126 of the 208 candidates that attempted the question managed to obtain at least 10 marks out of a total of 20 available marks. A pass rate of 60.5% was recorded. The highest score was 17 out of 20 marks while the lowest was 2.

Part (a) asked candidates to explain the objective of working capital management. Common Mistakes for candidates that responded to this question was that they did not state clearly the objectives of working capital management. Some answers were unable to explain what constitutes working capital so as to state the objectives of its management and how it relates to liquidity of a company and hence its importance.

Part (b) asked candidates to evaluate whether QT Business Solutions should pay sooner in order to take advantage of the discount. Common mistakes were that candidates could not correctly calculated the interest Cost of paying early, instead of using the 16%, these candidates applied a different %. This therefore resulted in an incorrect Net Benefit and incorrect advice.

Lastly, in part (c) the candidates were expected to discuss the issues noted by the management of QT Business Solutions that could affect the level of inventories by a business. The solution should have identified and stated the various aspects like the impact on inventories in the event of increased production, a rise in interest rates, reduction in the range of products, switching to a local supplier and a deterioration in the quality of brought-in-items. Common mistakes were because of the inability of the candidates in identifying and clearly stating these issues. Further, some candidates did not state the negative impact of increased interest rates on borrowing from financial institutions to finance the purchase of inventory.

QUESTION FIVE

The general performance on this question was very poor. Only 49 of the 217 candidates that attempted the question managed to obtain at least 10 marks out of a total of 20 available marks. A pass rate of 22.5% was recorded. The highest score was 20 out of 20 marks while the lowest was 0.

This part (a) of the question required the Candidates to calculate the expected Net Present Value (NPV) and advise whether the project should be undertaken or not. The solution should have clearly shown how the expected demand was determined. Most candidates' common mistakes were their inability to use the probability of occurrence of the demand provided i.e. the 0.55, 0.35 and 0.1. By not using these, the annual expected contribution was incorrect (in terms of demand and value).

The After-tax annual contribution and the incremental fixed cost were to be discounted by a discount of 18% to determine the expected Net Present Value (NPV). The common mistake was not using the 18% discount rate. Some candidates used a different discount rate instead.

Part (b) required candidates to discuss the reasons for holding inventories and whether they differ from the reasons for holding cash. The common mistakes made by the Candidates who attempted this section were that they did not adequately discuss the reasons for holding inventories and whether they are different from those of holding cash.

Overall performance of candidates

Highest mark obtained in this paper: 71%
Lowest mark obtained in this paper: 0%
Overall pass rate in this paper: 26.3%

CA2.6 STRATEGIC BUSINESS ANALYSIS

QUESTION ONE

The general performance on this question was good. 120 of the 195 candidates that attempted the question managed to obtain at least 10 marks out of a total of 20 available marks. A pass rate of 61.5% was recorded. The highest score was 39 out of 40 marks while the lowest was 2.

This question had five (5) parts; part (a) required candidates to identify the two (2) inflection points in Intel's operational development.

Part (b) required candidates to discuss the consequences of the decisions made after these two (2) inflections points to the operations of Intel corporation. Part (a) and part (b) were well answered by many candidates they identified the two (2) inflection points from the case study, and many candidates discussed the consequences of the decisions made.

Part (c) required candidates to evaluate any five (5) general areas of decision-making as was the case with Intel's board and management according to Johnson et al (2005). Many candidates had difficulties with this part of the question. A good number of candidates used Porter's five forces to answer, which was not correct.

Part (d) required candidates to describe any three (3) characteristics of strategic decisions that are taken in organizations. This part was not well answered many candidates couldn't simply recall.

Part (e) required candidates to list four (4) ways in which goals are related in support of a mission of an organization. This part of the question was not well answered many candidates explained the SMART model of objectives which was not the required of the question.

QUESTION TWO

The general performance on this question was very good. 136 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 80% 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 the primary task of shareholders as 'risk takers and discuss why it is optimal for a corporation to become publicly listed. Candidates who attempted to ask this question failed to describe the primary task of

shareholders as risk takers. However, many candidates managed to explain the rationale for a corporation to list publicly giving the major reason for recapitalization.

Part (b) the candidates were required to identify the five (5) element model on corporate governance. The candidates were able to identify with accuracy the five (5) elements and scored good marks on this part of the question.

Part (c), candidates were asked to discuss three (3) broad types of stakeholders influenced by corporate governance policies. This part of the question was well answered by most candidates.

QUESTION THREE

The general performance on this question was poor. Only 63 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 40.9% was recorded. The highest score was 20 out of 20 marks while the lowest was 0.

This question had three (3) parts; part (a) required candidates to recommend three (3) procedural approaches to the mining and construction companies as the main building blocks in risk control. Many candidates struggled to give examples in the mining and construction industry which demonstrated failure to apply concepts to the real work environment.

Part (b) candidates were asked to list any six (6) general benefits companies gain from the management of risk. A good number of candidates managed to list the six (6) general benefits.

In part (c) candidates were required to discuss any four (4) high risk controls the mining and construction companies would put in place to ensure accuracy of information in financial and audit reporting. Candidates had difficulties in part (c) just like was the case in part (a). The failure to understand the mining and construction sectors made it difficult for most candidates to relate or apply the concept of risk. Some candidates ended up explaining the TARA Model in risk management which was not the requirement of the question.

QUESTION FOUR

The general performance on this question was good. Only 67 of the 108 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% was recorded. The highest score was 20 out of 20 marks while the lowest was 0.

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

In part (a) candidates were expected to explain some of the problems associated with mergers and acquisitions. Most candidates managed to explain some problems like integration difficulties, different cultures for companies merging, differences in management styles etc. This part was well answered.

Part (b) candidates were required to advise with estimates on the value of one share if there is no growth in dividends and when there is constant growth. This part of the question required candidates to apply their Corporate Finance knowledge on bond valuation to advise appropriately. Many candidates had difficulties doing the calculations and were just explaining by making assumptions.

QUESTION FIVE

The general performance on this question was fair. 73 of the 147 candidates that attempted the question managed to obtain at least 10 marks out of a total of 20 available marks. A pass rate of 49.7% 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 how strategic planning affects productivity in organizations. This part of the question was poorly answered by many candidates who attempted. Those who attempted merely discussed the strategic planning process living out the "How" it affects productivity. The weight of this part of the question was 16 marks, many candidates lost out on their marks due to failure to apply the process to productivity.

In part (b), candidates were required to discuss any two (2) of the three (3) main strategic management elements. This part of the question was well answered by majority of the candidates.

Candidates in this paper generally performed well apart from question three (3) and question five (5). The observation is that questions that require candidates to apply frameworks or models to either advise or make recommendations, candidates usually have difficulties.

Overall performance of candidates

Highest mark obtained in this paper:	83%
Lowest mark obtained in this paper:	18%
Overall pass rate in this paper:	66.2%

SUBJECT: CA 3.1 – ADVANCED FINANCIAL REPORTING

QUESTION ONE

The general performance on this question was good. Only 142 out of the 242 candidates that attempted the question achieved a pass (that is a score of at least 20 out of 40 marks), representing a pass rate on the question of 58.7%. The lowest score was 2, whilst the highest was 37 out of the available 40 marks.

This was a forty (40) – mark question and was made up of two (2) parts. Part (a) (i) of the question required candidates to prepare the consolidated statement of profit or loss and other comprehensive income of Skyfall which had a subsidiary resident in a foreign country and presents its financial statements in a foreign currency. Part (a) (ii) required candidates to prepare the consolidated statement of financial position of Skyfall which had a foreign subsidiary. Part (b) of the question required candidates to calculate the consolidated gain or loss on the disposal of a subsidiary and to explain how the remaining interest should be accounted for.

The following were some of the common mistakes/difficulties encountered:

- (i) Failure to calculate the correct percentage of ownership (group structure) by the parent in the subsidiary.
- (ii) Failure to translate the financial statements of a foreign subsidiary. Most candidates consolidated the results of the foreign subsidiary (Midea), before translating the results. The triple principle Adjust, Translate and Consolidate (ATC), must always be applied when dealing with a foreign subsidiary.
- (iii) Failure to compute the correct amount of goodwill. Most candidates computed goodwill of a foreign subsidiary (Midea) in Kwacha (K), instead of the Nigerian Naira and then translate into Kwacha. As a result, most candidates failed to calculate the exchange gain arising from translation of goodwill.
- (iv) Selection and application of relevant exchange rates posed challenges. Candidates struggled to translate the foreign currency to the functional and presentation currency (that is the Zambian kwacha). There were several instances where wrong exchange rates were selected. Also, instead of dividing the relevant foreign currency values with the exchange rates, some candidates multiplied.
- (v) Many candidates had challenges in computing the non-controlling interest in the consolidated statement of profit or loss, non-controlling interest in the consolidated statement of financial position and total comprehensive income attributed to owners of the parent.
- (vi) Showed consolidated figures for property, plant and equipment and other items of the statement of financial position without showing how they were arrived at. Marks were lost especially where their consolidated figures were incorrect. First

up, don't do calculations in your head. You may think this is a good way to save time, but doing this can trip you up. Therefore, candidates of future sittings are advised to show all the relevant workings to earn good marks.

- (vii) Many of the candidates who attempted part (b) got the calculation correct. However, only few of them understood that the remaining 30% should be accounted for using the Equity Method of accounting in accordance with IAS 28. Majority of candidates proposed a variety of treatments that were not correct.

In future, Candidates are encouraged to study and revise all the principles of consolidation. Candidates seem to have relaxed preparing for consolidation of a foreign subsidiary, hence a good number of them demonstrated lack of knowledge and scored poor marks. 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 33 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 17% was recorded. The highest score was 15 out of 20 marks while the lowest was 1.

This question had two transactions in the scenario both on revenue recognition and ethical issues regarding revenue recognition. It had three (3) parts. Part (a) required candidates to discuss the ethical issues arising from the Finance Director's proposal to recognize an advance as revenue. Part (b) and part (c) required candidates to explain the appropriate accounting treatment of the two (2) different contracts the entity entered into with its clients. Both scenarios had technical issues on IFRS 15 – Revenue from Contracts with Customers.

The following were the common mistakes:

- (i) Some candidates only discussed extensively the five (5) steps under IFRS 15 Revenue from contracts with customers, without relating them to the two (2) contracts (contract with Kalomo limited and contract with Government agency) that were given, hence lost marks.
- (ii) Failed to discuss ethical issues and actions, instead most candidates only listed the code of ethics and five (5) steps model under IFRS 15. They failed to bring out issues of window dressing and creative accounting meant to manipulate the profits as was proposed by the director.

- (iii) Most candidates wrongly treated advance payments from customers, as prepayment (under current asset), instead of deferred income (under current liability).
- (iv) Some candidates classified wrongly the contract with Government agency as lease contract (IFRS 16) and others indicated Government Grant (IAS 20).
- (v) Failed to compute percentage of completion (52.38%) based on input method. The formula for input method is: $(\text{costs incurred to date} / \text{total estimated cost}) \times 100\%$. This showed that most candidates who attempted this question lacked knowledge on IFRS 15 which is one of the key IFRSs in CA 3.1.
- (vi) Failure to state the amounts that would appear in the financial statements in respect of the two (2) contracts the entity signed with its customers.

Future candidates are, therefore, reminded to categorically state amounts to be recognized in profit or loss and those to be recognized in statement of financial position for a question such as this. Summary extracts usually come handy for such a question.

For future examinations, candidates are advised to study all examinable standards and pay attention to the standards which are only examinable at advisory level. Covering the entire syllabus is a must as the exam is not going to discriminate against syllabus areas. Further, candidates are, once again, reminded of the importance of reviewing past papers to identify the skills required in applying their knowledge in the examination.

QUESTION THREE

The general performance on this question was very poor. Only 5 of the 87 candidates that attempted the question managed to obtain at least 10 marks out of a total of 20 available marks. A pass rate of 5.7% was recorded. The highest score was 14 out of 20 marks while the lowest was 0.

The question had three (3) issues (transactions) which candidates were required to advise the directors of Shitanda stating the appropriate accounting treatment in accordance with relevant IFRSs. The question had technical issues on IFRS 5 – Non-current Assets Held – For – Sale and Discontinued Operations, IFRS 9 – Financial Instruments (Hedge Accounting) and IAS 38 – Intangible Assets.

The following are the common mistakes made by the candidates:

- (i) Most candidates were able to identify the IFRS 5 criteria for held for sale assets or disposal group but only a handful of candidates connected the general criteria to the issues raised in the scenario and worse more could not touch on the accounting treatment correctly thereby losing out on valuable marks.

- (ii) While candidates made reference to a provision that needed to be recognized, a good number lost it on component of costs that needed to be included in provision amount as only redundancy costs were quoted.
- (iii) Most candidates did not attempt a part on forward contract expressing so much ignorance about it. The few that wrote a bit on it hardly expressed anything tangible except computation of the hedge instrument on the reporting date and nothing more. Various movements could hardly be referred to, not even the type of hedge instrument described with criteria used for classification were mentioned.
- (iv) The classification of movements to profit and loss and other comprehensive income was equally a gamble as no candidate showed any understanding of what type of movement goes to profit and loss and that for the other comprehensive income. The question already classified the hedge as a cash flow hedge which would have been easy for candidates to state how the movements should have been accounted for.
- (v) Candidates in general failed to apply the IAS 38 rule to this scenario to provide the right treatment for the transactions. Most who attempted this part only scored the mark on expensed research cost as the rest were not correctly articulated per the correct treatment.
- (vi) Literally, the candidates failed to provide the treatment of expensing all that did not qualify for capitalization and wrongly recommended capitalization.

Future candidates are reminded not to underestimate the basic accounting standards from earlier studies as they form a strong backbone for this advisory paper. They are further advised to prepare adequately for the exam and ensure full understanding of all examinable IFRSs. Technical knowledge of IFRSs and IASs is a must in CA 3.1.

QUESTION FOUR

The general performance on this question was very poor. Only 35 of the 174 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 15 out of 20 marks while the lowest was 0.

This question was made up of parts (a), (b) and (c).

In part (a) candidates were required to recommend the correct accounting treatment of the defined benefit plan in the financial statements. The technical issue was IAS 19 – Employee Benefits. In part (b) candidates were required to discuss the key practical considerations and financial statements implications to consider when implementing IFRS standard and the principles outlined in IFRS 1 – First Time Adoption of IFRS. In part (c) candidates were required to explain how share options granted to employees

with a future vesting date should be recognized in the financial statements. Candidates were also required to explain, with calculations, how the cash – settled share-based payment transaction was supposed to be accounted for in the financial statements. The standard examined in this part was IFRS 2 – Share – based Payment Transactions.

The following were the challenges faced by the candidates:

- (i) Few candidates failed to calculate the correct amounts to be recognized in profit or loss as pension expense and net movement in other comprehensive income.
- (ii) Some candidates described the types of pension schemes instead of explaining the accounting of a scheme already given in the scenario.
- (iii) Some candidates prepared the plan asset account separate from the plan obligation liability account, even though the information provided in the question required candidates to prepare a combined pension obligation account.
- (iv) Candidates did not focus on the specific requirements of a question. They described what the standard issuing process is, the various committees and their functions, instead of discussing the capacity resource requirements and impact on profitability and corresponding ratios that highlight different aspects of performance.
- (v) Candidates failed to explain the principles outlined in IFRS 1 – First Time Adoption of IFRS that should be applied when an entity adopts full IFRS standard.
- (vi) Failure to explain how share options granted to employees should be recognized and measured. Most candidates explained the types of share-based payment transactions contrary to the requirement of the question.
- (vii) Failure to correctly calculate the amounts of employee expenses and liability that would be due at the end of each year over the vesting period in respect of a cash-settled share-based payment transaction. A good number of candidates demonstrated lack of knowledge on IFRS 2.

From the above observations, it is evident that most candidates have no technical knowledge of the International Financial Reporting Standards which makes it very difficult for them to pass CA 3.1 – Advanced Financial Reporting. Therefore, candidates of future sittings are advised to spend more time in understanding the key principles of the IFRSs.

QUESTION FIVE

The general performance on this question was very poor. Only 130 of the 221 candidates that attempted the question managed to obtain at least 10 marks out of a total of 20 available marks. A pass rate of 59% was recorded. The highest score was 17 out of 20 marks while the lowest was 1.

This question was on comparative financial performance analysis and was made up of two (2) parts. Part (a) required candidates to calculate the equivalent ratios for 2025 which were gross profit margin, operating profit margin, return on capital employed, inventory turnover period and receivables collection period. Part (b) required candidates to analyze the financial performance and cash flow of BMK making specific reference to any concerns raised or expectations regarding future periods.

Candidates correctly calculated the required ratios but could not score above average marks because majority of marks were allocated to logical explanations possible causes of the change in the ratios, and not just to statements of increases or decreases in the ratios.

The following were the common mistakes made:

- (i) Failure to calculate the correct figures of the specific ratios the question requested for as most candidates used wrong formulas. This indicated lack of preparation as ratios are the same as those covered in Financial Reporting (CA 2.1).
- (ii) Failure to fully analyze the ratios calculated. Most candidates commented on the general trend of ratios reducing but could not state the possible factors that could have caused the decline in the trend.
- (iii) Some candidates wrongly stated that the gain of K2.25million on the sale of investments increased operational expenses leading to reduced profitability. To the contrary, the gain reduced administrative expenses and so created a one-off increase in profits. The performance of the company would have been even worse had the gain not been taken to the SPL. This is also evidence that candidates do not apply the rule of double entry when explaining the impact of transactions.
- (iv) Candidates hardly included the operations of supermarkets, and their impact on the entity's cash flows in their explanations. Instead, some candidates were preparing the statement of cash flows.
- (v) Candidates hardly included the operations of hotels operated by the acquired entity, and their impact on cash flows in their explanations.

Candidates of future sittings are advised to pay attention to this topic as it is examined often. Candidates should know the formulas of all relevant financial ratios and what each ratio measures.

candidates are not covering the entire syllabus and are ignoring accounting standards (IFRSs and IASs). As per previous examiner's reports, candidates are advised and warned to avoid predicting what will come in the examinations.

Further, candidates are advised not to take the increase in the examination's 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. They should take note that all IFRSs and IASs, as indicated in the

syllabus and study manual, are examinable in CA 3.1. Candidates should, therefore, build on the IFRSs covered in CA 2.1.

Candidates are, once again, reminded of the importance of reviewing past papers to identify the skills required in applying their knowledge in the examination. Covering the entire syllabus is a must as the exam is not going to discriminate against syllabus areas.

Candidates are advised to understand each area of the syllabus (including theory part) to increase their chances of passing.

Overall performance of candidates

Highest mark obtained in this paper:	73%
Lowest mark obtained in this paper:	07%
Overall pass rate in this paper:	30.6%%

SUBJECT:3.2-ADVANCED AUDIT AND ASSURANCE

QUESTION ONE

The general performance on this question was very poor. Only 69 out of the 304 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 23%. The lowest score was 1, whilst the highest was 35 out of the available 40 marks

Part (a)

- (i) This part of the question required candidates to comment on a clause in the engagement letter limiting the extent of liability for professional negligence. Candidates should have observed that this was between the auditors and the client with whom there is a contract. What should have come out clearly is the fact that it is assumed/automatic that auditors owe a duty of care to the company and that the clause will not be effective.

There was poor performance by candidates in this compulsory question. As has been observed in past examinations, most of the candidates that pass this paper score more than half the available marks.

- (ii) This part of the question required candidates to discuss the litigation by the institutional investor against the firm for professional negligence. Candidates were expected to recognize that the investor is a third party and should have discussed the decision of the Caparo v Dickson case which states that the auditors do not owe a duty of care to third parties who rely on the audited financial statements for making investment decisions. Discussion of the need to satisfy the three criteria was necessary and these should have been expressly explained in the answer.

Part (b)

This part of the question required candidates to describe quality control issues relating to continuance, assignment of engagement team and engagement performance. All these three areas should have been discussed briefly. Presentation under relevant headings was necessary in answering this part of the question. The performance in this question was poor, showing lack of understanding on the topic of quality in the context of the firm.

Part (c)

- (i) This part of the question required candidates to discuss the possible use of an auditor expert in the audit of the financial statements of Quality Motor Co and to explain the responsibility for the work performed by the expert.

Candidates were expected to use the information in the scenario in considering the possible use of an auditor expert and consider the audit risk with regards any work in progress at the end for which the auditors may not possess the necessary skills to conduct audit procedures particularly relating to valuation of any work in progress.

- (ii) This part of the question required candidates to explain how business risk which is the responsibility of management may affect a statutory audit. Candidates should have observed that some business risks have an impact on the financial statements and could result in the financial statements being misstated. The performance in this part of the question was poor with most candidates not scoring any marks.
- (iii) This part of the question required candidates to describe five audit risks in planning the audit of the financial statements of Quality Motor Co and to explain suitable audit responses.

Audit risk has been examined in this manner in previous past examinations and candidates were not expected to have problems answering this question. The performance in answering this part of the question was below expectation and the following observations were made:

- There were candidates who explained the three elements of audit risk of inherent risk, control risk and detection risk which was not the question requirement and no marks were awarded for doing so.
- There were candidates that simply identified audit risks without explaining how the matters created audit risks. Candidates are required to relate the matters discussed to the assertions in the financial statements to score maximum marks.
- There were candidates that did not suggest suitable auditor responses for the risks discussed and they lost the marks allocated to doing so.

Part (d)

- (i) This part of the question required candidates to explain the justification for discussing the audit report and opinion with management before issuing the audit report. Candidates should have discussed the need to give management an opportunity to explain their view on the proposed opinion and to avoid disagreement with the auditors.

- (ii) This part of the question required candidates to suggest a suitable audit opinion considering the matters given in the scenario. Suggesting an opinion with no justification did not attract any marks. Audit opinions have been examined in this manner in recent examination sessions. Candidates should note that there is only one opinion in an audit notwithstanding the matters observed. The question clearly required an explanation of the assumptions made in arriving at a proposed opinion. The performance in this question was poor with a majority of the candidates scoring less than half the available marks.

Audit reports were examined in a similar manner in June 2025 and September 2025 examination sessions. This is an important part of the syllabus and candidates are required to apply the theory on audit reports and the opinion to information in the scenario considering materiality and pervasiveness of the matters of concern.

- (iii) This part of the question required candidates to draft relevant extracts of the audit report considering the opinion suggested in part (ii) above. For 4 marks candidates should have included in the draft the opinion paragraph and the basis for opinion. Marks were allocated to the correct heading of the paragraphs and the correct wording used. It should be pointed out here that marks were awarded for the correct elements of the audit report even for incorrect opinions suggested in part (ii) of the question. Candidates lost easy marks with a majority losing all the available marks.

QUESTION TWO

The general performance on this question was poor. Only 95 of the 269 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 17 out of 20 marks while the lowest was 0.

Part (a)

This part of the question required candidates to discuss ethical matters in the audit of the financial statements of Wall Mart Limited and to suggest suitable safeguards that should be applied. This was a question that candidates should have scored maximum marks and ethics have been examined in this manner in almost all the previous examination sessions.

The following observations were made:

- (i) There were candidates that discussed audit risk which did not address the question requirement, and no marks were awarded for doing so. Once again candidates are reminded to ensure they understand the question requirement before attempting to answer examination questions.
- (ii) There were candidates who identified the issue but could not satisfactorily explain how ethical matters are.
- (iii) There were candidates that identified the ethical issues but could not correctly explain the ethical threat caused.
- (iv) There were candidates that simply explained the five ethical principles with no reference to the information in the scenario. No marks were awarded for doing this because it did not address the question requirement to apply the theory to the audit of the financial statements of Wall Mart Ltd.
- (v) A sizeable number of candidates discussed the matter of Muna who resigned from the firm and joined the client company and applied it to three ethical threats. This is just one of the threats that should have been considered, and candidates need to identify and explain other ethical issues other than only one relating to Muna.

Part (b)

- (i) This part of the question required candidates to explain four (4) financial statements assertions for the refrigeration equipment acquired during the year. The performance in this part of the question on substantive audit procedures was poor. To be able to describe audit procedures, candidates need to fully understand the meaning of financial statement assertions and their relationship with the audit procedures that require to be performed.

The following observations were made:

- Some assertions relate to both profit or loss transactions and balances contained in the statement of financial statement. There were candidates that explained assertions that relate to transactions in the profit or loss rather than balances such as those of the refrigeration equipment.
- A significant number of candidates simply stated assertions without explanations as per question requirement.

- There were candidates who explained the provisions of IAS 16 related to recognition, measurement and depreciations without explaining the assertions as required.
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- (ii) This part of the question was related to part (i) above and required candidates to suggest appropriate substantive audit procedures for the assertions explained. Audit procedures that did not relate to the financial statement's assertions explained did not earn any marks. Candidates were expected to demonstrate that they understand the relationship between financial statements assertions and audit procedures conducted by the auditors.

The following observations were made:

- A significant number of candidates described general audit procedures not related to the assertions explained in (i). Candidates needed to show that they understand the relationship between audit procedures and the assertions being tested. No marks were awarded for explaining general procedures.
- A sizeable number of candidates either did not provide the required number of audit procedures or simply did not attempt to answer this part of the question.

Audit procedures are a core area of the syllabus and will feature in future examinations. Candidates require to understand the accounting for specific areas in this syllabus to increase their chances of being able to describe the audit procedures that should be performed by the auditors.

Part (c)

This part of the question required candidates to describe the impact on the audit report and opinion on a matter of disagreement with management of the matter remained unresolved at the end of the audit.

It is clear from the information given in the scenario that there was a disagreement between the audit team and management concerning the adequacy of the provision for obsolete inventory. Misstatement of this provision has a direct impact on profitability and valuation of inventory. Candidates should have discussed the possible materiality of the under provision and its pervasiveness to the financial statements. The outcome of this assessment will determine the opinion that will be reached.

The performance in this part of the question was poor with many candidates scoring below half the available marks.

QUESTION THREE

The general performance on this question was poor. Only 89 of the 259 candidates that attempted the question managed to obtain at least 10 marks out of a total of 20 available marks. A pass rate of 34.4% was recorded. The highest score was 17 out of 20 marks while the lowest was 0.

Part (a)

- (i) This part of the question required candidates to explain matters that should be considered before deciding to bid for offer of audit services to Quality Hardware Stores. This was largely a knowledge-based question and could be answered with minimal use of information in the scenario.
- (ii) This part of the question required candidates to describe four (4) matters that should be included in the audit proposal in response to the advertisement for offer of audit services. Again, this was a knowledge-based question where candidates should have scored maximum marks.
After deciding to go ahead and submit a tender for the offer of audit services to Quality Hardware Ltd, the firm will be required to put together a tender document, and it is matters that should be included in the tender document that should have been discussed here.

Part (b)

- (i) This part of the question required candidates to evaluate the recommendation made by the Audit Senior that an unmodified opinion should be issued notwithstanding that Mubuyu Ltd is not a going concern. Candidates should have demonstrated their understanding of the use of the alternative basis of preparing financial statements and the obtaining of sufficient appropriate audit evidence. Unless there are other matters of concern, the suggestion by the Audit Senior is appropriate.

Candidates could have answered this part of the question with little reference to the information in the scenario. The matter of consideration here should have been the appropriateness of the basis of preparing the financial statements. Management concluded that the company was not a going concern and the auditors agreed with this. The fact that the financial statements were prepared on the alternative basis and that the auditors obtained sufficient

appropriate audit evidence, an unmodified opinion as suggested by the Audit Senior will be appropriate unless there are other matters of concern that would justify the modification of the opinion.

- (ii) This part of the question required candidates to discuss the action that should be taken by management in view of the fact that the final assessment is that Mubuyu Ltd is a going concern having prepared the financial statements on an alternative basis.

In answering this part of the question, the fact that there existed material uncertainty should have been taken into consideration. The suggested opinion should have been supported by correct arguments and the inclusion of a paragraph explaining the existence of material uncertainty should have been discussed.

QUESTION FOUR

The general performance on this question was poor. Only 49 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 25.6% was recorded. The highest score was 19 out of 20 marks while the lowest was 0.

Part (a)

- (i) This part of the question required candidates to discuss the response to information concerning disposal of hazardous substances by the client. Candidates should have discussed the need to gather information to establish the implications of the matter and the possible penalties the company may be subject to and consideration of reporting this to the regulators considering the ethical principles of confidentiality. Discussion questioning the integrity of management attracted marks as this is brought into question considering management's efforts to conceal this through the payments made to the inspectors.
- (ii) This part of the question required candidates to discuss the reporting requirements arising from the non-compliance with the regulation to expert hazardous substances. Candidates should have considered the provisions of *ISA 250 Consideration of laws and Regulations in an audit of financial statements* in answering this part of the question.

Candidates should have considered the need to report to management and those charged with governance, the regulators and the shareholders through the audit report.

Part (b)

- (i) This part of the question required candidates to distinguish risk based and business risk approached to audits. Candidates needed to illustrate that they understand the two possible approaches to audits. There are various approaches that auditors could follow in the conduct of audits and these two are among those methods and these are the ones that should have been discussed in answering this part of the question. The risk-based approach demands that the auditors should consider the audit risks that exist and direct their audit efforts to these areas while a business risk approach takes into consideration the business risks identified by management.

The performance in this part of the question was poor, and the following observations were made:

- Most candidates explained the meaning of audit risks and business risks which were not the question requirement.
- There were candidates that tried to identify and explain business risks in the scenario which did not address the question requirement.

- (ii) This part of the question required candidates to describe four (4) business risks in the audit for the financial statements of Precision Engineering Plc and to explain the impact of business risks on the financial statements. Candidates were expected to relate what could give rise to a misstatement of the financial statements because of the business risks described. Candidates needed to understand that business risks could have an impact on the financial statements and could result in the misstatement of the financial statements.

- (iii) This part of the question required candidates to discuss the benefit of assurance on the risk assessment processes of Precision Engineering Plc. Candidates that did not recognize the fact that auditors could provide assurance on the risks assessment systems of client companies as part of other assurance engagements did not answer this part of the question satisfactorily.

QUESTION FIVE

The general performance on this question was poor. Only 17 of the 155 candidates that attempted the question managed to obtain at least 10 marks out of a total of 20 available marks. A pass rate of 11% was recorded. The highest score was 15 out of 20 marks while the lowest was 0.

Part (a)

This part of the question required candidates to describe the use of directional testing in the audit of the financial statements of Mubanga Plc. a majority of candidates did not attempt to answer this part of the question. There were some who simply discussed double entry bookkeeping but did not demonstrate the use of directional testing in testing for over and understatement of both assets(expenses) and liabilities(income) losing the marks allocated to doing so.

The following observations were made:

- There were candidates who clearly did not know the meaning of directional testing and gave answers that showed lack of understanding such as suggesting that directional testing is used to test high volumes while others suggested that it is an audit procedure for directing audit staff.
- A significant number of candidates simply did not attempt to answer this part of the question.

Part (b)

- (i) This part of the question required candidates to explain the audit risk regarding the impairment of assets conducted. In describing audit risk, it is important to consider what could go wrong in the financial statements regarding the assets tested for impairment. The candidates did not understand impairment and the provisions of the relevant accounting standard could not satisfactorily answer this part of the question.

A majority of the candidates failed to explain the audit risk regarding impairment of assets.

- (ii) This part of the question required candidates to describe four (4) substantive audit procedures on the impairment review carried out by management. The performance in answering this part of the question was poor and the following observations were made:

- Candidates explained the methods of obtaining evidence such as recalculation without describing how they will be used in obtaining evidence on the impairment of tangible non-current assets.
- A significant number of candidates explained the reasons why audit procedures should be conducted and the risks that exist rather than describing the audit procedures.
- There were many candidates that described less than the required four procedures.

Candidates are reminded that to be able to describe appropriate substantive procedures for any figures in the financial statements, it is important to understand the accounting for the figures in question and the financial statement assertions for those figures. Substantive audit procedures aim at establishing whether the accounting is in accordance with the relevant accounting standards.

Part (c)

- (i) This part of the question required candidates to explain the action that should be taken in view of the uncorrected misstatements in the audit of the financial statements of Mubanga Plc. Candidates needed to discuss matters surrounding materiality and the possible impact on the audit report and opinion if these remain uncorrected. This could lead to the modification of the opinion, and the form of modified opinion will depend on the materiality and pervasiveness of the uncorrected misstatements. In this case the question specifies the materiality level set and used in the audit and the uncorrected misstatements appear to approach this figure and when undetected misstatements are considered, it is likely that the materiality level will be reached. In this case the auditors will request the management of Mubanga Plc to pass an adjustment and if this is declined then the opinion may be modified. Many candidates who answered this question failed to satisfactorily explain the action with some suggesting resignation of the auditors. Several others simply did not attempt to answer this part of the question.
- (ii) This part of the question required candidates to describe how the matters in each of 4 situations in the scenario could be reported in the audit report to Mubanga Plc. The objective of the different situations was to establish the understanding of candidates regarding the use of specified paragraphs in the audit report. The performance in this part of the question was poor in a question on audit reports which is frequently examined.

Overall performance of candidates

Highest mark obtained in this paper:	64%
Lowest mark obtained in this paper:	9%
Overall pass rate in this paper:	21.3%

SUBJECT: CA3.4 ADVANCED TAX

QUESTION ONE

The general performance on this question was very poor. Only 16 of the 176 candidates that attempted the question managed to obtain at least 10 marks out of a total of 20 available marks. A pass rate of 9.1% was recorded. The highest score was 32 out of 40 marks.

In part (a) (i) candidates were required to advise how income each individual will generate from the business will be assessed to income tax in the tax year 2025. The following are the challenges experienced by the candidates:

1. Failure to distinguish between income from trading and income from employment.
2. Failure to understand the taxation of business profits and the taxation of employment income.

In part (b) candidates were required to advise the basis of assessment for the profits which will be generated from business in the five (5) months to 31st May 2025 and compute the final taxable profits for this period. The following are the challenges experienced by the candidates:

1. Failure to understand the application of cessation rules in determining the tax year in which the final taxable profits generated by the sole trader will be taxed.
2. Failure to understand that assets qualifying for capital allowances will be deemed to have been disposed of at their market values and therefore balancing allowance/charges will arise on computing final taxable profits for the first five months.
3. Failure to apportion Nanyangwe's motoring allowance to the last five months of trading before incorporation.
4. Failure to apportion Nanyangwe's salary to the last five months of trading before incorporation.
5. Failure to compute balancing charges and balancing allowances correctly.
6. Failure to restrict the disposal proceeds of the factory to original cost when computing the balancing charge.
7. Failure to compute the ITVs correctly on the date of incorporation (1st January 2025) assumed to be the date of disposal.

In part (c) candidates were required to advise on the basis of assessment for the profits which will be generated by the business for the seven months period after incorporation and compute the final income tax payable by the incorporated business for the tax year 2025.

The performance on this part of the question was poor by most candidates

The following are the challenges experienced by the candidates:

1. Failure to deduct the director's emoluments from the business profits.
2. Failure to correctly compute and deduct employer's NAPSA contributions from business profits.
3. Failure to correctly compute and deduct NHIMA contributions from the business profits.
4. Failure to understand the application of commencement rules in determining the tax year in which the taxable profits generated by the incorporated business will be taxed.

In part (d) candidates were required to compute the final income tax payable by Sinyangwe and Nanyangwe in the tax year 2025. The following are the challenges experienced by the candidates:

1. Failure to apportion director's emoluments correctly when computing total income.
2. Failure to apportion the employee's salary correctly when computing total income.

QUESTION TWO

The general performance on this question was good. Only 102 of the 164 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 20 out of 20 marks while the lowest was 1.

The question was on taxation of income from mining operations and income from hedging. It was made up of parts (a) and (b).

In part (a) candidates were required to advise the directors of the tax treatment of income and losses arising from hedging.

The candidates Failed to provide the correct number of years for carry over unrelieved hedging losses

In part (b) candidates were required to calculate the amount of income tax payable by the mining company for the tax year 2025. The following are the challenges experienced by the candidates:

1. Failure to disallow unrealized foreign exchange losses.
2. Failure to add back the hedging losses to the business profits.

3. Failure to calculate the tax EBITDA correctly and correctly computing the allowable interest.
4. Failure to calculate the correct amount of income tax payable
5. Failure to compute indexation of capital allowances on mining equipment.
6. Failure to compute the mineral royalty tax correctly.

QUESTION THREE

The general performance on this question was good. 55 of the 111 candidates that attempted the question managed to obtain at least 10 marks out of a total of 20 available marks. A pass rate of 49.5% was recorded. The highest score was 17 out of 20 marks while the lowest was 1.

In part (a) candidates were required to compute the taxable business profits for Risk-free general insurance company.

The following are the challenges experienced by the candidates:

Failure to compute the accommodation benefit correctly and add it to taxable business profits of the company.

Failure to adjust for the increase in allowance for unearned income.

Failure to adjust for the reduction in outstanding claims from customers.

In part (b) candidates were required to compute the income tax payable by the insurance company for the tax year 2025.

The performance on this part of the question was good by most candidates who attempted it except for using the wrong company income tax rate.

QUESTION FOUR

The general performance on this question was very good. Only 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 77% was recorded. The highest score was 20 out of 20 marks while the lowest was 2.

The question was on ethical and professional issues and personal income tax computations.

In part (a) candidates were required to discuss the ethical and other professional issues a senior tax consultant is likely to encounter in a given scenario.

The main challenges experienced by candidates who attempted this question are as follows:

Insufficient knowledge of the treatment of the free accommodation benefit.

Misunderstanding of familiarity threat. The close relationship with the client and the long period of engagement with the client will both result in familiarity with the client. Some candidates assumed that the long period of engagement will lead to some other threat.

In part (b) candidates were required to compute the income tax payable by Kalenga for the tax year 2025.

The main challenges on this part of the question were as follows:

1. Failure to gross up the foreign dividend before adding it to the other income.
2. Failure to compute the total assessable income. Dividends from Zambian private companies should be added to the gross taxable income to arrive at total assessable income.
3. Failure to compute the DTR. Some candidates used the wrong formula.
4. Failure to deduct the WHT on royalties from the income tax liability.

QUESTION FIVE

The general performance on this question was poor. Only 21 of the 87 candidates that attempted the question managed to obtain at least 10 marks out of a total of 20 available marks. A pass rate of 24.1% was recorded. The highest score was 15 out of 20 marks while the lowest was 1.

The question covered financing options, VAT and computation of taxable profits and income tax for a Limited company.

In part (a) candidates were required to advise using appropriate supporting computations of the taxation implications arising from two transactions.

Transaction 1 involved the purchase of a secondhand building using a bank loan.

The main challenges experienced by candidates who attempted this question included:

1. Failure to compute recoverable input VAT on the building.
2. Failure to explain the taxation implication of interest on the loan and loan processing fees.
3. Failure to compute the 10% test. The total cost of the non-industrial building comprising of general offices and the showroom should be compared with the qualifying expenditure.

Transaction 2 involved the purchase of a new manufacturing equipment using a finance lease.

Candidates experienced the following challenges:

1. Failure to compute recoverable input VAT on the equipment.
2. Failure to explain the taxation implications of the annual lease payments on the finance lease.
3. Failure to compute the capital component of the lease rentals.
4. Failure to appreciate that the capital component of the lease rentals is not an allowable expense.

In part (b) candidates were required to compute the final taxable profit and the amount of company income tax payable by the company for the tax year 2025.

The following are the challenges experienced by most candidates who attempted this question:

1. Failure to compute the tax EBITDA correctly
2. Failure to compute the revised interest expense.
3. Failure to compute the allowable interest correctly.

Overall performance of candidates

Highest mark obtained in this paper: 81%

Lowest mark obtained in this paper: 1%

Overall pass rate in this paper: 30.3%

SUBJECT: CA3.5 – ADVANCED MANAGEMENT ACCOUNTING.

QUESTION ONE

The general performance on this question was very poor. Only 5 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 19%. The lowest score was 3, whilst the highest was 27 out of the available 40 marks.

Part (a) required candidates to prepare a formal report suitable for presentation to M Ltd.'s shareholders which included an evaluation of the two proposed options and recommending which option should be adopted, providing clear justification for their choice.

Common errors:

1. Writing a generic essay instead of a formal report. A report for shareholders must have a professional header (To, From, Date, Subject), an executive summary, structured sections with headings, and a clear, persuasive conclusion or recommendation.
2. Failure to identify the correct cash flows for the filter unit option and the alternative. Most candidates could not calculate the regular loan repayment using annuity factors provided in the exam and failure to incorporate incremental cash flows.
3. Most candidates failed to distinguish between the short-term nature of alternative options and the fact that it did not solve the problem of pollution.
4. Wasting time by discounting using discount factors over ten years instead of using annuity factors.

Part (b) required candidates to explain the nature of the environmental costs external to M Ltd.'s Mushili works operation and how these costs could be expressed in monetary terms to reflect their impact on the local community.

Common errors

1. Candidates did not address the second part of the question in context of the scenario. Therefore, very few candidates realized that the second part required them to "explain how these costs could be expressed in monetary terms to reflect their impact on the local community."
2. Candidates often confused internal environmental costs (like waste disposal fees or regulatory fines paid by the company) with external costs. External costs (externalities) include impacts on third parties that the company does not currently

pay for, such as air quality degradation affecting residents' health or local crop damage.

3. Providing vague descriptions instead of specific accounting/economic valuation methods. To get full marks for "expressing in monetary terms," candidates should have mentioned specific techniques such as contingent valuation, asking residents what they would be willing to pay to avoid the pollution, looking at the drop in property values in Mushili compared to non-polluted areas, travel cost method such as measuring costs incurred by residents to travel to cleaner areas for recreation.

Part (c) required candidates to draft a memorandum addressed to the Chairman of one of M Ltd.'s parent oil companies.

In this memorandum, candidates needed to acknowledge the concerns raised by the citizens' action committee and discuss the potential benefits to M Ltd of undertaking a formal 'environmental audit' of its operations.

Common errors

1. Candidates treated an environmental audit as a purely technical or scientific exercise. In a management accounting context, the audit serves to identify financial risks (like future liabilities), operational efficiencies (waste reduction), and reputational protection. Candidates should focus on the business case for the audit.
2. Failing to address the "Parent Company" context with many candidates writing the memo as if it is staying within M Ltd. Because it is addressed to the Chairman of the parent oil company, candidates should highlight how local environmental issues in Mushili could impact the global brand and "social license to operate" of the entire corporate group.
3. Writing a standard letter instead of a memo. In addition, they were being overly critical of M Ltd or dismissive of the citizens' action committee. The tone should be professional and objective, presenting the audit as a tool to resolve conflict and verify the company's commitment to corporate social responsibility (CSR).
4. Focusing too much on the "complaints about bureaucracy" mentioned in the text without linking it back to the financial or reputational risk to the parent company. Candidates need to bridge the gap between social outcry and shareholder value.

QUESTION TWO

The general performance on this question was good. 13 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 52 % was recorded. The highest score was 17 out of 20 marks while the lowest was 3.

This question required candidates to:

- (a) Discuss the advantages and potential challenges of implementing Activity-Based Costing (ABC) at the company.
- (b) Explain the differences between traditional budgeting and rolling forecasts. Furthermore, they were required to show how the rolling forecasts might help the company adapt to market volatility.
- (c) Evaluate the advantages and disadvantages of using financial metrics alone for performance measurement. In addition, candidates were to suggest non-financial measures that the company might need to consider providing a more comprehensive view of its performance.

Candidates did well on non-financial measures.

Common mistakes made by poorer candidates included:

1. Not attempting the question in full; thereby losing marks.
2. Discussing Activity Based Budgeting instead of activity-based costing.
3. Failing to explain rolling forecasts.
4. Failing to explain how rolling forecasts would assist the company in adapting to market volatility
5. Equating rolling forecasts to the flexing of budgets.

QUESTION THREE

The general performance on this question was very poor. Only 3 of the 21 candidates that attempted the question managed to obtain at least 10 marks out of a total of 20 available marks. A pass rate of 14% was recorded. The highest score was 12 out of 20 marks while the lowest was 1.

The question required candidates to:

- (a) Compare and contrast the roles of Patricia as the project sponsor and Demas, as the project manager.
- (b) Explain the information systems in terms of: (i) Knowledge Management; (ii) Expert Systems; and (iii) Executive Information Systems to help address some of the issues raised by the Managing Director.

Common mistakes made by the candidates included:

1. Most of the candidates could not compare and differentiate the roles of a project sponsor and project manager.
2. Mixing or interchanging the roles.
3. Answering the question as if it was about capital investment appraisal project, e.g, that a project sponsor should finance the project.
4. In part (b) most of the candidates could hardly explain the terms Knowledge management (KM), Expert systems (ES) and Executive Information Systems (EIS). There was a lot of waffling.
5. In part (b), there was failure to relate how the KM, ES and EIS could help address the company's concerns as revealed by the managing director.

QUESTION FOUR

The general performance on this question was poor. Only 8 of the 18 candidates that attempted the question managed to obtain at least 10 marks out of a total of 20 available marks. A pass rate of 44.4 % was recorded. The highest score was 14 out of 20 marks while the lowest was 6.

Question four (4) required candidates to:

- (a) Explain the difficulties multinational companies face in performance measurement when comparing performance against different companies which operate in different industries or countries.
- (b) Examine the types of information that an organization could use to set its Critical Success Factors (CSF) and explain how the information could be utilized.
- (c) Identify and discuss two (2) performance indicators (PIs) for each of the two (2) critical success factors provided in the question that could support their measurement.

- (d) Evaluate the impact of the proposed PIs for the design and functionality of an organization's website and management information system (MIS).

Common errors were as follows:

Common errors (part (a))

1. Listing factors without explanation.
2. Repeating the same point in different words.
3. Focusing only on accounting issues and ignoring strategic/environmental factors.
4. Weak linkage to performance measurement
5. Poor time management for a 6-mark discussion

Common errors (part (b))

1. Providing generic answers with no application to the organization in the scenario.
2. Describing information sources without explaining their use.

Common errors (part (c))

1. Selecting KPIs that do not relate to the CSF
2. Stating KPIs without discussion
3. Using vague, non-measurable indicators
4. Repeating KPIs across the CSFs

Common errors (part (d))

1. Describing systems without linking them to KPIs
2. Treating the website and MIS as operational tools only
3. Failing to evaluate the "impact" of the proposed PIs.

QUESTION FIVE

The general performance on this question was very poor. Only 2 of the 14 candidates that attempted the question managed to obtain at least 10 marks out of a total of 20 available marks. A pass rate of 14.3% was recorded. The highest score was 11 out of 20 marks while the lowest was 3.

This question required candidates to:

- (a) Explain the difficulties multinational companies face in performance measurement when comparing performance against different companies which operate in different industries or countries.
- (b) Examine the types of information that an organization could use to set its Critical Success Factors and explain how the information could be utilized.
- (c) Identify and discuss two (2) performance indicators (PIs) for each of the two (2) critical success factors provided in the question that could support their measurement.
- (d) Evaluate the impact of the proposed PIs for the design and functionality of an organization's website and management information system (MIS).

Common mistakes made by the candidates included:

1. Poorer candidates did not come up with the two transfer prices required by the question. They should have mentioned the market price and the full cost-plus methods.
2. Failing to calculate the profit per unit generated by ABC and DEF. These were K20 and K110, respectively.
3. Failure to realise that the cost per unit of the components transferred to DEF, the receiving division, was equal to the transfer price per unit (K50) plus the assembly cost per unit (K40).
4. Nearly all the candidates failed to **evaluate** whether the Transfer Price of K50 was reasonable. They should have suggested that K50 may not be reasonable if the market price was lower, especially if an arm's length price was used. The tax authorities were also going to suspect the high profit (K110 per unit) generated by DEF.
5. Focusing on tax avoidance only. Most of the candidates did not come up with recommendations to mitigate the tax adjustments by the tax authorities in country Y, e.g. engaging with tax authorities of country Y to avoid a prolonged dispute.
6. Avoiding part (c), thereby losing the 6 marks.

Overall performance of candidates

Highest mark obtained in this paper: 54

Lowest mark obtained in this paper: 26%

Overall pass rate in this paper: 26.9%

SUBJECT: CA 3.6- ADVANCED FINANCIAL MANAGEMENT

QUESTION ONE

The general performance on this question was very poor. Only 9 out of the 32 candidates that attempted the question achieved a pass (that is a score of at least 20 out of 40 marks), representing a pass rate on the question of 28%. The lowest score was 0, whilst the highest was 25 out of the available 40 marks.

Part (a) required candidates to evaluate the financial viability of the proposed fish project using APV. The common mistakes included:

1. Candidates failed to calculate the labour cost and this was as a result of not understanding the requirement of the question. This was supposed to be calculated by first finding the hours. For example, in the first year for skilled labour = $\frac{1}{4} \times 100000$ hours = 25000 hours and then multiply by the rate per hour.
2. Candidates failed to calculate the cost of GIA and G2C Ingredient correctly and this was as a result of not accounting for inflation correctly.
3. Candidates failed to find the value of equity and value of debt for Moba, which affected the computation of asset beta.
4. Candidates failed to find the interest on subsidized loan which was 100 basis point below the government yield rate. This was supposed to be $2.5\% - 1\% = 1.5\%$
5. Candidates failed to calculate issue costs in debt. The amount given was supposed to be grossed up before applying the 2% issue cost.
6. Candidates also failed to calculate the annuity factor to apply on all financing interest. candidates are allowed to use either the cost of debt or the risk-free rate. In this case the risk free of 6.3% was applicable.

Part (b) required candidates to discuss the importance of financial markets.

Candidates failed to explain financial markets due to:

- (i) Lack of understanding as financial markets involve complex concepts.
- (ii) Limited exposure to financial markets
- (iii) Overemphasis on textbook concepts rather than real- world applications.

QUESTION TWO

The general performance on this question was very poor. Only 1 out of the 26 candidates that attempted the question managed to obtain at least 10 marks out of a total of 20 available marks. A pass rate of 3.8% was recorded. The highest score was 10 out of 20 marks while the lowest was 3.

Part (a) required candidates to illustrate how a futures market hedge would be carried out, and the result in October of the futures market hedge, if the \$/£ spot turned out to be \$1.6000 – \$1.6020, and December £ futures were then priced at \$1.60. Candidates' common mistakes in responding to this part of the question were their inability to calculate the amount to clear the obligation which arose as a result of the weakening pound against the \$. These candidates used an exchange rate of \$1.80 instead of \$1.60. Mostly, they exhibited lack of knowledge of futures contracts.

Part (b) required candidates to discuss two (2) advantages and disadvantages to DOX Ltd of invoicing an export sale in a foreign currency. The candidates that responded to this part of the question common mistakes were their inability to state clearly the advantages and disadvantages of invoicing an export in foreign currency as was expected in answering this question.

QUESTION THREE

The general performance on this question was good. 23 of the 31 candidates that attempted the question managed to obtain at least 10 marks out of a total of 20 available marks. A pass rate of 74.2% was recorded. The highest score was 19 out of 20 marks while the lowest was 2.

Part (a) asked candidates to determine the following:

- (i) Its cost of equity (K_e), and
- (ii) Cost of debt (K_d).

Part (b) asked candidates to compute the current weighted average cost of capital (WACC).

Part (c) asked candidates to explain the difference between systematic and unsystematic risk in relation to the capital asset pricing model (CAPM).

Part (d) required candidates to discuss the following methods of adjusting for risk and uncertainty in investment appraisal:

- (i) Adjusted payback.
- (ii) Risk-adjusted discount rates.

Students were able to determine the market values of debt and equity. However, they had a challenge in calculating the equity beta for the solar energy project. Although students knew the CAPM formula calculating the cost of equity, the lack of understanding how to get the asset and project betas made it challenging for them to

get the question correct. This also had implications for calculating the WACC in part of the question.

Part C, there was a mix up in differentiating between systematic and non-systematic risk, an indication of limited understanding of the two broad risks under CAPM.

In part D, students were able to explain the two methods in investment appraisal, highlighting risk as a key distinctive feature.

QUESTION FOUR

The general performance on this question was poor. Only 5 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 36% was recorded. The highest score was 17 out of 20 marks while the lowest was 0.

Part (a) required candidates to discuss the appropriateness of using currency options by the Treasury unit of ALIPED to hedge against currency risk exposure.

Part (b) asked candidates to illustrate how traded \$/£ currency options can be used to hedge the risk at 1.576.

Part (c) asked candidates to show what will happen if the spot rate in June is \$/£1.5101 – 1.5122.

Generally, most students did not understand how to use currency options in hedging against currency risk. But also, more broadly the difference between a put and a call option and how to account for the premium in calculating the pay off.

Students needed to understand the operationalization of option contracts and how they can be applied in both spot and forward markets as a risk management tool.

QUESTION FIVE

The general performance on this question was very good. Only 19 of the 24 candidates that attempted the question managed to obtain at least 10 marks out of a total of 20 available marks. A pass rate of 79.1% was recorded. The highest score was 15 out of 20 marks while the lowest was 5.

Part (a) required candidates to discuss four (4) merits and demerits of protectionist measures imposed by Governments. This was well attempted.

Part (b) asked candidates to assess four (4) effects of tariffs imposed by protectionist Government policies on currency risk and capital investments. The question was attempted although some candidates failed assess the impact on of tariffs on currency risk and capital investments.

Overall performance of candidates

Highest mark obtained in this paper: 59%

Lowest mark obtained in this paper: 20%

Overall pass rate in this paper: 43.8%

SUBJECT: 3.7 PUBLIC SECTOR AUDITING AND ASSURANCE

QUESTION ONE

The general performance on this question was very poor. Only 25 out of the 126 candidates that attempted the question achieved a pass (that is a score of at least 20 out of 40 marks), representing a pass rate on the question of 20%. The lowest score was 1, whilst the highest was 29 out of the available 40 marks.

Part (a)

This part of the question required candidates to explain the audit work that will be performed in understanding the audited entity and risk assessment stages of the performance audit of the milling company. Although most of the candidates scored well in this part of the question there were others who did not score any marks.

Part (b)

- (i) This part of the question required an explanation of the objective of the performance audit of the milling company. A majority of the candidates scored maximum marks in this part of the question.
- (ii) This part of the question required candidates to describe the four(4) elements of performance audit using the information in the scenario. Explanations of the elements with no reference to the information in the scenario did not attract maximum marks.
- (iii) This part of the question required candidates to describe two audit procedures each in the performance audit of the milling company considering the three value for money principles. The performance in this part of the question was below expectation with most candidates scoring less than half the available marks.

Part (c)

- (i) This part of the question required candidates to explain two objectives of the intended IT audit of the milling company. Most candidates could not explain the objectives of IT audits with many leaving this part not answered.
- (ii) This part of the question required candidates to explain the meaning of test data and to illustrate its use in the audit of the milling company IT system. General answers with no reference to the IT system did not attract maximum marks.
- (iii) This part of the question required candidates to explain the meaning of audit software in the audit of the Milling company and to illustrate its use.

Part (d)

- (i) This part of the question required candidates to suggest four criteria to be used by the auditors in the compliance audit of the milling company. The criteria consist of the benchmarks against which the organization will be measured for compliance. The criteria is obtained from the laws and regulations or the agreement that should be followed by an entity. In the case at hand there is a statutory instrument from which the criteria should have been derived. A significant number of candidates scored less than half the available marks.
- (ii) This part of the question required candidates to describe four substantive audit procedures that should be performed in the compliance audit of the milling company. Candidates should have noted that the audit procedures will be aimed at establishing whether or not the criteria have been met.

QUESTION TWO

The general performance on this question was good. 88 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 74% 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 identify and discuss three potential threats to the independence of auditors in the engagement with CEC Zambia and to propose how the threats may be mitigated. A majority of the candidates scored maximum marks but there was a minority that performed poorly.

Part (b)

This part of the question required candidates to establish whether non-compliance with laws and regulations has led to material misstatements in the financial statements.

Candidates lost marks on account of explaining indicators of non-compliance with laws and regulations such as the payment of penalties. This did not answer the question requirement which was related to establish whether non-compliance led to a misstatement of the financial statements.

Part (c)

This part of the question required candidates to describe three deficiencies in the quality controls systems in the Office of the Auditor General and to propose recommendations to strengthen the system. This question required the use of the information in the scenario. General answers did not attract maximum marks.

Part (d)

This part of the question required candidates to explain the value and benefits of the SAI according to ISSAI 12 Value and benefits of SAIs and discuss how OAG fulfills its duty as a role model organization in promoting transparency, accountability and good governance.

Candidates needed to fully understand the provisions of the relevant ISSAI to satisfactorily answer this question and it was important that all aspects of the question were addressed.

Candidates were expected to briefly explain the three objectives of value and objectives.

QUESTION THREE

The general performance on this question was very poor. Only 3 of the 44 candidates that attempted the question managed to obtain at least 10 marks out of a total of 20 available marks. A pass rate of 6.8% was recorded. The highest score was 10 out of 20 marks while the lowest was 0.

- (i) This part of the question required candidates to explain the meaning and reliability of written representations in the audit of the financial statements of the pest research project.

Most answers show lack of understanding of the meaning of written representations and that they are meant to support other evidence. Written representations on their own are not sufficient evidence and auditors require to perform tests of detail to gather evidence. A majority of the candidates did not answer this part of the question.

- (ii) This part of the question required candidates to discuss the action that should be taken in view of the auditors not provided with the requested written representations. This part of the question could have been answered with no reference to the information in the scenario. A majority of the candidates suggested resignation of the auditors which should be an action of last resort. Candidates should have included the following in answering this part of the question:

- Find out from management why it has not provided the requested representations.
- Bring the matter to the attention of those charged with governance.
- Obtain audit evidence through other means if this is possible.
- Reconsider and evaluate the integrity of management and

- Consider the effect of the lack of representations on the audit report and opinion.

Part (b)

This part of the question required candidates to describe four (4) audit risks according to ISSAI 200: Principles of financial auditing in planning the audit of the financial statements of the pest research project. Candidates were required to use the information in the scenario in answering this question. General answers did not attract maximum marks.

Part (c)

- (i) This part of the question required candidates to explain the duty of public sector auditors regarding subsequent events to the date of signing the audit report. A majority of the candidates did not answer this part of the question and most of those that attempted to answer it did not satisfactorily and correctly do so showing lack of understanding of the subsequent events.
- (ii) This part of the question required candidates to discuss the response of the audit team regarding a specific event that occurred on 20 January 2025 before the finalization of the audit.

QUESTION FOUR

The general performance on this question was very poor. Only 21 of the 102 candidates that attempted the question managed to obtain at least 10 marks out of a total of 20 available marks. A pass rate of 20.6% 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 the general requirements of independence and audit risk in the performance audit of the dam project. Most of the candidates who scored poorly only explained matters relating to independence and lost the mark related to the mark on audit risk.

Part (b)

This part of the question required candidates to explain the three value for money principles in the context of the performance audit of the dam construction project. To score maximum marks, candidates needed to use the information in the scenario as required in the question. General answers attracted half the available marks.

Part (c)

This part of the project required candidates to suggest three criteria to be used in the conduct of the performance audit of the performance audit of the performance audit of the performance audit of the dam construction project. This part of the question was poorly answered with most candidates who scored less than half the available marks.

Part (d)

This part of the question required candidates to describe three (3) substantive audit procedures that should be performed in the performance audit of the dam construction project considering the value for money principles. Most candidates failed to describe audit procedures in the performance audit and the performance was poor, with the majority scoring less than half the available marks.

QUESTION FIVE

The general performance on this question was fair. Only 50 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 47.2% 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 the purpose of the planned compliance audit of the cash for work program.

Part (b)

This part of the question required candidates to describe two (2) methods that will be used in collecting evidence in the planned compliance audit of the cash for work program. This was a knowledge-based question that could have been answered without using the information in the scenario. It was disappointing to note that a significant number of candidates could not satisfactorily answer this part of the question.

Part (c)

This part of the question required candidates to explain two (2) objectives of the forensic investigation in the operations of the cash for work program. It was disappointing to note that a significant number of candidates could not explain the objectives of a forensic investigation.

Part (d)

This part of the question required candidates to explain five (5) audit procedures that should be followed in the conduct of the forensic investigation. Candidates needed to

briefly explain the work that should be done in each of the stages of conducting a forensic investigation.

Overall performance of candidates

Highest mark obtained in this paper:	62%
Lowest mark obtained in this paper:	6%
Overall pass rate in this paper:	25.2%

SUBJECT: CA 3.8 - PUBLIC SECTOR FINANCIAL MANAGEMENT

QUESTION ONE

The general performance on this question was very poor. Only 1 of the 19 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 5.3%. The lowest score was 0, whilst the highest was 20 out of the available 40 marks.

Part (a) required candidates to evaluate the project using NPV. The common mistakes included:

1. Candidates failed to subtract existing production capacity of 2 million from the forecast demand to get production for the new machine.
2. Candidates failed to account for inflation correctly on relevant cash flows such as savings, variable costs and fixed costs.

Part (b) asked candidates to calculate the Discounted payback period and most candidates did not discount the cash flows before calculating the discounted payback period.

Part (c) required candidates to calculate the sensitivity of the project to changes in the savings and operational costs. Most candidates failed to discount the savings before calculating the sensitivity margin. They also failed to apply the formula for sensitivity margin correctly.

Part (d) asked candidates to explain the five (5) components of the business case model. Candidates performed well on this part of the question.

QUESTION TWO

The general performance on this question was good as 4 out of the 8 candidates that attempted the question managed to obtain at least 10 marks out of a total of 20 available marks. A pass rate of 50% was recorded. The highest score was 14 out of 20 marks while the lowest was 5.

Part (a) asked candidates to discuss benefits of the PEFA framework. Candidates were able to highlight the benefits of the PEFA framework, and the meanings Annual Appropriation and YTD.

Part (b) required candidates to:

- (i) Explain the meaning of *Annual Appropriation* and *YTD Warrant* to the controlling officer of the ministry.
- (ii) Prepare a Statement of Budget Performance Report for the year 2024 showing the *budget-warrant outturns* and *warrant utilization rates*.
- (iii) Analyze and interpret the budget performance statement in (ii) above to facilitate the controlling officer's upcoming meeting with the select committee of parliament.

In part ii, students had a challenge preparing a statement performance report, and in particular calculating budget-warrant outruns and warrant utilization rates. This also affected the interpretation of the budget performance in part iii.

QUESTION THREE

The general performance on this question was very good as 12 out of the 16 candidates that attempted the question managed to obtain at least 10 marks out of a total of 20 available marks. A pass rate of 75% was recorded. The highest score was 19 out of 20 marks while the lowest was 6.

Part (a) asked candidates to explain seven (7) pillars of performance that are essential to achieving the three (3) key objectives of the PEFA framework. This question required the candidates to explain (7) pillars of performance that are essential in achieving the key objectives of PEFA framework. Instead of explaining the (7) pillars, some candidates only identified and explained on (2) pillars while other candidates did not identify any of these.

Part (b) required candidates to provide general discussion notes to the Director on the performance of the PEFA framework in Zambia in accordance with Any three (3) of the following PEFA evaluation criteria:

- (i) Budget predictability, reliability or control in execution.
- (ii) Management of assets and liabilities.
- (iii) Transparency of public funds.
- (iv) Financial reporting.
- (v) External Audit.

This was well attempted.

QUESTION FOUR

The general performance on this question was excellent as 16 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 94.% was recorded. The highest score was 20 out of 20 marks while the lowest was 8.

Part (a) asked candidates to discuss four (4) advantages of Public-Public Partnerships over Public-Private Partnerships. The majority of students were able to discuss the advantages and disadvantages of PUP and PPT. This was impressive.

Part (b) required candidates to write a report to the two (2) parties, explaining the various risks that the university as a client, and the contractor would each be exposed to as parties to the PPP arrangement. The majority of students were able to identify the key risks and had good report structure. However, most students did not specify whether the risk was for the university of the contractor as the requirement of the question.

QUESTION FIVE

The general performance on this question was good as 9 out of the 16 candidates that attempted the question managed to obtain at least 10 marks out of a total of 20 available marks. A pass rate of 56.3% was recorded. The highest score was 16 out of 20 marks while the lowest was 3.

In part (a) (i), Candidates were required to explain the potential issues that may arise from foreign borrowing as a significant source of Government Financing.

They needed to state the negative significant impact of interest payable and the repayment that is expected to be made in foreign currency which subsequently results in the depreciation of local currencies. The common mistakes were that some candidates that responded to this part of the question did not state these in their answers.

In part (a) (ii) required candidates to explain potentials of Domestic borrowing as significant source of funding. The answers should have stated the potential increase in interest rates due to crowding of the private sector and high inflation.

Part (b) required the candidates to discuss six (6) challenges associated with an increase in Domestic Resource Mobilization in low-income countries. Most candidates did not identify these challenges, instead some merely stated one (1) challenge and some not any, some did not answer this part of the question entirely.

Overall performance of candidates

Highest mark obtained in this paper: 59%

Lowest mark obtained in this paper: 29%

Overall pass rate in this paper: 57.9%