DECEMBER 2025 EXAMINATIONS

CHIEF EXAMINERS REPORTS

TAXATION

SUBJECT: C1 - PRINCIPLES OF MANAGEMENT

QUESTION ONE

The general performance on this question was excellent. The lone candidate who attempted the question achieved a pass (that is a score of at least 10 out of 20 marks), representing a pass rate on the question of 100%. The score was 20 out of 20 marks.
This question had two (2) parts; part (a) and (b)

Part (a) required candidates to explain any four (4) purposes of communication to any business. The candidate answered this part of the question very well.
Part (b) required candidates to state any four (4) important gains to an organisation's management of good use of the span of control. The candidate explained what span of control is and managed to state the good use of span of control.

QUESTION TWO

The general performance on this question was excellent. The only 1 candidate who attempted the question achieved a pass (that is a score of at least 10 out of 20 marks), representing a pass rate on the question of 100%. The score was 20 out of 20 marks.
This question was divided into two (2) parts; part (a) and (b).

Part (a) candidates were asked to explain how the 4Ps of the marketing mix are used to create stimuli to targeted customers. The candidate answered this part of the question well and demonstrated a good understanding of the marketing mix elements.
Part (b) the candidates were required to identify two (2) internal and two (2) external stakeholders to an organisation and their interests. The candidate performed a good stakeholder analysis and brought out the correct interests that each of them protects.

QUESTION THREE

The general performance on this question was excellent. The lone candidate who attempted the question achieved a pass (that is a score of at least 10 out of 20 marks), representing a pass rate on the question of 100%. The lowest score was 10, whilst the highest was 20 out of 20 marks.

The question had two parts. Part (a) required candidates to describe Porter's Five forces model used to analyse an industry. The performance on this part of the questions was average the candidate did not go in details describing the five forces but merely outlined them.
Part (b) candidates were asked to explain five (5) benefits of training to employees. The candidate answered part (b) very well and managed to explain the five benefits of training.

QUESTION FOUR

The general performance on this question was excellent. The only 1 candidate who attempted the question achieved a pass (that is a score of at least 10 out of 20 marks), representing a pass rate on the question of 100%. The lowest score was 19, whilst the highest was 20 out of 20 marks.

The question was divided into parts (a) to (c). In part (a), candidates were expected to differentiate formal and informal organisations by bringing out four (4) charateristics. The candidate brought out correct distinctions between the two and scored good marks on this part of the question.

Part (b) candidates were required to identify any four (4) stakeholders of the business they know. The candidate identified the correct four (4) stakeholders. In part (c), candidates where required to explain what the acronym SWOT stands for. This was well explained.

QUESTION FIVE

The general performance on this question was excellent. The lone candidate who attempted the question achieved a pass (that is a score of at least 10 out of 20 marks), representing a pass rate on the question of 100%. The lowest score was 17, whilst the highest was 20 out of 20 marks.

This question was divided into two (2) parts; part (a) and (b).
Part (a) required candidates to identify any five (5) reasons the knowledge of financial management is important in business. The candidate answered very well this part of the question and emphasized that financial management is one of the core functions of business.
In part (b), this part of the question required candidates to discuss any five (5) skills that a business manager must have to be successful. The correct management skills were discussed and the candidate scored good marks in this question.

Overall performance of candidates

Highest mark obtained in this paper: 86%
Lowest mark obtained in this paper: 86%
Overall pass rate in this paper: 100%

SUBJECT: C2 - ECONOMICS & FINANCIAL MATHEMATICS

QUESTION ONE

The general performance on this question was very good. 4 out of the 5 candidates who attempted the question achieved a pass (that is a score of at least 10 out of 20 marks), representing a pass rate on the question of 80%. The lowest score was 8, whilst the highest was 20 out of 20 marks.
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 'taxation,'. This was well done with varying levels of ambiguity.
(b) The question required candidates to outline any three (3) objectives of taxation in an economy. Majority of the candidates only managed to outline one objective instead of the three required. Other confused objectives with functions of taxation.
(c) The question required candidates to describe any three (3) general functions of a central bank. This was fairly done by majority of the candidates. However, a few outlined functions of commercial banks and not ta central bank.
(d) This required candidates to explain the shift in aggregate demand using a graph. Performance was poor with poorly labeled graphs. Further, majority of the candidates failed to note that the shift can either be to the left or to the right and presented only one sided shift.

QUESTION TWO

The general performance on this question was poor. Only 2 out of the 5 candidates who attempted the question achieved a pass (that is a score of at least 10 out of 20 marks), representing a pass rate on the question of 40%. The lowest score was 4, whilst the highest was 13 out of 20 marks.

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

(a) This question required candidates to distinguish between public goods and merit goods, giving two examples of each. Over performance was poor. Some candidates were able to state public goods but gave wrong examples. Majority could not state exactly what merit goods are let alone giving the correct examples.
(b) Required candidate to outline the three injections into the circular flow diagram. Performance was fair. However, some candidates presented withdrawals from the circular flow instead of injections. Further, some candidates only outlined one out of the three injections required.
(c) This part of the question was divided into three parts namely (i), (ii) and (iii) and required candidates to explain:

(i) Freely floating exchange rate system. Performance was fair

(ii)   Fixed exchange rate system. Majority of the candidates explained this well.
(iii)   Managed float exchange rate system. Some candidates had challenges explaining the managed float. Majority of the answers given were for freely floating exchange rate system.

QUESTION THREE

The general performance on this question very poor. Only 1 out of the 5 candidates that attempted the question achieved a pass (that is a score of at least 10 out of 20 marks), representing a pass rate on the question of 20%. The lowest score was 1, whilst the highest was 13 out of 20 marks.

Part (a) required candidates to use the Binomial probability distribution method to solve the given scenario. Most of the candidates were able to identify the correct distribution to use and solved the problem successfully. Candidates who failed to solve this part of the question correctly made computational errors or used a wrong distribution formula.

Part (b) required candidates to use the given scenario to find the present value of an annual payment at a given interest rate. The main concept the candidates were required to use was calculation of future value of annuity. The performance on this part of the question was not good as most of the candidates used wrong formulae.

Part (c) required the candidates to use the given data to compute the Net Present Values for the project and conclude whether the project is worthwhile or not. The performance of candidates on this part of the question was fairly good. However, some candidates computed wrong NPV's and concluded wrongly.

Part (d) of the question required candidates to use the correct compound interest formula to find solve the required tasks. Most of the candidates failed this part of the question due to use of the wrong formula.

QUESTION FOUR

The general performance on this question very poor. Only 1 out of the 5 candidates that attempted the question achieved a pass (that is a score of at least 10 out of 20 marks), representing a pass rate on the question of 20%. The lowest score was 2, whilst the highest was 15 out of 20 marks.
Part (a) of the question required the candidates to state the key features of a bond and give a brief description of each. It was observed that candidates have very rough ideas about what a bond is and its features. Candidates performed poorly on this part of the question.

Part (b) required candidates to compute price of the bond. The general performance of candidates was very poor. They showed serious lack of knowledge on the topic of study. Most of them used wrong formulae and others did not just know what to do.

Part (c) required candidate to use the method of compound interest to calculate the accumulated amount on an investment at a given interest rate. Candidates showed lack of understanding of the method required to solve this problem hence lost marks due to use of a wrong formula.

Part (d) required candidates to use the method of binomial distribution to solve probability question. It was noted that most candidates failed this question due to inability to effectively use the binomial distribution formula. It was noted that some candidates swapped the probability of success with that of failure in the formula hence an increased chance of making errors in the calculations.

QUESTION FIVE

The general performance on this question was very good. 3 out of the 4 candidates who attempted the question achieved a pass (that is a score of at least 10 out of 20 marks), representing a pass rate on the question of 75%. The lowest score was 6, whilst the highest was 20 out of 20 marks.

This question required candidates to use the given data to draw the scatter plot, calculate the least squares regression line, estimate the value of y given x and to compute the coefficient of correlation. All the four candidates attempted this question, though the performance was poor. It was observed that most candidates made minor computational errors when calculating the totals and that resulted in getting wrong estimates.

Overall performance of candidates

Highest mark obtained in this paper: 67%
Lowest mark obtained in this paper: 30%
Overall pass rate in this paper: 40%

SUBJECT: C3 – ACCOUNTANCY FOR TAX PRACTITIONERS

QUESTION ONE

The general performance on this question was very poor. Only 2 out of the 7 candidates who attempted the question achieved a pass (that is a score of at least 10 out of 20 marks), representing a pass rate on the question of 28.6%. The lowest score was 0, whilst the highest was 11 out of 20 marks.

This question required candidates to prepare a statement of cash flows using indirect method of 1AS 7. The poor performance by candidates can be attributed to failure to know the format of the statement, and how to use ledger Account on PPE. Candidates are encouraged to master this key topic.

QUESTION TWO

The general performance on this question was excellent. 7 out of the 7 candidates who attempted the question achieved a pass (that is a score of at least 10 out of 20 marks), representing a pass rate on the question of 100%. The lowest score was 11, whilst the highest was 17 out of 20 marks.

Part (a) required candidates to prepare a statement of profit or loss and appropriation account for the year ended 31 March 2025.
Part (b) required candidates to prepare a statement of financial position as at 31 March 2025. The question was well answered.

QUESTION THREE

The general performance on this question was very poor. All the 4 candidates who attempted the question did not achieve a pass (that is a score of at least 10 out of 20 marks), representing a pass rate on the question of 0%. The lowest score was 3, whilst the highest was 8 out of 20 marks.

Part (a) required candidates to post the totals of the day books to the main ledger (8 marks). Very poor answers were presented by candidates. Candidates have no idea on how to post day books to the ledger. Candidates are expected to learn the double entry system of the syllabus.

Part (b) required candidates to post the individual entries to the subsidiary ledger accounts (8 marks). The candidates presented poor answers. Candidates are encouraged to understand this part of the syllabus as it is an important part of the syllabus.

Part (c) required candidates to define two effects for the four transactions (4 marks). Candidates lack knowledge on double entry system. Candidates are expected to able to identify the account title and effect on each account.

QUESTION FOUR

The general performance on this question was excellent. 6 out of the 7 candidates who attempted the question achieved a pass (that is a score of at least 10 out of 20 marks), representing a pass rate on the question of 85.7%. The lowest score was 5, whilst the highest was 16 out of 20 marks.

The question required candidates to prepare the statement of profit or loss account and the statement of financial position for a company. No particular difficult was identified.

QUESTION FIVE

The general performance on this question was very good. 4 out of the 6 candidates who attempted the question achieved a pass (that is a score of at least 10 out of 20 marks), representing a pass rate on the question of 66.7%. The lowest score was 5, whilst the highest was 14 out of 20 marks.

Part (a) required candidates to identify and explain five (5) roles of an accountant. Candidates answered this part well.

Part (b) required candidates to calculate the purchases figure. Candidates failed to calculate this figure. The correct approach should have been working in reverse using markup / margin relationship.

Part (c) required candidates to prepare the journal entry to correct the disposal account and show how the suspense account will be cleared. Poor answers were presented.

Overall performance of candidates

Highest mark obtained in this paper: 56%
Lowest mark obtained in this paper: 30%
Overall pass rate in this paper: 42.9%

SUBJECT: C4 - DIRECT TAXES

QUESTION ONE

The general performance on this question was poor. 2 out of the 5 candidates who attempted the question achieved a pass (that is a score of at least 10 out of 20 marks), representing a pass rate on the question of 40%. The lowest score was 0, whilst the highest was 19 out of 20 marks.

The question had three parts (a) to (c).

In these parts, the candidates were required to calculate the capital allowances claimable, the tax adjusted business profit and the final income tax payable by Mazyopa Plc for the tax year 2025.

The most common mistakes made by the candidates on this question:

(i) Failure to compute only the writing down allowances on a three-year-old building and to conduct a 10% test on the Administrative building which was attached to the industrial building

(ii) Failure to disallow the cost incurred on an unsuccessful tax appeal in the calculation of the taxable business profit

(iii) Calculating the taxable company house benefit at 37.5% instead of the applicable rate of 37% in charge year 2025**.**

QUESTION TWO

The general performance on this question was poor. Only 2 out of the 5 candidates who attempted the question achieved a pass (that is a score of at least 10 out of 20 marks), representing a pass rate on the question of 40%. The lowest score was 4, whilst the highest was 11 out of 20 marks.

This question was on the taxation aspects of sole-traders and had four parts (a) to (d).

In part (a), candidates were required to explain the reasons why Nachone was required to pay provisional income tax in the tax year 2025.

In parts (b) to (d), candidates were required to calculate the amount of provisional tax paid by Nachone, and to state the due dates and amounts paid on each due date, and to calculate the actual taxable business profit and the final amount of income tax payable by or refundable to Nachone for tax 2025.

The most common mistakes made by the candidates on this question:

(i) Failure to calculate provisional tax on the estimated profits which were given, and instead doing so on the actual profits
(ii) Inability to disallow the salary of the sole trader in the computation of the taxable profits

QUESTION THREE

The general performance on this question was excellent. All the 4 candidates who attempted the question achieved a pass (that is a score of at least 10 out of 20 marks), representing a pass rate on the question of 100%. The lowest score was 11, whilst the highest was 13 out of 20 marks.
This question was on employment tax computation and had three parts (a) to (c).
In part (a), candidates were required to calculate the final income tax payable by Tito Diya for the 2025 tax year. Parts (b) and (c), candidates were required to explain the circumstances under which the Commissioner General may make an estimated assessment on a taxpayer and to State any four (4) matters that should be included in a Tax appeal to be lodged with them. Some candidates lost marks due to their failure to do a time apportionment of the emoluments for employment during the tax year ended 2025 which was for three and eight months for the two work environments.

QUESTION FOUR

The general performance on this question was excellent. All the 5 candidates who attempted the question achieved a pass (that is a score of at least 10 out of 20 marks), representing a pass rate on the question of 100%. The lowest score was 10, whilst the highest was 20 out of 20 marks. This question was on the badges of trade and property transfer tax respectively and had three parts (a) to (c).

In parts (a) and (b), candidates were required to explain any four (4) badges of trade and to state the categories of properties on which Property Transfer Tax (PTT) is charged under the provisions of the Property Transfer Tax Act.

And in part (c), candidates were required to explain the property tax implications of each of the above transactions and calculate the amount of any Property Transfer Tax (PTT) arising in each of the given cases.

The most common mistakes made by the candidates on this question:

(i) Failure to discuss the badges of trade which indicate that one is conducting a taxable business
(ii) Failure to provide examples of properties which are taxable under the Property Transfer Act.

QUESTION FIVE

The general performance on this question was good. 3 out of the 5 candidates who attempted the question achieved a pass (that is a score of at least 10 out of 20 marks), representing a pass rate on the question of 60%. The lowest score was 2, whilst the highest was 13 out of 20 marks. This question was on basis periods and taxation aspects of partnerships respectively and had two parts(a) and (b).

In part (a), candidates were required to explain basis periods when a trader ceases to operate.

In part (b), candidates were required to explain the tax treatment of tax losses suffered by partners and to calculate the amount of profits on which each partner will be assessed for the tax year 2025.

The most common mistakes made by the candidates on this question:

(i) Failure to explain to define a basis period for taxation purposes with particular reference to cessation rules
(ii) Failure to explain the treatment and restriction of tax losses to 50% of the taxable profits**.**

Overall performance of candidates

Highest mark obtained in this paper: 71%
Lowest mark obtained in this paper: 19%
Overall pass rate in this paper: 60%

SUBJECT: C5 - INDIRECT TAXES

QUESTION ONE

The general performance on this question very poor. Only 1 out of the 5 candidates who attempted the question achieved a pass (that is a score of at least 10 out of 20 marks), representing a pass rate on the question of 20%. The lowest score was 3, whilst the highest was 11 out of 20 marks.

This question was variously on VAT aspects related to foreign visitors, Tax Appeals Tribunal, VAT aspects in the mining sector and penalty for late submission of VAT and had four (4) parts (a) to (d).

In part (a), candidates were required to explain the type of tourists eligible for a VAT refund and to state the requirements for the tourist to get such a refund.
In part (b), candidates were required to explain the grounds on which Tax Appeals Tribunal may hear appeals from taxable suppliers.

In part (c), candidates were required to State any three (3) VAT incentives available in the Mining Sector.

And in part (d), candidates were required to calculate the penalty and interest payable by the company for late payment of VAT assuming that the bank of Zambia discount rate was 16% per annum.
The most common mistakes made by the candidates on this question:

(i) Failure to explain circumstances that make a tourist to be eligible for VAT purposes
(ii) Failure to compute the penalty units in default of payment of tax.

QUESTION TWO

The general performance on this question was excellent. All the 5 candidates who attempted the question achieved a pass (that is a score of at least 10 out of 20 marks), representing a pass rate on the question of 100%. The lowest score was 14, whilst the highest was 19 out of 20 marks.

This question covered the VAT cash accounting scheme, Reverse VAT, and VAT registration and had three parts (a) to (c).

In parts (a) and (b), candidates were required to explain how the cash accounting scheme operates for VAT purposes and its advantages and disadvantages.

And in part (c), candidates were required to explain three (3) conditions which should be met for a company to register for   VAT under the statutory VAT registration regulations and to state two (2) advantages and two (2) disadvantages of voluntary registration as well as to state any two (2) circumstances which may cause the cancellation of VAT.

The most common mistakes made by the candidates on this question:

(i) Failure to provide the advantages and disadvantages of a VAT cash accounting system where VAT is only accounted for when money for the transaction actually changes hands.
(ii) Inability to elaborate the cases when Reverse Vat arrangement is affected.

QUESTION THREE

The general performance on this question was good. 3 out of the 5 candidates who attempted the question achieved a pass (that is a score of at least 10 out of 20 marks), representing a pass rate on the question of 60%. The lowest score was 7, whilst the highest was 17 out of 20 marks.

This question had four parts (a) to (d) covering taxable value of goods and services, irrecoverable VAT, bad debt relief and computation of VAT payable or refundable in a given case study.
In parts(a) and (c), candidates were required to explain the meaning of the term 'the Taxable Value of goods and Services' and four (4) conditions which must be met for a business to claim bad debt relief.

In part (b), candidates were required to state any four (4) items on which Input Tax is not recoverable.

And in part (d), candidates were required to calculate the VAT payable/claimable by Mwaume Enterprises. You should indicate using a Zero (0) in your computation all items on which VAT is not chargeable or claimable

The most common mistakes made by the candidates on this question:

(i) Failure to provide examples of expenses where VAT is irrecoverable
(ii) Failure to provide the conditions which are necessary for bad debt relief to be claimable
(iii) Failure to restrict the VAT claimed on expenses and assets which are you to generate both taxable and exempt supplies in a VAT return

QUESTION FOUR

The general performance on this question excellent. All the 5 candidates who attempted the question achieved a pass (that is a score of at least 10 out of 20 marks), representing a pass rate on the question of 100%. The lowest score was 10, whilst the highest was 15 out of 20 marks.

This question was on customs and Excise duties and was divided into two parts (a) and (b).

In part (a), candidates were required to explain the specific powers of a Customs officer in the process of protecting and proper administration of the Customs and Excise Act and to state any four (4) types of goods which are prohibited from importation into Zambia.

And in part (b), candidates were required to explain the circumstances under which Zambia Revenue Authority will invoke its rights to revalue the imported vehicle and explain the purpose of such a revaluation and to calculate the import duties and other related taxes paid by a given Maselino in the case study.

The most common mistakes made by the candidates on this question:

(i) Failure to provide circumstances when the customs officers will be prompted to revalue vehicles for customs calculation purposes
(ii) Failure to calculate the VAT on the amount of K249,378 which was provided in the question.

QUESTION FIVE

The general performance on this question very good. 4 out of the 5 candidates who attempted the question achieved a pass (that is a score of at least 10 out of 20 marks), representing a pass rate on the question of 80%. The lowest score was 8, whilst the highest was 20 out of 20 marks. This question covered regional and global bodies, bonded warehouses and Duty Drawback and had five parts (a) to (e).

In parts (a) to (d), candidates were required to explain five (5) major focus areas of the COMESA UNION, four (4) objectives of the Preferential Trade Agreement (PTA), any four (4) matters a Customs Station Manager will consider when inspecting a Bonded Warehouse and any three (3) advantages of a Bonded Warehouse.

And in part (d), candidates were required to describe the operation of the Duty Drawback (DDB) and to explain its purpose in relation to the exportation of goods.

The most common mistakes made by the candidates on this question:

(i) Failure to explain the obligation of the Preferential Trade Area) PTA and the main focus of COMESA Union.
(ii) Failure to explain the operation of Duty Drawback.

Overall performance of candidates

Highest mark obtained in this paper: 79%
Lowest mark obtained in this paper: 52%
Overall pass rate in this paper: 100%

SUBJECT: C6 - LAW FOR TAX PRACTITIONERS

QUESTION ONE

The general performance on this question was excellent. All the 7 candidates who attempted the question achieved a pass (that is a score of at least 10 out of 20 marks), representing a pass rate on the question of 100%. The lowest score was 10, whilst the highest was 20 out of 20 marks.

The question was based on three arms of government, delegated legislation, express terms of a contract of employment and unfair dismissal. The question was attempted by all the candidates. Those that failed did not comprehend all the elements of the question adequately. In future candidates are encouraged to read widely and cover every topic of the syllabus.

QUESTION TWO

The general performance on this question excellent. All the 7 candidates who attempted the question achieved a pass (that is a score of at least 10 out of 20 marks), representing a pass rate on the question of 100%. The lowest score was 10, whilst the highest was 18 out of 20 marks. The question had five parts, namely, required the candidate to state the disadvantages of partnership business, to explain the doctrine of intra-vires in company law and the importance of articles of association. Students were also asked to explain the conditions precedent for agency by estoppel to stand at law, to discuss the three duties of a receiver and to define the word "law ".

While majority of the students performed well on some parts of this question, some students could not explain the doctrine of intra-vires in company law and the condition precedent for agency by estoppel to stand at law.

QUESTION THREE

The general performance on this question was excellent. 6 out of the 7 candidates who attempted the question achieved a pass (that is a score of at least 10 out of 20 marks), representing a pass rate on the question of 85.7%. The lowest score was 9, whilst the highest was 18 out of 20 marks.

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 utmost good faith and candidates were expected to exhibit knowledge of the same. All students got the question correct.
(b) This question looked at insurable interest. Candidates did well under this section. Generally, candidates answered this question satisfactorily.

(c) 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. 5 out of the 7 candidates who attempted the question achieved a pass (that is a score of at least 10 out of 20 marks), representing a pass rate on the question of 71.4%. The lowest score was 7, whilst the highest was 18 out of 20 marks.

The question was on elements of a simple contract, differences between choices in action and choices in possession, advantages of partnership business and sources of law. The question was within the level of the candidates, and no challenges were observed as they answered it accordingly.

QUESTION FIVE

The general performance on this question was excellent. All the 7 candidates who attempted the question achieved a pass (that is a score of at least 10 out of 20 marks), representing a pass rate on the question of 100%. The lowest score was 10, whilst the highest was 18 out of 20 marks. The question had two parts:

(a) Candidates answered this question adequately. The question focused on general principles of contract law and students did exceptionally well.

(b) Candidates showed a good understanding of the Sale of goods.

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

Overall performance of candidates

Highest mark obtained in this paper: 86%
Lowest mark obtained in this paper: 58%
Overall pass rate in this paper: 100%

SUBJECT: D1 – BUSINESS INFORMATION MANAGEMENT

QUESTION ONE

The general performance on this question was poor. 2 out of the 5 candidates that attempted it managed to get at least 13 marks out of 25. The pass rate recorded was 40%. The highest mark scored was 17 out of 25 while the lowest was 6.

The question was about the rise of virtual companies which has transformed how businesses operate globally, but it has also introduced new challenges related to taxation. Stating features of a virtual company and analyse four challenges relating to taxation. Outlining three software elements contained in decision support computer systems with their use. Recommending four security measures that an organisation can implement to enhance data protection.

The common mistakes were as follows:

(i) Some candidates focused on advantages of virtual or remote companies then the general features or the environment surrounding them.
   The challenges of a virtual company could not relate to the taxation world.
(ii) Some candidates could not mention, or outline software elements contained in decision support computer systems and their use.

QUESTION TWO

The general performance on this question was good. 3 out of the 5 candidates that attempted it managed to get at least 13 marks out of 25. The pass rate recorded was 60%. The highest mark scored was 17 out of 25 while the lowest was 12.

The question was about explaining the CIA triad as it relates to Information System security, explaining the significance of project initiation and planning in the successful implementation of the new system, evaluating three factors to consider when selecting a software package for the organisation and outlining four systems changeover methods.

The common mistakes were as follows:

(i) Some candidates were explaining the CIA triad well, but they were not relating it to information system security.
(ii) Some candidates could not distinguish the activities of the initiation and planning stages of the project and in the successful implementation of the new system.

QUESTION THREE

The general performance on this question was excellent. All the 5 candidates that attempted it managed to get at least 13 marks out of 25. The pass rate recorded was 100%. The highest mark scored was 21 out of 25 while the lowest was 13.

The question was about explaining four ways information system can support knowledge management, listing three advantages of outsourcing, explaining two benefits of insourcing and analysing three benefits an organisation would gain by implementing office automation tools.

The following were the common mistakes noted in this question:

(i) Some candidates could not correctly explain ways in which information systems could support knowledge management or relate the two.
(ii) Some candidates listed the advantages of outsourcing well but could not explain the benefits of insourcing
(iii) Some candidates' analysis on the benefits the organisation would gain by implementing office automation tools was not coming out right. Their solutions needed a bit of explanation.

QUESTION FOUR

The general performance on this question was very good. 4 out of the 5 candidates that attempted it managed to get at least 13 marks out of 25. The pass rate recorded was 80%. The highest mark scored was 17 out of 25 while the lowest was 12.

The question was about outlining five benefits of aligning information systems with business strategy, explaining phases of a project for initiation, planning and closure. Discussing the importance of documenting user requirements in system design and explaining structural issues in delivering information systems concerning organisation structure, interoperability, backward compatibility and legacy systems.

The following were the common mistakes noted in this question:

(i) Some candidates could not outline or state the benefits of aligning information systems with business strategy.
(ii) Some candidates were mixing up the explanations for the initiation and planning phases of a project.
(iii) Some candidates could not explain the importance of documenting user requirement in system design and some candidates left this part of the question unanswered.
(iv) Some candidates explained structural issues in a system well but failed to explain the issued in delivering information system.

Overall performance of candidates

Highest mark obtained in this paper: 62%
Lowest mark obtained in this paper: 50%
Overall pass rate in this paper: 100%

SUBJECT: D2 - FINANCIAL MANAGEMENT

QUESTION ONE

The general performance on this question was good. 6 out of the 10 candidates that attempted it managed to get at least 13 marks out of 25. The pass rate recorded was 60%. The highest mark scored was 21 out of 25 while the lowest was 0.

Part (a) required candidates to evaluate the proposed investment in the Solar Power Pressing Iron Product using the Net Present Value (NPV). Part (b) asked candidates to explain the advantages and disadvantages of using the Net Present Value (NPV) method of project appraisal.

Common mistakes included:

(i) Failure to account for inflation correctly.
(ii) Candidates failed to tax timings correctly as tax was in arrears.
(iii)Candidates failed to convert pre-tax cost of capital to post tax cost of capital.

QUESTION TWO

The general performance on this question was very poor. 2 out of the 10 candidates that attempted it managed to get at least 13 marks out of 25. The pass rate recorded was 20%. The highest mark scored was 18 out of 25 while the lowest was 0.

Part (a) required candidates required to calculate the current weighted average cost of capital for JMAX Ltd. Part (b) required candidates to explain the efficient market hypotheses and the implication on stock prices. Part (c) required candidates to discuss the objectives of working capital management. Common mistakes included:

(i) Failure to convert cum div share price to ex-div share price.
(ii) Failure to calculate growth rate in dividends using Gordon's growth model.
(iii)Failure to calculate cost of debt using the internal rate of return.

QUESTION THREE

The general performance on this question was very good. 7 out of the 10 candidates that attempted it managed to get at least 13 marks out of 25. The pass rate recorded was 70%. The highest mark scored was 18 out of 25 while the lowest was 8.

Part (a) required candidates to discuss the advantages and disadvantages to Mpulungu Inc. of using overdraft finance to fund any cash shortages. Common Mistakes for candidates who responded to this question was their inability to adequately identify the advantages and

disadvantages of using overdraft finance to fund and cash shortages. Some answers only stated one (1) advantage and one (1) disadvantage.

Part (b) asked candidates to prepare a cash flow forecast for the eight (8)-month period January to August 2025. Part (c) asked candidates to comment on your results in the light of the Management's comments and offer advice.

1. Candidates were expected to prepare a cash flow forecast for a period of eight (8) months from January, to August, 2025. Some common mistakes by some candidates concerned their not applying the 70% of the cash receipts and 30% credit of the total monthly sales turnover. They instead used different rates instead.
2. The solution expected the candidates to have the credit sales (30%) paid upon expiry of three (3) months after sales. However, some answers had these credit sales received (cash) after two (2) months instead. This resulted into incorrect closing cash balances.
3. Some candidates solutions entirely ignore the Gratuity outflows which were expected to be paid monthly calculated at 50% of the salaries and wages amounts.

QUESTION FOUR

The general performance on this question was poor. 4 out of the 10 candidates that attempted it managed to get at least 13 marks out of 25. The pass rate recorded was 40%. The highest mark scored was 23 out of 25 while the lowest was 4.

Part (a) asked candidates to calculate:

(i) The Maximum level of cash that Mwali Enterprises should hold.
(ii) The target cash balance that Mwali Enterprises should aim to achieve.

In part (a), the majority of students could not recall the formula for calculating the maximum level of cash. This had implications in part b of the question.

Part (b) required candidates to discuss the sources of finance available to a small medium enterprise such as Mwali enterprises. Part (c) required candidates to explain the reasons accounting profit might not be the best measure of a company's performance or achievements. Students had no challenges in answering both parts of the question. They were able to identify the various sources of finance but also to show why accounting profit might not be the best measure of a company's performance.

Overall performance of candidates

Highest mark obtained in this paper: 79%
Lowest mark obtained in this paper: 16%
Overall pass rate in this paper: 50%

SUBJECT: D3 - BUSINESS TAXATION

QUESTION ONE

The general performance on this question was very poor. 2 out of the 8 candidates that attempted it managed to get at least 13 marks out of 25. The pass rate recorded was 25%. The highest mark scored was 14 out of 25 while the lowest was 4.

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

In part (a) (i), candidates were required to explain four (4) conditions which should be met for bad debt relief to be claimed.

The following were the common mistakes observed:

(i) Some candidates exhibited lack of knowledge on the conditions which should be met for bad debts to be claimed as input tax.
(ii) Some candidates provided only general points contrary to the requirement of the question.

In part (a) (ii), candidates were required to calculate the VAT payable by Tiko Limited for month of May 2025. You should indicate by using a zero (0) any items on which VAT is not chargeable or claimable.

The following common mistakes were observed:

(i) Failure to compute the correct output tax due to the wrong calculation VAT on standard rated sales and sale of old office equipment which seemed easy.
(ii) Wrong computation of input tax on purchases as some candidates did not deduct input tax for purchases from suppliers who were not registered for VAT purposes.
(iii) Failure to compute the input tax on diesel which required a charge of 90%.
(iv) Failure to compute the input tax on other operating expenses which required a charge of 80% because the trader was a partly exempt supplier.
(v) Some candidates ended up deducting input tax on a motor can which is not even recoverable for VAT.

In part (a) (iii), candidates were required to explain the basic tax point for goods or services and when it can be amended.

The following were the common mistakes observed:

(i) Failure to provide the appropriate explanation for the basic tax point.
(ii) Failure to explain when the basic tax point can be amended.

In part (b) (i), candidates were required to explain any four (4) conditions which must be met for the transaction value method to be used.

The following were the common mistakes observed:

(i) Lack of knowledge to give the required points on the conditions which should be met for the transaction value method to be used.
(ii) Some of those who tried could not give specific points to address the question.

In part (b) (ii), candidates were required to explain four (4) other methods besides the transaction value method that may be used to determine the VDP.

(i) Failure to provide other methods other than the transaction value method used to compute the Value for Duty Purposes (VDP).
(ii) Some candidates failed to explain each of these of these methods is used to compute the VDP.

QUESTION TWO

The general performance on this question was fair. 4 out of the 9 candidates that attempted it managed to get at least 13 marks out of 25. The pass rate recorded was 44.4%. The highest mark scored was 19 out of 25 while the lowest was 6.

This question had four (4) parts; (a), (b), (c) and (d):

In part (a) candidates were required to calculate the capital allowances claimable by RML ltd. The following were the common mistakes observed:

(i) Some candidates failed to compute the correct capital allowances owing to the use of wrong rates for certain assets.
(ii) Some candidates computed wear and tear for the mining company at the rate of 25% instead of 20% on implements used in the mining company.

In part (b), candidates were required to calculate the amount of mineral royalty tax paid by RML Ltd for the year ended 31 December 2025. Failure to compute the mineral royalty due to lack of knowledge even though the rates were provided in the question paper.

In part (c) candidates were required to calculate the tax adjusted mining profit for RML Ltd for year ended 31 December 2025.

The following were the common mistakes observed:

(i) Failure to compute the correct tax adjusted business profit.

(ii) Failure to identify disallowable expenditure which should have been added to the net profit.

(iii) Some candidates were still using old figures for the disallowable personal to holder cars.

(iv) Failure to recall that investment incomes should have been deducted without grossing them up.

In part (d), candidates were required calculate the income tax payable by RML Ltd for tax year ended 31 December 2025.

The following common mistakes were observed:

(i) Failure to compute the correct taxable profit.

(ii) Failure to compute the correct company income tax due to the use of the wrong rate because some candidates used 35% instead of 30%.

QUESTION THREE

The general performance on this question was fair. 5 out of the 9 candidates that attempted it managed to get at least 13 marks out of 25. The pass rate recorded was 55.6%. The highest mark scored was 24 out of 25 while the lowest was 3.

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

In part (a) candidates were required to calculate the capital allowances on the partnership assets for the tax year 2025. Some candidates lost marks because the could not compute capital allowances correctly due to use of wrong rates.

In part (b), candidates were required to calculate the amount of the tax adjusted business profits for the partnership for the tax year 2025.

The following were the common mistakes observed:

(i) Some candidates failed to compute the correct tax adjusted partnership profit as a result of failing to identify the disallowable expenditure which should have been added to the net profit.

(ii) Not knowing how to treat capital allowances for the assets owned by individual partners.

In part (c), candidates were required to compute the allocation of the partnership adjusted profit to each partner for the tax year 2025.

The following were the common mistakes observed:

(i) Some candidates could not apportion the profit before and after the new partner joined the partnership during the year.

(ii) Some other candidates did not apportion salaries before and after new partner joined the partnership.

(iii) Failure to use the correct format for taxing individual partners.

QUESTION FOUR

The general performance on this question was very poor. Only 1 out of the 8 candidates that attempted it managed to get at least 13 marks out of 25. The pass rate recorded was 12.5%. The highest mark scored was 13 out of 25 while the lowest was 1.

This question had two (2) parts, (a) and (b):

In part (a), candidates were required to calculate capital allowances, the taxable business profit and the amount of income tax payable for the tax year 2025.

The following were the common mistakes observed:

(i) Failure to compute the correct capital allowances due to the use of wrong rates for some assets.

(ii) Lack of knowledge on how to tax an insurance company and as a result failed to compute the correct taxable income.

(iii) Some candidates were still using 37.5% for accommodation benefit instead of 37%.

(iv) Failure to compute the correct taxable income for the insurance company because some candidates did not add royalties to the tax adjusted business profit after grossing it.

In part (b), candidates were required explain with appropriate supporting computation, the tax implications of engaging a foreign company to install the new system in Zambia. Most candidates exhibited lack of knowledge on Reverse VAT and failed to explain how it works.

Overall performance of candidates

Highest mark obtained in this paper: 54%
Lowest mark obtained in this paper: 25%
Overall pass rate in this paper: 22%

SUBJECT: D4 - BUSINESS TAXATION

QUESTION ONE

The general performance on this question was good. 3 out of the 5 candidates that attempted it managed to get at least 13 marks out of 25. The pass rate recorded was 60%. The highest mark scored was 20 out of 25 while the lowest was 5.

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

In pat (a) the candidates were required to explain the tax treatment of the income received by Michelo during the tax year of 2025 and to compute the amount of any tax arising.

In part(a) (i) candidates were required to compute Fixed deposit interest;
In part (a)(ii) candidates were required to compute dividends from LUSE listed company

In part (a) (iii) candidates were required to compute Treasury bill discount
In part(a) (iv) candidates were required to compute income from letting of property

Common mistakes noted:

(i) In part (a) (i) failure by some candidates to state the correct applicable WHT of 0%.

(ii) In part (a) (ii), failure by some candidates to sate the applicable correct WHT rate on a listed company at LUSE.

(iii) In part (a) (iii) candidates fail to state the correct applicable rate and eventually failure to compute the correct amount of WHT.

(iv) In part (a) (iv) candidates' failure to explain how to treat rental income in terms of tax. Some candidates failed to correctly compute the amount of rental income tax to be paid.

In part (b) candidates were required to calculate the income tax payable by Michelo for the tax year 2025

Common mistakes noted:

(i) Failure to compute the correct salary as per question.
(ii) Some candidates were unable to correctly apportion the employment time of michelo of seven (7) months.
(iii) Failure to compute the other incomes as a result of wrong application of employment time frame.
(iv) Failure to gross up the dividends and bond interest

(v) Failure to compute the correct Income tax payable

QUESTION TWO

The general performance on this question was very poor. 1 out of the 5 candidates that attempted it managed to get at least 13 marks out of 25. The pass rate recorded was 20%. The highest mark scored was 20 out of 25 while the lowest was 7.

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

Part (a) of the question had three (3) parts, (i), (ii) and (iii).

In part (i) candidates were required to explain the meaning of the Current Year Basis of Assessment and Preceding Year Basis of Assessment and clearly describe the circumstances I which each rule is applied. Failure by some candidates to explain the current and proceeding year basis of assessment.

In part (ii) candidates were required to explain the commencement rules which are applied to determine the basis of assessment for profits made in the year trade commences and describe the circumstances in which each rule applies.

Common mistakes noted:

(i) Failure by some candidates to explain the correct 12 months or less normal rule
(ii) Failure generally to apply the correct commencement rules

In part (iii) candidates were required to; Discuss the cessation rules which are applied to determine the basis of assessment for profits made in the year trade ceases and describe the circumstances each rule applies.

Common mistakes noted:

(i) Failure by some candidates to correctly interpret the cessation rules in the normal and last accounting periods.
(ii) Failure to correctly apply the cessation rules.
(iii) Failure by some candidates to apply the profits in the year of cessation

In part (b) candidates were required to; Explain the possible causes of and the differences between tax avoidance and tax evasion and to discuss the ethical and practical consequences of engaging in each practice.

Common mistakes noted:

(i) Failure by some candidates to clearly define Tax Avoidance and Tax Evasion.
(ii) Some candidates were unable to define and distinguish the difference between Tax avoidance and tax evasion.
(iii)Failure to state the tax consequences of tax evasion and tax avoidance

Part (c) of the question had two (2) parts; (i) and (ii).

In part (i) of the question candidates were required to explain the tax benefits for an employee of participating in a share option scheme which is approved for tax purposes.

Common mistakes noted:

(i) Failure by some candidates to fully explain the tax benefits which accrue to candidates participating in the share option scheme
(ii) Some candidates were explaining general benefits away from share save employee tax scheme.

In part (ii) candidates were required to explain the taxation implications for Elias of investing in Treasury Bills and in Shares of a company listed on LuSE. Failure by candidates to correctly interpret the tax implications for investments in treasury bills and shares listed on LuSE.

Some candidates were explaining general and non-existent tax implications for investment in specific areas

QUESTION THREE

The general performance on this question was good. 3 out of the 5 candidates that attempted it managed to get at least 13 marks out of 25. The pass rate recorded was 60%. The highest mark scored was 18 out of 25 while the lowest was 4.

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

In part (a) candidates were required to calculate the amount of income tax payable by Alex and Annette for the tax year 2025 if the business is run as a partnership.

Common mistakes noted:

(i) Failure by candidates to compute correctly the capital allowances by applying the correct capital allowances rates.
(ii) Failure by some candidates to and share the balances accordingly.
(iii)Failure by some candidates to calculate the correct capital allowances on the Toyota Fortuner
(iv)Some candidates were unable to calculate the Income tax payable by the partner.

Part (b) of the question had two parts (i) and (ii).

In part (i) candidates were required to calculate the amount of income tax and NAPSA contributions payable by Alex and Annettte for the tax year 2025.

Common mistakes noted:

(i) Failure by candidates to calculate the correct Income tax payable
(ii) Failure by some candidates to calculate the correct employees' NAPSA contribution

In part (ii), candidates were required to calculate the amount of income tax and NAPSA contributions payable by Perfect Business Limited for the tax year 2025.

Common mistakes noted:

(i) Failure by some candidates to apply the correct Directors emoluments.
(ii) Failure by some candidates to apply the correct Employees and Employers' NAPSA contributions.
(iii) Failure by some candidates to correctly compute the Capital allowances, as wrong capital allowance rates were applied.
(iv) Candidates failed to compute the correct company income tax as per question requirement

In part (c) of the question candidates were required to advise Alex whether he should run the business as a partnership or incorporate the business and run it as a limited company, including the computation of the net income under each option after deducting all statutory deductions and other relevant expenses

Common mistakes noted:

(i) Failure by some candidates to apply the correct business profit.
(ii) Failure to correctly apply the income tax payable
(iii) Failure to apply the correct employees and employers' NAPSA contributions

QUESTION FOUR

The general performance on this question was fair. 3 out of the 5 candidates that attempted it managed to get at least 13 marks out of 25. The pass rate recorded was 40%. The highest mark scored was 18 out of 25 while the lowest was 1.

This question had four (4) parts; (a), (b), (c) and (d).

In part (a) candidates were required to advise Thomas Mulele of the type of tax he will be required to pay for the tax year 2025.

Common mistakes noted:

(i) Failure by some candidates to apply the correct presumptive applicable tax rates.
(ii) Failure to compute the correct total tax payable
(iii) Inability by some candidates to draw up a comparison of the two income streams of a partnership and company and draw a conclusion there from.

In part (b) candidates were required to explain any three (3) benefits of presumptive tax over the regular assessed system of taxation.

Common mistakes note:

(i) Inability by some candidates to fully explain the benefits of presumptive tax.
(ii) Some candidates were explaining general benefits and not the ones applicable to the question requirement.
(iii) Some explanations were off tangent and not relevant

In part (c) candidates were required to advise Mervis Mulele of the type of tax she will be required to pay for the tax year 2025.

Common mistakes noted:

(i) Failure by some candidates to correctly advise the type of tax to be payable
(ii) failure to correctly compute the total monthly turnover tax as per question requirement
(iii) some candidates applied the wrong turnover tax

In part (d) candidates were required to advise Vaison Banda of the type of tax he will be required to pay for the tax year 2025

common mistakes noted:

(i) failure by some candidates to apply the correct time frame/period on the rental income
(ii) wrong application of the income tax rates
(iii) some candidates were applying incorrect income tax rates.
(iv) Some candidates wrongly applied and apportioned the time frame of occupancy

Overall performance of candidates

Highest mark obtained in this paper: 65%
Lowest mark obtained in this paper: 27%
Overall pass rate in this paper: 40%

SUBJECT: D5 - INTERNATIONAL TAXATION

QUESTION ONE

The general performance on this question was excellent. 13 out of the 15 candidates that attempted it managed to get at least 13 marks out of 25. The pass rate recorded was 86.7%. The highest mark scored was 22 out of 25 while the lowest was 9.

This question had four (4) parts; (a), (b) (c) and (d):

In part (a) candidates were required to explain the tax treatment of foreign missions. The majority of candidates seemed not to have enough knowledge on the subject matter and could not score the required marks.

In part (b), candidates were required to explain any five (5) key benefits of double taxation agreements (DTAs).

The following common mistakes were observed:

(i) Most of the candidates exhibited lack of knowledge on the subject matter.
(ii) A few candidates who tried to answer the question just provided general points, somehow related to double taxation.

In part (c), candidates were required to explain any two (2) methods of giving double taxation relief in Zambia.

The following were the common mistakes observed:

(i) Most candidates were knowledgeable on subject matter but failed to give satisfactory explanation on each method of double taxation relief.
(ii) Some candidates expressed total ignorance on the subject matter.

In part (d), candidates were required to calculate the income tax payable by Angelina for the tax year 2025.

The following were the common mistakes observed:

(i) Failure to compute the correct annual taxable emoluments.
(ii) Some candidates did not have any knowledge on the tax treatment of foreign income.
(iii) Failure to gross up foreign income using the foreign tax rates because others taxed net amounts.
(iv) Failure to compute the double taxation relief on the foreign investment income.

(v) Failure to apply the double taxation relief formula correctly.

QUESTION TWO

The general performance on this question was very good. 11 out of the 15 candidates that attempted it managed to get at least 13 marks out of 25. The pass rate recorded was 73.3%. The highest mark scored was 23 out of 25 while the lowest was 3.

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

In part (a), candidates were required explain any four (4) disadvantages of regional economic groupings and any four (4) risks of globalization on the individual countries' economies.

The following were the common mistakes observed:

(i) Some candidates failed to provide satisfactory answers for the advantages of economic regional groupings.
(ii) Some candidates confused themselves by giving risks of globalization as disadvantages.
(iii) Failure to give correct points on the risks of globalization as they simply gave general points which could not address the requirements of the question.

In part (b), candidates were required to explain five (5) reasons for making foreign direct investment by a multinational enterprise and to state four (4) methods of foreign direct investment that can used by a multinational enterprise.

The following were the common mistakes made by candidates:

(i) Failure to provide satisfactory answers for reasons on making a Foreign direct Investment as most candidates just used common sense.
(ii) The majority of candidates failed to give specific points on methods of foreign direct investment.
(iii) Some candidates provided answers such as vertical and horizontal acquisitions contrary to what was required by the question.

QUESTION THREE

The general performance on this question was very good. 10 out of the 15 candidates that attempted it managed to get at least 13 marks out of 25. The pass rate recorded was 66.7%. The highest mark scored was 25 out of 25 while the lowest was 2.

This question had four (4) parts; (a), (b), (c) and (d):

In part (a), candidates were required to explain any four (4) factors or practices which can be used to identify tax havens according to the OECD.

The following common mistakes were made by candidates:

(i) Some candidates expressed ignorance on the subject matter and failed to give specific answers.
(ii) Some candidates gave answers which were quite contrary to the question.

In part (b), candidates were required to explain the difference between tax evasion and tax avoidance.

The following were the common mistakes made by candidates:

(i) Failure to explain clearly the meaning of Tax evasion and tax avoidance.
(ii) Some candidate failed to differentiate between Tax evasion and Tax avoidance.
(iii) The other candidates transposed the meaning of the two practices i.e Tax evasion was explained as Tax avoidance and vice versa.

In part (c), candidates were required to explain any three (3) main co-operation models that can be adopted by tax authorities.

(i) Failure to explain cooperation models due to lack of knowledge.
(ii) Some candidates did not even attempt this part of the question and lost all the marks.

In part (d), candidates were required to explain any four (4) recommendations national governments can implement to combat money laundering according to the Financial Action Task Force (FATF).

The following were the common mistakes made by candidates:

(i) Some candidates had no idea on the recommendations to combat money laundering.
(ii) Some candidates provided general answers which could not address the question.
(iii) A few candidates provided common sense type of answers.

QUESTION FOUR

The general performance on this question was fair. 8 out of the 15 candidates that attempted it managed to get at least 13 marks out of 25. The pass rate recorded was 53.3%. The highest mark scored was 17 out of 25 while the lowest was 5.

This question had three (3) parts (a) (b) and (c):

In part (a) (i), candidates were required to explain the meaning of a Permanent Establishment, describing what constitutes a Permanent Establishment.

The following mistakes made by candidates:

(i) Failure to give the satisfactory meaning of permanent establishment.
(ii) Some candidates were just too brief to explain the term Permanent Establishment.

In part (a) (ii), candidates were required to explain the difference between origin principle and destination principle as they apply in international indirect taxes.

The following were the common mistakes made by candidates:

(i) Failure to differentiate between origin principle and destination principle.
(ii) Some candidates transposed the meaning of the two principles.

In part (a) (iii), candidates were required to describe the nature of taxes on estates, inheritances or gifts.

(i) The majority of candidates had no knowledge on the tax treatment of estates, inheritance or gifts.
(ii) Most candidates simply said they were exempt from tax, but are levied upon the transfer of property to heirs, donees or other beneficiaries.

In part (b) (i), candidates were required to explain the three (3) main ways in which a cross border merger can be effected.

The following were the common mistakes made by candidates:

(i) Failure to give specific answers to address the question.
(ii) Some candidates gave answers such as through transfer pricing.

In part (b) (ii), candidates were required to explain two (2) benefits of a cross border merger.

The following were the common mistakes made by candidates:

(i) The majority of candidates had no single idea on benefits of cross border mergers.
(ii) The other candidates had just gave general points

In part (c) (i), candidates were required to explain the income tax treatment of domestic investment income received by non-residents.

The following were the common mistakes made by candidates:

(i) Most of the candidates simply said investment income received by non-residents is exempt from tax.
(ii) Most of them were not aware that it is taxed at the rate of 20%.

In part (c) (ii), candidates were required to explain the income tax treatment of foreign investment income received by Zambian residents.

The following were the common mistakes made by candidates:

(i) The majority simply said they were exempt from tax, which is wrong because Zambian residents are taxed on their world-wide income.
(ii) The other candidates started talking about the issue of residence which was not required by the question.

Overall performance of candidates

Highest mark obtained in this paper: 81%
Lowest mark obtained in this paper: 22%
Overall pass rate in this paper: 80%

SUBJECT: D6 - TAX AUDIT AND INVESTIGATIONS

QUESTION ONE

The general performance on this question was excellent. 7 out of the 8 candidates that attempted it managed to get at least 13 marks out of 25. The pass rate recorded was 87.5%. The highest mark scored was 18 out of 25 while the lowest was 11.

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

Part (a) had three parts (i), (ii) and (iii).

In part (i) candidates were required to explain the meaning of a transfer price and reason why this may differ from the market price transferred.

Common mistake noted:

(i) Failure by some candidates to interpret and explain a transfer model.
(ii) Failure by some candidates to distinguish between a transfer price and market price.
(iii)Some candidates' explanations were of general nature and well off the question requirement.

In part (ii) candidates were required to discuss the tax consequences of the sale of goods by Entity Y to Entity Z, for each individual company in the group and for the XY Group as a whole.

Common mistakes noted:

(i) Failure by some candidates to correctly explain the tax consequences of the transaction.
(ii) Off tangent explanations were provided
(iii)Some candidates were unable to provide appropriate tax consequences for the YZ group

In part (iii) candidates were required to explain five (5) important matters the auditor should evaluate when developing the audit strategy and an audit plan for a tax audit of a company's financial statements.

Common mistakes noted:

(i) Failure to correctly explain the matters requested for and some candidates merely provided general matters which were off the question requirement.
(ii) Candidates provided scanty explanations lacking depth
(iii)Failure to define an operating lease

Part (b) had two parts; (i) and (ii).

In part (i) candidates were required to explain the nature of the operating lease option for capital assets and the tax treatment.

Common mistakes:

(i) Candidates explaining conditionality's for a finance lease under an operating lease.
(ii) Interchanging the benefits under this lease which should fall under a finance lease.

In part (ii) candidates were required to explain the nature of the finance lease option for capital assets and the tax treatment

Common mistakes noted:

(i) Failure by some candidates to define a finance lease.
(ii) Failure by some candidates to fully explain the risks and rewards under a finance lease.
(iii)Explaining the risks for an operating lease under this finance lease

In part (c), candidates were required to explain the main objectives which a quality tax Audit should achieve

Common mistakes:

(i) Some candidates literally explaining about the general qualities of an audit instead of the tax audit.
(ii) Failure by some candidates to draw a line and to distinguish between a Tax audit and general audit objectives.
(iii)The objectives explained by some candidates were aligned to a general audit other than a tax audit

QUESTION TWO

The general performance on this question was very good. 6 out of the 8 candidates that attempted it managed to get at least 13 marks out of 25. The pass rate recorded was 75%. The highest mark scored was 20 out of 25 while the lowest was 3.

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

Part (a) had four (4) parts, (i), (ii), (iii (and (iv).

In part (a) (i) candidates were required to explain the reasons for giving discounts and briefly to discuss the tax effects of discount given to Zulu by More Units Company.

Common mistakes noted:

(i) Failure by some candidates to explain the meaning of a discount and how it is arrived at.
(ii) Failure by some candidates to refer and mention the effects of the discount to the manufacturer.
(iii)Candidates were explaining the effects of the discount on Zulu instead of it being an allowable discount on More Units company.

In part (ii), candidates were required to discuss the need for ZRA auditor to examine the accounts of the taxpayer and the responsibility of the taxpayer concerning accounts maintenance.

Common mistakes noted:

(i) Some candidates explaining that the duty of a tax auditor was to collect revenue.
(ii) Providing general needs of an ordinary auditor instead of a tax auditor.
(iii)Not mentioning the responsibilities of a tax payer regarding a tax audit

In part (iii) candidates were to briefly explain why a tax auditor would use a risk based approach when choosing the investigation approach.

Common mistakes noted:

(i) Failure by some candidates to fully explain the reasons for the usage of a risk based approach by an auditor.
(ii) Explaining general risks that are not related to tax audit

In part (iv) candidates were required to discuss the key elements of the legal framework that may be useful to ZRA as it relates to the audit function.

Common mistakes noted:

(i) Providing explanations by some candidates that are not related to tax audit function such as. Conduct research on the implication of taxes to taxpayers.
(ii) Providing way out of question explanation such as explanation such as, Stricter penalty regime- to include jail term and the investigation by other authorities

In part (b) candidates were required to explain the role of the tax audit function unit in the operations of the ZRA.

Common mistakes noted:

(i) Some candidates' explanations were off the mark such as to design an audit program for the taxpayers in line with OECD guidelines
(ii) Wrong explanation such as to collect revenue for the government
(iii)Providing general explanations which were not related to the question requirement

QUESTION THREE

The general performance on this question was good. 5 out of the 8 candidates that attempted it managed to get at least 13 marks out of 25. The pass rate recorded was 62.5%. The highest mark scored was 20 out of 25 while the lowest was 7.

QUESTION FOUR

The general performance on this question was poor. Only 3 out of the 8 candidates that attempted it managed to get at least 13 marks out of 25. The pass rate recorded was 37.5%. The highest mark scored was 16 out of 25 while the lowest was 8.

This question had five (5) parts; (a) up to (e)

In part (a) candidates were required to explain five (5) reasons why Zent Copper Mines Plc was being considered for a tax investigation by ZRA

Common mistakes noted:

(i) Lack of appropriate explanations by some candidates
(ii) Lack of depth in the explanations provided by some candidates

In part (b) candidates were required to calculate the final taxable mining profit and company tax payable by Zent Copper Mines Plc for the tax year 2025

Common mistakes noted:

(i) Wrong computation of the capital allowances
(ii) Wrong computation of the indexed losses
(iii)Wrong computation of the company tax

In part (c) candidates were required to explain to the board member any five (5) advantages of issuing preference shares

Common mistakes noted:

(i) Providing explanations that are not in line such as ' they are sold as dividends
(ii) Providing off the mark explanations by some candidates

In part (d) candidates were required to explain the risk assessment procedure and explain three (3) components.

Common mistakes noted:

(i) Failure by the some candidates to define and explain the risk assessment planning process
(ii) Lacking of a depth or no explanation by some students on the subject matter
(iii)Lack of clarity by some candidates

In part (e) candidates were required to explain three (3) types of information that the tax auditor would request from third parties that conduct business with the tax payer.

Common mistakes noted:

(i) Providing off the mark explanations such as ; 'invoices issued to them by the tax payer
(ii) Lack of depth in the explanations by some candidates
(iii)Lack of clarity I the explanations provided by some candidates

Overall performance of candidates

Highest mark obtained in this paper: 67%
Lowest mark obtained in this paper: 31%
Overall pass rate in this paper: 87.5%