



MARCH 2026 EXAMINATIONS

CHIEF EXAMINERS REPORTS

CA ZAMBIA

SUBJECT: CA 1.1: FINANCIAL ACCOUNTING

QUESTION ONE

The general performance on this question was fair. 103 out of the 193 candidates that attempted the question passed (got at least 10 out of the total 20 marks available). The pass rate recorded was 53.4%. The highest mark scored on this question was 20 out of 20 and the lowest was 2 out of 20.

This was a compulsory question with ten (10) parts from Across the syllabus.

QUESTION TWO

The general performance on this question was very poor. 36 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 20.5%. The highest mark scored on this question was 14 out of 20 and the lowest was 0 out of 20.

This was a compulsory question with two parts on incomplete records.

Candidates failed to establish the sales figure. This figure required the following working: -

Step 1 Calculate the net cost of sales

Step 2 Calculate the sales value

Part "a" required candidates to prepare a statement of profit or loss for the year ended 31 December 2024.

Part "b" required candidates to prepare a statement of financial position as at 31 December 2024. Candidates are encouraged to learn this topic as it is an important part of the syllabus.

QUESTION THREE

The general performance on this question was very poor. 43 out of the 137 candidates that attempted the question passed (got at least 10 out of the total 20 marks available). The pass rate recorded was 31.4%. The highest mark scored on this question was 14 out of 20 and the lowest was 0 out of 20.

Part "a" required candidates to prepare a statement of profit or loss and other comprehensive income for the year ended 31 December 2024. Candidates had challenges on the following adjustments i.e.

- (i) Prepayment of advertisement
- (ii) Closing Inventory
- (iii) Profit on disposal

Part "b" required candidates to prepare a statement of financial position as at 31 December 2024. No special challenge was identified.

QUESTION FOUR

The general performance on this question was fair. 86 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 50.9%. The highest mark scored on this question was 18 out of 20 and the lowest was 2 out of 20.

Part "a" required candidates to identify and explain Five (5) errors which do not affect the trial balance. Prepared candidates obtained all available marks.

Part "b" required candidates to identify any five (5) users of financial statements and to explain their information needs. Many candidates obtained all available marks.

Part "c" required candidates to prepare the receivables and payables control accounts.

Part "d" required candidates to prepare a statement reconciling the list of balances with the revised control accounts for receivables and payables. Many candidates lost easy marks by failing to correctly adjust (7) for payment received from a customer.

QUESTION FIVE

The general performance on this question was fair. 71 out of the 132 candidates that attempted the question passed (got at least 10 out of the total 20 marks available). The pass rate recorded was 53.8%. The highest mark scored on this question was 19 out of 20 and the lowest was 0 out of 20.

Part "a" (i) required candidates to prepare the receivables ledger control account. Many candidates lost marks by crediting credit sales and debiting cash received in the control Account.

Part (a) (ii) required candidates to prepare the payables control account. This was well answered.

Part (a) (iii) required candidates to identify clearly the book of Prime entry from which the ten items in the question originated. Many candidates lost marks by failing to answer this part or wrong answers were given.

Part "b" (i) required candidates to prepare allowance for receivables account. Candidates failed to calculate the decrease in allowance and the required allowance for the current year.

Part "b" (ii) required candidates to prepare irrecoverable debt expense account. Candidates failed to take into account the decrease in allowance in order to establish the expense amount to be charged to statement of profit or loss account.

QUESTION SIX

The general performance on this question was very poor. 41 out of the 124 candidates that attempted the question passed (got at least 10 out of the total 20 marks available). The pass rate recorded was 33%. 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 differentiate between direct and indirect method of reporting cash flow operating activities. Poor answers or wrong answers were given. Candidates must pay attention to the theory part of the syllabus.

Part "b" required candidates to prepare a statement of cash flows. Poor answers were given. Candidates appeared not to know the format of the statement, failing to establish figures requiring basic ledger accounts and candidates not knowing where certain figure should be placed in the sub-headings. Candidates are encouraged to make effort to learn this part of the syllabus.

OVERALL PERFORMANCE OF CANDIDATES

Highest mark obtained in this paper **84%**

Lowest mark obtained in this paper **10%**

Overall pass rate in this paper **26%**

SUBJECT: CA 1.2 BUSINESS STATISTICS

QUESTION ONE

The general performance on this question was excellent. 99 out of the 104 candidates that attempted the question passed (got at least 10 out of the total 20 marks available). The pass rate recorded was 95.2%. The highest mark scored on this question was 20 out of 20 and the lowest was 6 out of 20.

This question was multiple choice and compulsory hence attempted by all the candidates. The topics covered included numerical data calculation such as the mean, calculation involving concept of regression, random values and probability distribution. The performance was good as most candidates demonstrated knowledge in solving the various forms of questions asked. It is however suggested that candidates should familiarize themselves with short statistical calculation in order to improve on performance in this section of the examination.

QUESTION TWO

The general performance on this question was good. 64 out of the 104 candidates that attempted the question passed (got at least 10 out of the total 20 marks available). The pass rate recorded was 61.5%. The highest mark scored on this question was 20 out of 20 and the lowest was 0 out of 20.

This question was compulsory and was attempted by all candidates. It examined grouped data with parts of it requiring candidates to find the mean, standard deviation, mode, median and coefficient of variation. The general performance on the questions was good. A few errors were observed on computing the standard deviation as some candidates used wrong formulas and wrong totals put in the formula. There were also cases of errors on computation of the mode and median, mostly due to wrong selection of the lower limit value in the modal or median class.

QUESTION THREE

The general performance on this question was very good. 73 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 79.3%. The highest mark scored on this question was 16 out of 20 and the lowest was 0 out of 20.

The first part of the question was on regression analysis. Candidates were required to use the given data to find the regression line and coefficient of correlation. There was an observed good performance on this part as most candidates understood the topic well. However, a few candidates lost some marks due to computational errors resulting from use of wrong total into the formulas.

The second part of the question required candidates to apply the time series moving average on the given data set. It was observed that most candidates were able to find the moving

totals and moving average but could not correctly find the short-term fluctuations and hence lost some marks at this point.

QUESTION FOUR

The general performance on this question was very poor. 6 out of the 63 candidates that attempted the question passed (got at least 10 out of the total 20 marks available). The pass rate recorded was 9.5%. The highest mark scored on this question was 16 out of 20 and the lowest was 0 out of 20.

The first part of the question required candidates to use the Normal distribution method to find required probabilities involving light bulbs and further use the probabilities to calculate the number of bulbs represented by this probability. Most of the candidates were able to find the required probability but could not use it to find the number of bulbs resulting from the probability.

The second part of this question involved ungrouped data presented in a stem and leaf plot. Candidates were required to find the median and quartiles in the first and second part. There was an observed struggle on candidates in finding quartiles. Most candidates were able to find the position of values used to find the quartiles but used them wrongly in the final quartiles calculation. This affected performance. Furthermore, candidates were required to find the skewness and identify outliers. There was a demonstration of inability to understand what to do to solve this question.

QUESTION FIVE

The general performance on this question was fair. 36 out of the 79 candidates that attempted the question passed (got at least 10 out of the total 20 marks available). The pass rate recorded was 45.6%. The highest mark scored on this question was 20 out of 20 and the lowest was 0 out of 20.

The first part of the question provided a probability table. Candidates were required to use the data and apply probability rules to find the stated probabilities. The second part presents ungrouped data and students were required to find the mean and coefficient of variation. Majority of the candidates did not show any significant challenges on this question.

QUESTION SIX

The general performance on this question was excellent. 67 out of the 77 candidates that attempted the question passed (got at least 10 out of the total 20 marks available). The pass rate recorded was 87%. The highest mark scored on this question was 20 out of 20 and the lowest was 0 out of 20.

This question was mainly based on descriptive data. Part a focused on assessing the students' ability to classify data described from various statements as either Qualitative or Quantitative. There was an observed good performance on this part. The second part required candidates to state and explain reasons that can be attributed to poor quality data. There was an observed good performance on this part too.

Overall performance of candidates

Highest mark obtained in this paper: **91%**

Lowest mark obtained in this paper: **24%**

Overall pass rate in this paper: **76%**

SUBJECT: CA 1.3 BUSINESS ECONOMICS

QUESTION ONE

The general performance on this question was fair. 39 out of the 69 candidates that attempted the question passed (got at least 10 out of the total 20 marks available). The pass rate recorded was 56.5%. 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. There was no single question that posed some problems to candidates.

QUESTION TWO

The general performance on this question was very poor. 13 out of the 69 candidates that attempted the question passed (got at least 10 out of the total 20 marks available). The pass rate recorded was 18.8%. The highest mark scored on this question was 17 out of 20 and the lowest was 0 out of 20.

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

- (a) This part of the question required candidates to explain any three (3) forms of elasticity described in the scenario. This was fairly well done although majority of the candidates could not explain the forms as depicted in the scenario. They explained the types of elasticity based on the value such as inelastic, unitary and elastic which were not required. Further, some candidates merely stated the forms but could not explain them as required.
- (b) This was divided into three (3) parts namely (i), (ii) and (iii): Candidates were required to:
 - (i) Calculate the price elasticity of mealie meal: This was fairly well done although some candidates failed to use arc method as required.
 - (ii) Calculate the cross price elasticity of rice: Performance on this part of the question was very poor because majority of the candidates could not find the prices to use. The key is that cross price elasticity uses the price of the other good. In this case, the prices of mealie meal were to be used.
 - (iii) Interpret the results in (i) and (ii): The correct interpretation required the correctly calculated elasticities. Since majority failed to calculate the correct elasticity values, their interpretations were superfluous.
- (c) The question required candidates to calculate the expected level of sales using the given information. This was poorly done because majority of the candidates could not use the elasticity formula as required. Majority of the candidates merely used the percentage increase of consumer's income which was wrong. Others ended at calculating the correct percentage increase in sales but not the expected level of sales.

- (d) The candidates were required to outline any three (3) determinants of price elasticity of demand. This was poorly done too. Majority of the candidates outlined determinants or factors affecting demand and not necessarily price elasticity of demand. The determinants are different for the two.

QUESTION THREE

The general performance on this question was good. 34 out of the 43 candidates that attempted the question passed (got at least 10 out of the total 20 marks available). The pass rate recorded was 79.1%. The highest mark scored on this question was 19 out of 20 and the lowest was 2 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 part of the question required candidates to define macroeconomics and give any two (2) examples of topics under macroeconomics. This part of the question was well answered. Only a few provided wrong examples of topics.
- (b) The question required candidates to outline any three (3) macroeconomic objectives for a country. Again performance was very good. However, some candidates outlined profit maximization which is not a macroeconomic objective of a country.
- (c) The question required candidates to outline any three (3) economic policies that can be used to achieve economic objectives. Majority of the candidates were able to state the economic policies. However, some mixed up fiscal and monetary policies in their presentations! Further, majority of the candidates could only outline two (2) policies instead of the three (3) as required hence lost some marks.
- (d) The candidates were required to outline two (2) ways that explain conflict between objectives. This was poorly done. The question simply required candidates to explain how the achievement of one of objective such as low inflation can come at the expense of higher unemployment (Phillip's curve),

QUESTION FOUR

The general performance on this question was very poor. 23 out of the 62 candidates that attempted the question passed (got at least 10 out of the total 20 marks available). The pass rate recorded was 37.1%. The highest mark scored on this question was 18 out of 20 and the lowest was 0 out of 20.

This was an optional question attempted.

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

- (a) The question required candidates to explain any three (3) barriers that can cause monopoly. This was fairly well done.
- (b) This was divided into three (3) parts namely (i), (ii) and (iii): Candidates were required to discuss the harmful effects or disadvantages of monopoly in terms of:
- (i) Price: This was not poorly attempted. Candidates for instance failed to explain that under monopoly price is higher
 - (ii) Output: Similarly, candidates failed to explain that under monopoly output is restricted so as to increase the price.
 - (iii) Efficiency: This was poorly done. Majority of the candidates seemed not to know what efficiency is all about. It's about resource allocation in terms of benefit to society and cost to society.
- (c) The question required candidates to contrast between marginal revenue under monopoly and perfectly competitive industry using graphs. This part of the question was fairly answered. However, some candidates did not present the graphs. Others, the drawn graphs were very poor. Still others could not explain the graphs drawn.
- (d) The candidates were required to explain how Government may intervene in monopolist industry to protect consumers from exploitation. This was fairly well done by majority of candidates.

QUESTION FIVE

The general performance on this question was excellent. 59 out of the 60 candidates that attempted the question passed (got at least 10 out of the total 20 marks available). The pass rate recorded was 98.3%. The highest mark scored on this question was 20 out of 20 and the lowest was 9 out of 20.

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

- (a) This part of the question required candidates to outline any three (3) major sources of economic growth. This was well answered except that there were a lot of none economic sources.
- (b) The question required candidates to list any four (4) reasons why governments impose trade barriers. Performance was excellent.
- (c) The question required candidates to state any five (5) benefits of international trade for a country like Zambia. This was well attempted by almost all candidates.
- (d) The candidates were required to differentiate between a trade deficit and a trade surplus.
- (e) The last part required candidates to explain how a reduced discount rate by the Bank of Zambia can benefit small businesses and traders. Many candidates could not relate how the discount rate reduction can lead to reducing borrowing rates.

QUESTION SIX

The general performance on this question was fair. 22 out of the 42 candidates that attempted the question passed (got at least 10 out of the total 20 marks available). The pass rate recorded was 52.4%. The highest mark scored on this question was 20 out of 20 and the lowest was 3 out of 20.

This was an optional question. The question was divided into five (5) parts namely (a), (b), (c), (d) and (e) as follows:

- (a) This part of the question required candidates to calculate the accounting profit from the given information. Performance was fair although some candidates failed to identify explicit costs correctly and included the figure for rent, which is an implicit cost in this case.
- (b) The question required candidates to calculate the economic profit. This was also well attempted. However, some candidates subtracted implicit costs from total revenue while others failed to multiply rental amount by 12 to find the annual figure. Others simply mixed-up costs but ended up with the correct answer since economic profit is calculated by subtracting explicit and implicit costs from total revenue.
- (c) The question required candidates to state explaining the use of total revenue-total cost curves for profit determination by a firm. This was poorly done by majority of the candidates. Many explained how to calculate profit instead of how a firm can use the curves to determine profit.
- (d) The candidates were required to explain the difference between marginal revenue curve under monopoly and perfect competitions. This was well answered; though some tried to explain using the marginal cost.
- (e) The last part required candidates to explain the shutdown rule or condition. This was poorly done. There were many commonsense answers instead of relating them to short run costs of production as required.

Overall performance of candidates

Highest mark obtained in this paper: **85%**

Lowest mark obtained in this paper: **25%**

Overall pass rate in this paper: **62.3%**

SUBJECT: CA 1:4 COMMERCIAL AND CORPORATE LAW

QUESTION ONE

The general performance on this question was very good. 98 out of the 129 candidates that attempted the question passed (got at least 10 out of the total 20 marks available). The pass rate recorded was 76%. The highest mark scored on this question was 18 out of 20 and the lowest was 4 out of 20.

This was a compulsory multiple-choice question. Candidates who performed well were able to identify the best answer. Those who did not perform well appear not to have prepared adequately for the examination. Going forward, candidates are encouraged to study all topics thoroughly, read each question carefully, and use the elimination method to arrive at the correct answer.

QUESTION TWO

The general performance on this question was very poor. 50 out of the 128 candidates that attempted the question passed (got at least 10 out of the total 20 marks available). The pass rate recorded was 39.1%. The highest mark scored on this question was 17 out of 20 and the lowest was 0 out of 20.

This was a two-part question.

(a) Part A required students to explain ways of terminating an offer. The part was well handled. However, some students mixed up termination of an offer with termination of a contract. Future students should be helped to distinguish between the two.

(b) Part B required students to differentiate duress from undue influence. This part was poorly handled. Some students mixed up the two principles while others literally had no idea. Future students ought to study to understand the two principles.

QUESTION THREE

The general performance on this question was good. 78 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 63.9%. The highest mark scored on this question was 19 out of 20 and the lowest was 1 out of 20.

The question was divided into three parts as follows:

(a) Students were asked to distinguish between a company limited by shares and a company limited by guarantee.

(b) Students were asked to explain the distinction between a contract of sale and an agreement to sell.

(c) Students were asked to explain what an invitation to treat is.

Some students scored high on all the other parts of this question; though few struggled to provide correct feedback on part a only. Those who did not do well showed a lack of understanding of the two concepts. Students are therefore, being encouraged to put in more effort into their study of company law being a core part of the syllabus.

QUESTION FOUR

The general performance on this question was very poor. Of the 100 candidates that attempted the question, only 4 passed (got at least 10 out of the total 20 marks available). The pass rate recorded was 4%. The highest mark scored on this question was 11 out of 20 and the lowest was 0 out of 20.

This was an optional question; not all candidates attempted it.

(a) Part (a) required candidates to explain the meaning of a tort. Most candidates managed to give a general explanation but could not differentiate negligence as a type of tort from a tort.

(b) Part (b) required candidates to explain different ways to reduce capital in a company in Zambia of which majority of the candidates understood the procedure generally but omitted to explain different ways in which it is done. It is important that going forward students study all topics adequately.

QUESTION FIVE

The general performance on this question was very poor. Only 32 out of the 106 candidates that attempted the question passed (got at least 10 out of the total 20 marks available). The pass rate recorded was 30.2%. The highest mark scored on this question was 15 out of 20 and the lowest was 1 out of 20.

This was a four-part question. It required students to write brief notes on the following:

(a) Agency by estoppel

(b) Vicarious liability

(c) Doctrine of ultra vires and

(d) Stare decisis. Students did well on part (b). The rest of the parts were poorly done, especially part (c). Future students should study hard to understand these principles.

QUESTION SIX

The general performance on this question was very poor. Only 14 out of the 46 candidates that attempted the question passed (got at least 10 out of the total 20 marks available). The pass rate recorded was 30%. The highest mark scored on this question was 20 out of 20 and the lowest was 0 out of 20.

This question was broken down into part (a) and (b) wherein students were asked to identify the principles related to:

(a) Ultra vires doctrine and doctrine of constructive notice with authorities in the case of *Royal British Bank v Turquand*.

(b) Part (b) required students to identify key principles related to director's duty to avoid conflict of interest as provided by section 107 of the Companies' Act 2017.

Overall performance of candidates

Highest mark obtained in this paper: **69%**

Lowest mark obtained in this paper: **11%**

Overall pass rate in this paper: **37.2%**

SUBJECT: CA 1.5 MANAGEMENT THEORY AND PRACTICE

QUESTION ONE

The general performance on this question was very good. 35 out of the 49 candidates that attempted the question passed (got at least 10 out of the total 20 marks available). The pass rate recorded was 71.4%. The highest mark scored on this question was 18 out of 20 and the lowest was 4 out of 20.

This question was compulsory comprised of ten (10) multiple choice questions and examined all the learning outcomes of the manual in CA 1.5 Management Theory and Practice.

QUESTION TWO

The general performance on this question was very good. 35 out of the 48 candidates that attempted the question passed (got at least 10 out of the total 20 marks available). The pass rate recorded was 72.9%. The highest mark scored on this question was 19 out of 20 and the lowest was 0 out of 20.

This question was divided into two (2) parts; (a) and (b). This was a compulsory question in Section B of this paper.

Part (a) candidates were asked to discuss five (5) impacts of globalization on firms in African countries. Many candidates answered this part of question well and scored good marks. There were few candidates who struggled to answer this question.

Part (b) the candidates were asked to explain five (5) international organizations that facilitate world trade other than the World Bank and the International Monetary Fund (IMF). Most candidates named organizations in Zambia which had nothing to do with the question asked. Such candidates lost out on marks in part (b) of the question.

QUESTION THREE

The general performance on this question was very good. 28 out of the 37 candidates that attempted the question passed (got at least 10 out of the total 20 marks available). The pass rate recorded was 75.7%. The highest mark scored on this question was 18 out of 20 and the lowest was 0 out of 20.

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

Part (a) required candidates to identify five (5) resources that an organization should consider in conducting a resource audit. This part was well answered by many candidates.

Part (b) candidates were asked to explain the elements in the SWOT acronym. This part of the question was again well answered by most candidates who attempted question three.

Part (c) required candidates to identify three (3) limitations of PESTEL Analysis. Part (c) was equally well answered by many candidates. There were few candidates, however, who failed to identify the limitations. Generally, question three was well answered by many candidates.

QUESTION FOUR

The general performance on this question was good. 22 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 61%. The highest mark scored on this question was 20 out of 20 and the lowest was 0 out of 20.

This question had three (3) parts; (a), (b) and (c). In part (a) candidates were required to discuss any three (3) triggers of change within an organization. This part was fairly well answered though some candidates were simply waffling hoping for the best. Candidates needed to be clear on specific triggers of change.

Part (b) candidates were asked to explain any four (4) changes within the organization that are less transformational and easier to implement. This part was well answered by many candidates. However, some candidates repeated the answers in part (a).

Part (c) candidates were required to list two (2) types of change that would take place within the organization or environment.

QUESTION FIVE

The general performance on this question was fair. 23 out of the 46 candidates that attempted the question passed (got at least 10 out of the total 20 marks available). The pass rate recorded was 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 three (3) parts; part (a), (b) and (c). Part (a) candidates were required to advise the two (2) brothers of any five (5) features of a private limited company. Many candidates managed to answer this part of the question well. However, there were cases where some candidates were giving features of a public limited company.

Part (b) candidates were asked to explain to John and James the four (4) disadvantages of a private limited company. The performance in this part of the question was average. Some candidates failed to answer any four disadvantages.

Part (c) candidates were asked to highlight any two (2) limitations of cooperative form of business. This part was well answered by some candidates, though other candidates just mentioned politics as a limitation.

QUESTION SIX

The general performance on this question was fair. 9 out of the 21 candidates that attempted the question passed (got at least 10 out of the total 20 marks available). The pass rate recorded was 42.9%. The highest mark scored on this question was 14 out of 20 and the lowest was 0 out of 20.

This question was divided into three (3) parts; part (a), (b) and (c). Part (a) asked candidates to explain any four (4) ways in which a job can be enriched in a work environment. Many candidates gave correct answers and got the four (4) marks awarded.

Part (b) required candidates to state any four (4) main factors to consider in order to achieve job enrichment. Candidates failed to give the correct factors as required in the suggested solutions.

Part (c) required candidates to explain any four (4) dimensions that contribute to job satisfaction. Many candidates explained some motivation theories in general terms and lost out marks on this question.

Overall performance of candidates

Highest mark obtained in this paper:	82%
Lowest mark obtained in this paper:	8%
Overall pass rate in this paper:	61.2%

SUBJECT CA1.6 – BUSINESS COMMUNICATION

QUESTION ONE

The general performance on this question was excellent. 68 out of the 69 candidates that attempted the question passed (got at least 10 out of the total 20 marks available). The pass rate recorded was 98.6%. The highest mark scored on this question was 20 out of 20 and the lowest was 8 out of 20.

This was a compulsory question. All questions were multiple choice questions. The general performance was very good. 69 candidates attempted the question.

QUESTION TWO

The general performance on this question was very good. 54 out of the 69 candidates that attempted the question passed (got at least 10 out of the total 20 marks available). The pass rate recorded was 78.3%. The highest mark scored on this question was 20 out of 20 and the lowest was 3 out of 20.

This was a compulsory question. It required candidates to distinguish between outsourcing and insourcing, outlining three advantages of outsourcing, explaining the role of Microsoft Word and Excel in an accounting department, discussing two benefits of using passwords when using computers and defining Batch Processing mode.

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

- (a) Most candidates did not understand the terms outsourcing. They were referring to off the shelf, already made software;
 - It was difficult to outline advantages of outsourcing since they did not understand the definition of it.
- (b) Use of MS Word and MS Excel was well answered as well as benefits of using passwords when using the computer.
- (c) Some candidates were not defining Batch Processing mode correctly. The key terms like grouping of data, interval of time, etc. were not coming out in the definition.

QUESTION THREE

The general performance on this question was fair. 27 out of the 55 candidates that attempted the question passed (got at least 10 out of the total 20 marks available). The pass rate recorded was 49.1%. The highest mark scored on this question was 20 out of 20 and the lowest was 3 out of 20.

This was an optional question which required candidates to explain four security issues related to personal websites that can be harmful to both organizations and employees, explaining four functions of the DBMS and defining a Management Information System (MIS) and explaining its purpose.

The most common mistakes made by the candidates were as follows:

- (a) Most candidates were explaining each individual security threat instead of the issues such as loss of confidential information, system damage and not what most were writing, i.e. viruses, phishing, ransomware, etc.
- (b) Some candidates did not understand the question. They were explaining features of the DBMS instead of functions of the DBMS. Some students were leaving the answers blank.
- (c) Some candidates were giving the explanation for Executive Information System and Decision Support System instead of Management Information System. Some students were only writing the definition and could not explain the purpose of MIS.

QUESTION FOUR

The general performance on this question was fair. 22 out of the 49 candidates that attempted the question passed (got at least 10 out of the total 20 marks available). The pass rate recorded was 44.9%. The highest mark scored on this question was 18 out of 20 and the lowest was 2 out of 20.

The was an optional question. The question required candidates to outline four different types of output devices, explaining the importance of input and output controls in information systems and explaining the benefits of using laser printers and Real-time system.

The most common mistakes made by the candidates included:

- (a) Some students were giving input devices as well instead of only output devices. Some students were listing types of output devices instead of explaining something about the types of output devices.
- (b) Input and output controls did not come out correctly, some candidates were writing an input and output stages of the data processing cycle and giving the general control explanation.
- (c) Benefits of laser printers was being confused with advantages. The explanations for real-time system was not coming out right

QUESTION FIVE

The general performance on this question was excellent. 40 out of the 45 candidates that attempted the question passed (got at least 10 out of the total 20 marks available). The pass rate recorded was 88.9%. The highest mark scored on this question was 20 out of 20 and the lowest was 2 out of 20.

The was an optional question. The question required candidates to write a notice for the meeting that includes at least three agenda items for discussion and outlining any three things that would render a meeting unproductive.

The most common mistakes made by candidates that scored low marks included the following:

- (a) Repeated agenda items.
- (b) Wrong name of the document
- (c) Omitting this part of the question.
- (d) Misplaced elements of information that was expected to be at the beginning of a notice was placed at the end of the notice.
- (e) Some candidates left important information such as the date, signature, name and position.
- (f) Wrong format used. In some cases, some wrote reports which was not correct with wrong content.
- (g) The name of the document was presented as a memo yet it was notice.

QUESTION SIX

The general performance on this question was excellent. 53 out of the 57 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 5 out of 20.

The was an optional question. The question required candidates to write a letter to the supplier requesting a corrected invoice and explaining any three reasons it would be ideal to attach supporting documents to this letter.

The most common mistakes made by the candidates that obtained low marks were as follows:

- (a) No conclusion or desired action indicated in the last paragraphs.
- (b) Wrong content, un related to the scenario given in the questions.
- (c) Misplacements of elements of the letter.
- (d) Wrong subject line which in some cases was un related to the message in the letter.
- (e) Incomplete or wrongly written addresses.
- (f) Wrong formats used. Some candidates wrote memos instead of letters.

Overall performance of candidates

Highest mark obtained in this paper: **83%**
Lowest mark obtained in this paper: **35%**
Overall pass rate in this paper: **89.9%**

SUBJECT: CA2.1 FINANCIAL REPORTING

QUESTION ONE

The general performance on this question was good. 62 out of the 91 candidates that attempted the question achieved a pass (that is a score of at least 20 out of 40 marks), representing a pass rate on the question of 68.1%. The lowest score was 0 whilst the highest was 24 out of the available 40 marks.

The question had three parts, (a), (b) and (c). Part (a) required candidates to calculate the goodwill arising on the acquisition of the subsidiary, part (b) required candidates to prepare the consolidated statement of profit or loss and other comprehensive income, while part (c) required candidates to explain the necessary accounting treatment of financial assets classified as at FVTPL and FVTOCI.

The following were the observations:

- A significant number of candidates failed to appropriately apply time apportionment in calculating the results of the subsidiary. This resulted in the loss of straightforward marks across multiple requirements. Candidates are strongly advised to consistently compare the acquisition date with the reporting date in group accounting questions to ensure accurate time apportionment.
- With respect to goodwill computation, several inaccuracies were noted. Some candidates incorrectly applied time apportionment to the share exchange consideration, thereby distorting the valuation. Additionally, there was evidence of limited understanding in the computation of Non-Controlling Interest (NCI) where figures were not explicitly provided. Errors were also observed in fair value adjustments, with some candidates incorrectly including post-acquisition depreciation in acquisition-date net assets.
- Only a minority of candidates correctly apportioned NCI between the Statement of Profit or Loss and Other Comprehensive Income (OCI). Most candidates restricted the allocation to profit or loss, overlooking OCI components that equally required attribution between the parent and NCI.

QUESTION TWO

The general performance on this question was good. 30 of the 50 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% was recorded. The highest score was 18 out of 20 marks while the lowest was 2.

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 of 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. Generally, most candidates performed well in this question, though few candidates were not able to deal with some adjustments very well.

The following are the common mistakes made by the candidates:

- Financial Statements Format – Most of the candidates could not present the financial statements in the correct format, especially the Statement of Changes in Equity. students seem to have challenges with the standard presentation of the financial statements.
- Numbers or figures were just tabulated with no proper format followed.
- Students failing to properly classify items in the Statement of Financial position, e.g classifying cash & bank under current liabilities.

QUESTION THREE

The general performance on this question was very good. 41 of the 61 candidates that attempted the question managed to obtain at least 10 marks out of a total of 20 available marks. A pass rate of 67.2% was recorded. The highest score was 20 out of 20 marks while the lowest was 1.

The question was made up of one part requiring candidates to prepare the statement of cash flows. The following are the common mistakes made by the candidates:

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

- (i) Cash paid to acquire property, plant and equipment
- (ii) Taxation paid;
- (iii) Interest paid
- (iv) Cash paid to purchase intangible assets
- (v) Dividends paid;
- (vi) Cash proceeds from issue of equity shares; and
- (vii) Redemption of Lease liabilities;

Common mistakes included the following:

- Not knowing the format for the statement of cash flow. Knowing the format helps in earning easy marks related to treatment of depreciation charge for the year, working capital changes, profit or loss on disposal of property, plant and equipment, proceeds from issue of shares, cash paid to acquire property, plant and equipment, tax paid and dividends paid just to mention but a few.

- Adding gain on disposal of plant K15, 000,000, instead of subtracting (reversing an entry in the statement of profit or loss).
- Ignoring deferred tax balances in calculating tax paid. Tax paid is computed by taking into account current and deferred tax balances, income tax expense in the profit or loss account.
- Not subtracting depreciation charge for the year and carrying value of plant disposed of in computing cash paid to acquire property, plant and equipment.
- Misclassification of cash items. Candidates are advised to be familiar with headings of cash flow.
- Wrong computation and accounting of reversal of amortisation of government grants.
- Omitted interest paid of K19 million (K25 million – K6 million).

QUESTION FOUR

The general performance on this question was very poor. Only 26 of the 73 candidates that attempted the question managed to obtain at least 10 marks out of a total of 20 available marks. A pass rate of 35.6% was recorded. The highest score was 18 out of 20 marks while the lowest was 0.

The question was made up of parts (a), (b) and (c). Part (a) required candidates to explain the advantages of ratio analysis, part (b) required candidates to calculate the ratios, while part (c) required candidates to comment on the profitability, liquidity and gearing.

Common mistakes made by candidates when answering this question included the following:

- Some candidates could not compute ratios, hence they failed to make the analysis as required.
- Most of the Candidates who attempted to compute the ratios could not give a proper analysis or comments. Candidates failed to express themselves properly, they could not give reasons for the underlying outcomes of the ratios computed.
- Most of the Candidates exhibited poor communication skills. Their English is worrying as future Accountants.

QUESTION FIVE

The general performance on this question was fair. 43 of the 78 candidates that attempted the question managed to obtain at least 10 marks out of a total of 20 available marks. A pass rate of 55.1% was recorded. The highest score was 17 out of 20 marks while the lowest was 1.

This question had four parts. Part (a) required candidates to explain the underlying assumption in the preparation of financial statements, part (b) required candidates to discuss faithful representation, relevance and comparability as qualitative characteristics of useful financial information, part (c) required candidates to explain the role of the IFRS Foundation, while part (d) required candidates to explain the elements of financial statements.

The following were the observations made:

- It was concerning that nearly half of the candidates failed to identify the fundamental underlying assumption of financial statements, namely the going concern assumption. Instead, some candidates incorrectly cited the existence of an appropriate financial reporting framework, which is in fact a precondition for an audit, not an underlying assumption.
- A considerable number of candidates demonstrated insufficient understanding of key qualitative characteristics such as faithful representation, relevance, and comparability, resulting in the loss of easily attainable marks.
- Furthermore, many candidates were unable to distinguish between the roles of the IFRS Foundation and the International Accounting Standards Board. Responses often incorrectly described the functions of the IASB instead of those of the IFRS Foundation.
- It was also disappointing to note that explanations of the elements of financial statements lacked depth and technical accuracy. Candidates frequently omitted critical concepts such as control, flow of economic benefits, and present obligation, which are essential in defining assets and liabilities.

Overall performance of candidates

Highest mark obtained in this paper: **63%**
Lowest mark obtained in this paper: **8%**
Overall pass rate in this paper: **33%**

SUBJECT: CA2.2 – MANAGEMENT ACCOUNTING

QUESTION ONE

The general performance on this question was very poor. Only 32 out of the 125 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 25.6%. The lowest score was 5, whilst the highest was 26 out of the available 40 marks.

This question required candidates to:

- (a) identify four stakeholders categorised as external or internal.
- (b) explain the information needs of four key stakeholders that the management accountant should be able to provide.
- (c) identify an appropriate basis of apportionment for any four costs of the company.
- (d) determine the cost components of the total expenses and explain its importance in cost estimation and budgeting.
- (e) calculate variances: patient visits variance, total expenses variance, planning and operating variances and to comment on the variances.
- (f) explain to management how an activity-based costing (ABC) approach can be implemented at the hospital, clearly showing the steps and information needs.

Common mistakes noted were as follows:

- Identifying the key stakeholders without categorising them as internal or external.
- Failing to explain the information needs of the identified key stakeholders; or giving wrong information needs.
- Failure to identify cost categories from the question scenario.
- Giving cost categories which are not in the scenario.
- Giving wrong bases of apportionment.
- Failure to use the high/low method to split the given total expenses into fixed and variable. The total expenses range was K7,537,500 to K7,800,000; whilst the activity range was 8,500 to 12,000.
- Commenting wrongly on why it is important split costs in cost estimation and budgeting.
- Forgetting to comment on reasons why cost split is important.
- Not knowing how to calculate planning and operating variances. Planning variances compare standard costs/revenues with the revised costs/revenues; whilst operating variances compare revised costs/revenues with actual costs/revenues.
- Not knowing the steps in ABC implementation or giving just one or two steps.

- Giving the steps in traditional absorption costing approach, i.e. allocation, apportionment and absorption, instead of the ABC steps.

QUESTION TWO

The general performance on this question was fair. 53 of the 115 candidates that attempted the question managed to obtain at least 10 marks out of a total of 20 available marks. A pass rate of 46.1% was recorded. The highest score was 18 out of 20 marks while the lowest was 1.

Question Two required candidates to:

- (a) explain the term limiting factor.
- (b) compute the optimal production plan for the company for the current year, clearly showing the total profit expected.
- (c) Explain the role of the management accountant in terms of the type of information that he/she may provide to the business.

The question was well performed with many candidates scoring good marks whilst a number of them still performed poorly.

Common mistakes made by the candidates included:

Part (a)

A number of candidates failed to explain what a limiting factor was in the context of the question, some describing it as a "shortage or shortfall in the production of goods".

Some candidates were writing more than what was commensurate with the marks on "Limiting factor".

Part (b)

Some candidates failed to get the profit due to the following:

- Using wrong fixed overhead figures. For production overheads they should have multiplied them by 12 and for selling and distribution overheads they should have multiplied them by 4.
- Including the 150% absorbed overheads in the computation for contribution.
- Adding direct material and labour costs to the contribution per unit.
- Using wrong figures for direct raw materials.
- Leaving out the fixed selling and administration overheads in the profit statement.
- Lumping up variable costs and getting a wrong figure.
- Some candidates left out this part (b) completely.

Part (c)

Some candidates left out the aspects of planning, controlling and decision making in the role of the management accountant.

Some candidates were explaining management information to be provided by the management accountant instead of the role.

Some candidates were limiting the role of the management accountant to the daily routines.

Some candidates were defining management accounting instead of the role of the management accountant.

Presentation was generally very poor for some candidates.

QUESTION THREE

The general performance on this question was very good. 79 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 71.2% was recorded. The highest score was 20 out of 20 marks while the lowest was 3.

This question required candidates to:

- (a) Calculate the variable cost per unit and the fixed cost for the vehicle maintenance cost using the high-low method.
- (b) Formulate the total cost function and estimate the total cost when maintenance hours are 4,250.
- (c) Distinguish the following types of costs and give examples:
 - (i) Product and period costs
 - (ii) Production and non-production costs.
 - (iii) Functional and indirect costs

A good number of candidates were able to answer this question well.

Common mistakes made by the candidates included:

- Failure to apply the high-low method to the figures provided in the question.
- Some candidates did not understand what was meant by "total cost function". The total cost function is a linear line of the type $TC = VC + FC$ ($Tc = a + bx$).
- Distinguishing between the various costs without giving an example as required by the question.

QUESTION FOUR

The general performance on this question was very poor. 10 of the 69 candidates that attempted the question managed to obtain at least 10 marks out of a total of 20 available marks. A pass rate of 14.5% was recorded. The highest score was 16 out of 20 marks while the lowest was 1.

This question examined functional budgets and the advantages and disadvantages of full cost plus pricing.

Question Four required candidates to:

- (a) prepare (i) the production budget, (ii) the materials purchases budget in kgs and Kwacha and (iii) the direct labour budget.
- (b) Explain the advantages and disadvantages of full cost plus pricing.

The common mistakes made by the candidates included:

- Most of the candidates did not adjust the closing inventory by the fractions for products P and Q, respectively, when preparing the production budget.
- Most of the candidates did not adjust the materials usage by the fraction of 10/60 when preparing the materials purchases budget.
- A number of candidates prepared the purchases budget by product. This was going to be correct if the question had given individual opening and closing materials inventories for products P and Q. opening inventories of 3,700 kgs were for both products. Such candidates were then forced to deduct 3,700 kg from each product, which was wrong. The correct treatment was to convert the production figures of products P and Q to consumption or usage and add them up. Thereafter, it was now possible to add one closing inventory figure to the total usage and deduct one opening inventory figure (3,700 kg) to arrive at the materials purchases budget.
- Some candidates gave fewer advantages and disadvantages of the full cost-plus pricing method. Future candidates should follow the instructions.

QUESTION FIVE

The general performance on this question was very poor. 23 of the 79 candidates that attempted the question managed to obtain at least 10 marks out of a total of 20 available marks. A pass rate of 29% was recorded. The highest score was 18 out of 20 marks while the lowest was 0.

Question Five required candidates to calculate (a) the material price variance; (b) the material usage variance; (c)(i) planning price and usage; (c) (ii) Operational price variance; (c) (iii)

planning usage variance; (c) (iv) operational usage Variance and (d) to assess the performance of the production manager based on the calculations in (a) to (c).

Common mistakes made by the candidates included:

- Many candidates could not appreciate the some information was expressed in grammes and other information in kg's. They multiplied out unlike things. Prices were quoted in kgs whilst consumption (both standard and actual) was quoted in grammes. There was, therefore, need to convert grammes to kg's before proceeding to variances calculation.
- Not knowing how to calculate planning and operating variances. Planning variances compare standard costs/revenues with the revised costs/revenues; whilst operating variances compare revised costs/revenues with actual costs/revenues.
- Assessing the production manager was good on the material price and usage variances. However, the assessment of the manager based on the planning and operational variances was very poor. This showed that candidates did not understand the meaning of planning and operational variances.
- The performance of the manager could have been explained on the following lines:
 - The material price variance was K16,000 A. This overspending can be justified by the external factors such as drought and fuel costs. The K16, 000A can be explained by a price planning variance of K10, 000 A (uncontrollable) and the remaining K6, 000A was the operational variance (controllable).
 - The production manager achieved a favourable usage variance of K38, 000. This indicated efficiency in material usage and can be attributed to the higher quality material which led to less wastage. The K38, 000F can be explained or analysed by the K11, 400A planning usage variance(uncontrollable) and the K49, 400 F operational usage variance(controllable). The K49, 400 F indicated strong operational usage due to effective material handling.
 - Failure to conclude whether the production manager had performed well or not.

Overall performance of candidates

Highest mark obtained in this paper: **73%**

Lowest mark obtained in this paper: **3%**

Overall pass rate in this paper: **64.5%**

SUBJECT:2.3-AUDITING PRINCIPLES AND PRACTICE

QUESTION ONE

The general performance on this question was very poor. Only 37 out of the 171 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 21.6%. The lowest score was 1, whilst the highest was 34 out of the available 40 marks.

Part (a)

- (i) This part of the question required candidates to explain using examples the possible levels of assurance that auditors may give for a review and audit of financial statements. Candidates needed to explain the level of assurance for each of the two types of engagements.

A majority of candidates showed lack of understanding of the two levels of assurance. To score maximum marks candidates needed to explain when each of the two levels of assurance is given and for six marks should have explained briefly the characteristics of each of the levels of assurance. Candidates should be guided by the marks offered to decide on the depth of answer required.

A few candidates suggested audit opinions instead of discussing the two levels of assurance as per question requirement.

- (ii) This part of the question required candidates to explain how audit risk may impact the decision to bid for offer of audit services and to decide to continue with an audit engagement. Presentation in this question was important because the two situations should have been dealt with separately.

A majority of the candidates simply stated that the appointment should not be accepted without considering the fact that audit risk may be reduced by reducing detection risk. If on the other hand audit risk cannot be reduced to acceptable levels, the audit appointment should be declined or in a continuing engagement the auditors may consider resigning. There were candidates that explained audit risk rather than explain how it impacts the decision to accept or continue with an audit engagement.

- (iii) This part of the question required candidates to explain 3 matters that should be considered before accepting appointment. This was a knowledge based question that did not require the use of information in the scenario and well prepared candidates should have scored maximum marks. A majority of the candidates did not attempt to answer this part of the question and lost the available marks. There were some that explained less than the three required matters and so scored marks proportion to the correct answers given.

Some candidates explained matters that should be considered after accepting appointment such as drawing up an engagement letter.

Part (b)

This part of the question required candidates to describe 4 substantive audit procedures that should be performed to obtain evidence for bank balances in the financial statements of Machipisa Mega Store. The performance in this part of the question was poor with many candidates scoring less than half the available marks.

The following observations were made:

- Explaining methods of obtaining evidence such as recalculation with no further information did not earn any marks.
- There were candidates that explained less than the required four substantive audit procedures.
- A sizeable number of candidates did not attempt to answer this part of the question.

Part (c)

- (i) This part of the question required candidates to explain how matters of disagreement with management could be dealt with assuming the matters remain unresolved.

A majority of the candidates did not answer this part of the question with some suggesting resigning as the decision that should be made. Candidates should note that resignation is the last resort and there are other actions that can be taken before doing so. Among the actions that should be taken is to bring this matter to the attention of those charged with governance who may intervene to try and help resolve the matter and also consider the impact of the matter on the financial statements with a view to modifying the opinion if necessary.

- (ii) This part of the question required candidates to suggest a suitable opinion based on given information assuming matter remained unresolved. Candidates needed to clearly explain how materiality and pervasiveness impacts the opinion and clearly explain any assumptions made in arriving at a recommended opinion.

A majority of the candidates simply suggested a form of opinion with no justification. This showed lack of understanding of matters that should be considered when arriving at an opinion.

- (iii) This part of the question required candidates to draft extracts of the audit report considering the suggested opinion and disclosure requirements. The performance in this part of the question was poor with a significant number of candidates failing to draft suitable extracts considering the opinion suggested in (ii). Candidates needed to show that they know that the elements of Opinion and Basis for Opinion change depending on the modification. It was evident that a majority lacked this knowledge.

Part (d)

This part of the question required candidates to describe 4 audit procedures that could be performed at the interim stage of the audit. Answering this part correctly would confirm candidate's understanding of the interim audit.

Sufficient information was made available in the scenario which was meant to assist candidates describe the work that could be done at the interim audit stage. The question clearly states that there were additions to tangible non-current assets during the interim audit stage and that the general ledger is available for the first six months suggesting that limited substantive tests of transactions could be done at the interim audit stage. This plus the theoretical knowledge that candidates should possess should have helped candidates answer this part of the question.

A sizeable number of candidates explained the meaning of interim audits instead of explaining the procedures that could be performed during an interim audit as per question requirement.

QUESTION TWO

The general performance on this question was poor. Only 47 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 34.3% was recorded. The highest score was 17 out of 20 marks while the lowest was 1.

This was the most attempted optional question with 78% of the candidates answering it. The performance in this question was poor with an overall average score of 7.9 marks. Half the marks in this question were from the topic of risk and appropriate audit responses. Well prepared candidates should have scored maximum marks.

Part (a)

This part of the question required candidates to identify and explain audit risks and suggest suitable audit responses for the risks identified and explained. Risks have been examined in this manner in past examinations. This topic has been examined in this manner in past examinations sessions. It was disheartening to note that the majority of candidates scored less than half the available marks.

The following observations were made:

- A significant majority of the candidates explained responses to the audit risks identified from the point of view of management which is incorrect. The responses given would have correct if the risks required were business risks.
- There were candidates that simply identified and stated the audit risk from the information in the scenario without explaining how the audit risk arises. What makes a risk an audit risk is the impact that it has on the figures in the financial statements and this should be clearly explained. Financial Controller assigning responsibilities to junior staff.

Part (b)

This part of the question required candidates to describe 2 audit procedures to be performed on equipment acquired during the year. Audit procedures are an important parts of the syllabus and they are likely to feature in future examinations. Candidates were requires to state the assertions being tested for the procedures explained.

The following observations were made:

- Marks were lost for stating the wrong assertion for the audit procedure explained.
- There were candidates that explained the audit procedures without stating the relevant assertions as per question requirement. Only half the marks were awarded for doing so.
- There were candidates that gave clearly wrong audit procedures showing that they lack the necessary knowledge on audit procedures.

Part (c)

This was a knowledge based question that required candidates to explain the responsibilities for fraud in a client company. Candidates need to use the guidance given in ISA 250 *Consideration of laws and regulations in an audit of financial statements* which gives guidance in this area. According to the auditing standard the main responsibility of the auditor is to obtain reasonable assurance that the financial statements are free from material misstatements on account of non-compliance with laws and regulations.

The following observations were made:

- A sizeable number of candidates went to length discussion on the responsibilities of management instead of the auditor responsibility as per question requirement.
- There were candidates who explained that auditors have a responsibility to identify fraud and error in an audit of financial statements which is incorrect.

Part (d)

This part of the question required candidates to explain the importance of communication with those charged with governance throughout the audit. ISA 260 *Communication with those charged with governance* gives guidance in this area. A significant number of candidates appeared not to know the provisions of the auditing standard. The importance of communicating with those charged with governance is well explained as follows:

- It assists the auditors and those charged with governance to understand audit related issues and also to develop a constructive working relationship.
- Communication enables auditors to obtain information relevant to the audit and
- Communication assists those charged with governance fulfill their responsibility to oversee the company financial reporting process.

In order to score maximum marks candidates needed to explain three valid points.

The following observations were made:

- A sizeable number of candidates only gave one importance of communication by the auditor to those charged with governance.
- A number of candidates simply did not attempt to answer this part of the question.

QUESTION THREE

The general performance on this question was very poor. Only 34 of the 131 candidates that attempted the question managed to obtain at least 10 marks out of a total of 20 available marks. A pass rate of 26% was recorded. The highest score was 16 out of 20 marks while the lowest was 0.

Part (a)

This part of the question required candidates to explain 3 advantages and 2 disadvantages of establishing an Audit Committee in Soweto Ltd.

Candidates lost marks for not giving enough advantages and disadvantages as per question requirement.

Part (b)

This part of the question required candidates to describe 5 substantive audit procedures for trade receivables balances. Well prepared candidates should have scored maximum marks in this question.

The performance in this question on substantive audit procedures was poor with a majority scoring less than half the available marks.

The following observations were made:

- There were candidates who explained methods of obtaining audit evidence such as inquiry.
- There were also candidates who simply stated methods of audit procedures with no explanations.
- Some candidates explained less than the required 5 audit procedures and scored marks in proportion to the correct procedures explained.

Part (c)

This was a knowledge based question that required candidates to explain any 3 of the 5 elements of an assurance engagement.

It was disappointing to observe that many candidates could not explain the elements of an assurance engagement and lost easy marks. This suggests that the candidates did not know this part of the syllabus which is in the introductory part of the syllabus.

Part (d)

This was a knowledge based question that required candidates to explain 4 factors that influence the reliability of audit evidence. Well prepared candidates should have scored maximum marks.

A majority of the candidates simply could not provide the factors that influence the reliability of evidence and some gave less than the required 4 factors.

Part (e)

This part of the question required candidates to explain the auditor responsibilities regarding noncompliance with laws and regulations by a client company.

Candidates needed to use their knowledge of the provisions of ISA 250 *Consideration of laws and regulations in an audit of financial statements*. A significant of candidates went to great length to explain the responsibilities of management with regards laws and regulations and said nothing or very little on the responsibilities of the auditors as per question requirement. There was no need to do this and candidates are reminded to address the question requirements when answering examination questions. A sizeable number of candidates suggested that auditors are responsible for ensuring that the company complies with laws and regulations which is not the primary responsibility of management. Most answers showed lack of knowledge of the provisions of the auditing standard.

QUESTION FOUR

The general performance on this question was very poor. Only 31 of the 116 candidates that attempted the question managed to obtain at least 10 marks out of a total of 20 available marks. A pass rate of 26.7% was recorded. The highest score was 17 out of 20 marks while the lowest was 1.

The performance in this part of the question was poor with a majority of the candidates scoring much less than half the available marks and a low average score of 7.4 marks of the maximum available marks.

Part (a)

- (i) This part of the question required candidates to explain 2 preconditions that must be met before accepting audit engagements.

Most of the candidates discussed matters that should be considered before bidding for the offer of audit services and did not give the preconditions for an audit which are clearly specified in the study materials. There were also any answers that showed lack of knowledge of the pre-conditions for an audit.

The following are examples of some of the answers given:

- Audit fees should be reasonable.
- At least one of the partners must be ordinarily resident in Zambia.
- The company must not be indebted to the audit firms.

- (ii) This part of the question required candidates to explain 3 statutory rights of the auditors. This was a knowledge based question that did not require the use of information in the scenario.

The rights of auditors are specified in statute. There was a sizeable number of candidates that explained matters that are not part of the rights of auditors and examples of some of the answers that are incorrect are given below:

- Auditors have the right to remuneration.
- Auditors have the right to attend the management meetings.

Part (b)

This part of the question required a description of audit procedures for the bank loan at the period end. Poor performance in questions on substantive procedures suggest lack of understanding of financial statements assertions contained in the figures in the financial statements. In order to describe the audit procedures candidates require to have an understanding of the accounting for the assertions in question.

The following observations were made:

- A sizeable number of candidates could not give the required five audit procedures hence losing the marks for not doing so.
- There were candidates that explained for provisions for other assertions and not the bank loan liability as per question requirement and no marks were awarded for doing so. There were candidates that explained audit procedures for provisions and warranties.
- There were also candidates that showed lack of knowledge of audit procedures.

Part (c)

This part of the question required candidates to explain 3 areas where professional skepticism should be applied in the audit of the financial statements of Yolimba Manufacture Ltd.

The following observations were made:

- There were candidates who explained the meaning of professional skepticism without explaining the areas it requires to be applied in the audit of the financial statements of Yolimba Manufacturer Ltd.
Candidates are reminded to ensure they understand the question requirements and address them in answering examination questions.
- There were candidates who gave general answers not related to the information in the scenario as expected.
- A few candidates simply stated the areas where professional skepticism should be applied with no explanation as required.

Part (d)

This part of the question required candidates to explain the difference between an audit and a review of the interim financial statements. In the first instance, candidates should have identified the fact that what was being compared are audits and review of financial statements considering that reviews are an alternative to audits when required. Reviews can be performed

on interim or final financial statements and the main difference is with regards the amounts of work and levels of assurance that is provided.

Candidates needed to explain the characteristics of each of the two such as the fact that in an audit a high level of testing is done resulting in a high level of assurance expressed in a positive form while in a review the auditors normally use inquiries and analytical procedures to gather evidence resulting in a lower level of assurance expressed in a negative form.

The following observations were made:

- A majority of candidates explained differences between external audit and the interim audits which was not the question requirements. Interim audits could be compared with final audits which was not the question requirement.

Part (e)

This part of the question required candidates to explain 2 factors that should be considered before establishing an Internal Audit department. A sizeable number of candidates scored maximum mark in this part of the question.

There were a few candidates that gave clearly incorrect answers such as the following:

- Consider if the company is a listed company. Internal audit function can be set up regardless of the fact that the company is or is not listed.
- Is the company dealing with complex transactions?

QUESTION FIVE

The general performance on this question was very good. Only 101 of the 133 candidates that attempted the question managed to obtain at least 10 marks out of a total of 20 available marks. A pass rate of 75.9% was recorded. The highest score was 17 out of 20 marks while the lowest was 1.

The performance in this question was generally good with a majority of candidates scoring half or more of the available marks.

Part (a)

This part of the question required candidates to explain 2 challenges that Baobab Ltd has been facing when implementing a robust governance structure and internal control systems. Use of information in the scenario should have helped candidates to answer this part of the question.

A sizeable number of candidates lost marks for giving answers that did not relate to the question. For example some candidates stated that the company has a high cost structure and that it would be impossible to implement a good corporate governance structure.

Part (b)

Parts (i) and (ii) could have been answered in columnar format which ensures that both aspects are addressed and also save valuable examination time.

(i) This part of the question required candidates to identify and explain 4 ethical matters in the audit of Baobab Ltd:

(ii) This part of the question required candidates to explain suitable safeguards that should be applied considering the ethical matters explained in (i) above.

A majority of the candidates scored maximum marks in parts (i) and (ii) of the question. The following observations were made regarding candidates that scored lower marks:

- There were candidates that explained weaknesses as ethical threats.
- There were candidates that simply did not seem to know ethical matters and explained matters that were clearly not ethical matters. For example, a few candidates suggested that the removal of important restriction and poor quality products are ethical issues. These are business risks which were not the question requirement.
- A few candidates explained less than the required four ethical issues and scored marks in proportion to the correct issues discussed of the ones explained.
- A significant number of candidates gave recommendations to deal with the issues discussed from the point of view of management. Ethical issues and safeguards should be discussed from the point of view of the auditor. No marks were awarded for making recommendations to management.

Part (c)

This part of the question required candidates to suggest 4 going concern indicators in the audit of Baobab Ltd. Information in the scenario required to be used in answering this part of the question. General answers not related to the information in the scenario did not attract maximum marks.

The following observations were made:

- A few candidates explained less than the required number of going concern indicators.
- A sizeable number of candidates explained general going concern indicators not related to the information on Baobab Ltd for which maximum marks were not awarded.
- There were candidates that gave answers that were clearly incorrect such as the following:
 - Weak internal controls as going concern indicators which is not correct unless there is additional information given and arising from the weak internal controls.
 - Failure to recruit qualified staff considered a going concern indicator.

Part (d)

This part of the question required candidates to explain any 4 written representations the audit team may request from management. Candidates should have noted that written

representations form part of the audit evidence obtained by auditors. Marks were awarded for explaining general written representations required by ISA 580 *Written representations*. A sizeable number of candidates could not give the four written representations that could be required by auditor thereby losing the marks for not doing so.

Overall performance of candidates

Highest mark obtained in this paper: **76%**
Lowest mark obtained in this paper: **10%**
Overall pass rate in this paper: **28.6%**

SUBJECT CA 2.4 - TAXATION

QUESTION ONE

The general performance on this question was fair. 80 out of the 143 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 55.9%. The lowest score was 0, whilst the highest was 36 out of the available 40 marks.

The question covered taxation of companies.

In part (a), candidates were required to calculate the amount of provisional income tax paid by the company during the tax year and to state the due date(s) and the amount of provisional income tax paid on each due date.

The following were the common mistakes made by candidates:

- Failure to compute the provisional income tax.
- Failure to state the correct quarterly due dates for provisional income tax.
- Some candidates used individual's tax bands in computing the provisional income tax rate of 30% for a company.

In part (b), candidates were required to calculate the amount of capital allowances claimable by the company on buildings, Implements, plant and equipment

The following were the common mistakes made by candidates:

- Failure to compute the correct capital allowances for buildings due to use of wrong rates.
- Failure to apply the 10% test to determine whether the administrative offices were either part of industrial buildings or commercial buildings.
- Failure to compute the correct capital allowances for implements, plant and machinery due to use of wrong rates for some assets. For example some candidates used 25% wear and tear for manufacturing machinery instead of 50%. Other candidates used 25% wear and tear for Nissan Navara Double Cab Van instead of 20%.

In part (c), candidates were required to calculate the amount of taxable business profit of the company for the year.

The following common mistakes were made by candidates:

- Failure to identify disallowable expenditure which should have been added to the net profit before tax to arrive at the taxable business profit.
- Failure to compute the disallowable amounts on free accommodation at the rate of 37% of the annual salary.

- Lack of knowledge on disallowable amounts of personal-to-holder motor cars.
- Grossing up the investment income, before deducting the amounts when computing the taxable business profit.

In part (d), candidates were required to calculate the amount of company income tax by for the company and to state the due date for payment of income tax.

The following were the common mistakes made by candidates:

- Failure to compute the correct taxable income due to wrongly computed tax adjusted business profit in part (c) above.
- Failure to gross up bank interest and management consultancy fees before computing the company income tax payable.
- Failure to compute the correct final company income tax payable due to use of wrong rate because others deducted discounts of 2% and 5% for listing and issue of shares to indigenous Zambians, yet the company was listed in 2019 and only 10% of shares were issues to indigenous Zambians of which both discounts did not qualify.
- Failure to compute and deduct withholding tax as tax credits on the investment incomes.

QUESTION TWO

The general performance on this question was poor. Only 50 of the 135 candidates that attempted the question managed to obtain at least 10 marks out of a total of 20 available marks. A pass rate of 37% was recorded. The highest score was 19 out of 20 marks while the lowest was 0.

The question examined taxation of employment income and international aspects of taxation

In part (a), candidates were required to explain whether Milingo would be regarded as being resident and ordinarily resident in Zambia for the tax year.

The following were the common mistakes made by candidates:

- Failure to explain whether or not an individual was resident in Zambia for income tax purposes.
- Most candidates mentioned that the individual was resident in Zambia because he was born in Zambia. It's possible that one may be born in Zambia but not resident for income tax purposes.
- Some candidates explained the meaning of domicile which was not part of the requirement of the question.

In part (b), candidates were required to explain how double taxation relief is given using the unilateral expense relief method.

The following the common mistakes made by candidates:

- Lack of knowledge of how unilateral expense relief is used to give double taxation relief.
- Some candidates gave explanations for other double taxation relief methods.

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

- Failure to compute the correct taxable emoluments for an employee.
- Some candidates taxed the employee for 12 months even when he only worked for 3 months.
- Failure to compute double taxation relief available on the income received from foreign sources.

QUESTION THREE

The general performance on this question was good. 94 of the 139 candidates that attempted the question managed to obtain at least 10 marks out of a total of 20 available marks. A pass rate of 67.6% was recorded. The highest score was 19 out of 20 marks while the lowest was 0.

The question examined Ethical issues in tax Practice and Property Transfer Tax.

In part (a), candidates were required to explain how the ethical principles apply to the provision of taxation services. The following were the common mistakes made by candidates:

- Failure to explain the fundamental principles of the code of ethics due to lack of knowledge.
- Some candidates confused themselves by swapping the explanations between professional competence and professional behavior.

In part (b), candidates were required to explain the property transfer tax implications arising from the transfer of each of the above assets during the year/

The following were the common mistakes made by candidates:

- Failure to give clear explanations when property transfer tax is applicable especially on transfers to an immediate family member.
- Failures to compute the correct property transfer tax payable because some candidates used 5% instead of 8%.
- Computing PTT on the transfer motor vehicles, which is an exempt transfer
- Computing PTT on the transfer of shares in a company listed on LUSE which is an exempt transfer
- Lack of knowledge on PTT rate for the transfer of mining rights which is 10% instead of 8% for other properties.

QUESTION FOUR

The general performance on this question was poor. Only 17 of the 47 candidates that attempted the question managed to obtain at least 10 marks out of a total of 20 available marks. A pass rate of 36.2% was recorded. The highest score was 15 out of 20 marks while the lowest was 0.

This question examined administration of direct taxes and presumptive taxes

In part (a) (i), candidates were required to describe the administrative appeals process to follow to appeal against the additional assessment of Tax by the ZRA.

The following were the common mistakes made by candidates:

- Lack of knowledge for the appeal process
- Some candidates went straight to talk about appealing to the Tax Appeal Tribunal instead of first appealing to ZRA.
- Some candidates talked about appealing to the High court and Supreme Court directly before the Tax Appeal Tribunal.

In part (a) (ii), candidates were required to explain any three (3) rights and any three (3) the tax payer during the objection process. The following were the common mistakes made by candidates:

- Lack of knowledge on the rights of tax payers.
- Lack of knowledge on the duties of taxpayers.

In part (b) (i), candidates were required to compute the penalties chargeable for the late submission of the provisional income tax return. The following were the common mistakes made by candidates:

- Lack of knowledge of the penalties applicable for late submission of provisional income tax return.
- Failure to explain the applicable penalties chargeable for companies on the late submission of the provisional income tax return.
- Failure to compute the penalties chargeable for the late submission of the return.

In part (b) (ii), candidates were required to compute the amount of provisional income tax payable in respect of the first quarter and state the due date by when it should have been paid.

The following were the common mistakes made by candidates:

- Failure to compute the quarterly provisional income tax payable for the first quarter.
- Failure to provide the correct due dates for the payment of the provisional income tax.

In part (b) (iii), candidates were required to calculate the amount of penalties and interest arising on the late payment of the provisional income tax for the first quarter of the tax year.

The following were the common mistakes made by candidates:

- Failure to compute the correct penalties for the late payment of the provisional income tax.
- Some candidates exhibited total ignorance on the computation of penalties payable for late payment of the provisional income tax.

In part (c), candidates were required to state any two (2) Acts which govern tax law in Zambia. Some candidates showed lack of knowledge on statutes governing tax law.

QUESTION FIVE

The general performance on this question was very poor. Only 17 of the 96 candidates that attempted the question managed to obtain at least 10 marks out of a total of 20 available marks. A pass rate of 17.7% was recorded. The highest score was 16 out of 20 marks while the lowest was 0.

The question examined VAT, Customs & Excise Duty and taxation of farming income for individuals

In part (a), candidates were required to explain any four (4) methods used to determine the VDP for goods manufactured in Zambia.

The following were the common mistakes made by candidates:

- Misunderstanding the question and explaining the methods used to calculate the VDP for imported goods instead of the VDP for goods manufactured.
- Some candidates showed lack of knowledge on the subject matter.

In part (b), candidates were required to explain how the tax point for Sale or return consignments, staged payments or part payments and Hire purchase arrangements. are determined, for VAT purposes:

The following were the common mistakes made by candidates:

- Lack of knowledge of the tax point for each type of supply is determined for VAT purposes.
- Some candidates ended up explaining the meaning of the above instead of the tax points.

In part (c), candidates were required to prepare a computation of the amount of VAT Payable for the month.

The following common mistakes were made by candidates:

- Failure to compute the correct output tax.
- Failure to compute the correct input tax.
- Lack of knowledge on computation of VAT payable.

Overall performance of candidates

Highest mark obtained in this paper: **54%**

Lowest mark obtained in this paper: **7%**

Overall pass rate in this paper: **51.7%**

SUBJECT CA 2.5 - FINANCIAL MANAGEMENT

QUESTION ONE

The general performance on this question was very poor. 23 out of the 171 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 13.5%. The lowest score was 0, whilst the highest was 25 out of the available 40 marks.

- (a) Required candidates to compute the current weighted average cost of capital and the following were the challenges:
- Calculating the risk free rate using CAPM.
 - Cost of equity was wrong calculated because the risk free was wrong and some candidates were using dividend valuation model instead of CAPM.
 - Most candidates failed to calculate the post-tax interest amount and this affected the calculation of post-tax cost of debt.
 - Market value of equity and debt were wrongly calculated which affected the WACC.
- (b) Required candidates to evaluate the proposed project using the NPV and the following are the challenges:
- Accounting for inflation. When prices and costs are in current terms inflation starts in year 1 and not in year 2.
 - Computation of tax savings on capital allowances.
 - Most candidates were inflating fixed costs when no inflation was given on this specific item.
- (c) Required candidates to calculate sensitivity of the project to changes in contribution and cost of capital and the following were the challenges:
- Candidates failed to calculate contribution which affected sensitivity margin.
 - Most candidates did not have knowledge on how to calculate sensitivity margin for cost of capital. This is calculated using the internal rate of return.
- (d) Required candidates to explain the meaning of shareholder's wealth maximization.
- Candidates failed to bring out increase in dividends paid and increase in capital gain.

QUESTION TWO

The general performance on this question was very poor. Only 13 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 12.4% was recorded. The highest score was 14 out of 20 marks while the lowest was 1.

(a).

(i) Candidates were required to estimate the share value for ZTech innovations using the Price Earnings (P/E) and the Dividend Valuation Models. For those candidates that attempted this question, the common mistakes were the inability of calculating the earnings. Some candidates used 15% and not 25% as provided in the question. This resulted in the incorrect market value as per amount and the market value per share.

(ii) For those that attempted the second part of the question (ii) using the Dividend Valuation Model, the common mistakes were their inability to calculate the dividend starting the 16 ngwee per share and this increasing by 29.5% in year 1 and 2 and subsequently by 14% in year 3 and in year 4, an annual growth of 5% in perpetuity. The candidates were therefore required to calculate yearly present values at 20% and summing up these present values at the end of year 4. Subsequently the estimated share value was to be used to determine the value of the firm by multiplying this with the number of shares. Most candidates did not follow this process.

(b) Candidates were required to identify and subsequently discuss the practical problems that are associated with valuing an unquoted company using the net asset valuation method. Most of the common mistakes arose by not identify correctly these practical problems. Some candidates only identified one problem. Some did not realise that the question was about unquoted company.

QUESTION THREE

The general performance on this question was very good. 115 of the 161 candidates that attempted the question managed to obtain at least 10 marks out of a total of 20 available marks. A pass rate of 71.4% was recorded. The highest score was 20 out of 20 marks while the lowest was 0.

In part (a), students were able to identify and explain the objectives of working capital management. However, the discussion on the tension or tradeoff between liquidity and profitability was limited.

In part (b), generally, a number of students were able to explain the term overtrading, but the explanations were generic as opposed to being specific.

In part (c), although a number of students were able to conclude that the HT ltd was overtrading, the conclusion was not based on evidence of ratio analysis. While some calculated the ratios, the interpretation of the ratios was somewhat inadequate.

QUESTION FOUR

The general performance on this question was fair. 56 of the 110 candidates that attempted the question managed to obtain at least 10 marks out of a total of 20 available marks. A pass rate of 50.9% was recorded. The highest score was 18 out of 20 marks while the lowest was 0.

In part (a), the decision criteria on choosing between the two options was based on understanding the Equivalent Annual Cost. while a few students got the question correct, the majority struggled to calculate the EAC. This demonstrated a lack of understanding of what EAC is about. As a result, a number of students failed to adequately address part (b) of the question, which was about why EAC is a preferred approach in the determination of the optimal replacement cycle for capital assets.

In part (c), most students were able to explain the factors considered when determining the optimum level of cash to be held in the business.

QUESTION FIVE

The general performance on this question was very poor. Only 26 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 24.5% was recorded. The highest score was 16 out of 20 marks while the lowest was 1.

This part had three parts: (a), (b) and (c) and candidates were required to:

- (a) Explain the meaning of the theoretical ex-rights price and why it may differ with the actual market price of a share.
- (b) Calculate the theoretical ex rights price and assess the effect on the shareholders' wealth assuming the actual market value of shares is equal to the theoretical ex-rights price.
- (c) Explain three (3) factors that may be considered in formulating the dividend policy for Joseph Plc.

Observations noted:

- Some candidates did not state the meaning of the theoretical ex-rights and the reasons for the difference as required in the question.
- The response to this part of the question required two approaches. One of the approaches required candidates to determine the value of rights attaching to each existing share and then determine the impact on the shareholder's wealth.
- The other approach required whereas the second required the candidate to determine that value of rights attaching to each new share.

The Theoretical Ex-Rights Price(TERP) was incorrectly calculated due to wrong price per share of K3 for existing and K2.5 per share after the rights issue.

Overall performance of candidates

Highest mark obtained in this paper: **64%**
Lowest mark obtained in this paper: **7%**
Overall pass rate in this paper: **22.8%**

SUBJECT: CA2.6 STRATEGIC BUSINESS ANALYSIS

QUESTION ONE

The general performance on this question was very good. 108 out of the 144 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 75%. The lowest score was 0, whilst the highest was 38 out of the available 40 marks.

This question had three (3) parts; part (a) required candidates to explain any five (5) incentive strategies that Nucor Corporation used in its piece-rate incentive system. Most candidates were able to pick these incentives from the case and answered correctly.

Part (b) required candidates to discuss five (5) factors that companies like Nucor Corporation may consider to achieve overall Cost Leadership. This part was fairly answered well. Some candidates did not understand the question and gave divergent responses not aligned with the suggested solutions.

Part (c) required candidates to explain five (5) factors to be considered in the remuneration policy for Directors at Nucor Corporation. This part was answered well, although, some candidates were repetitive in their responses, using different words for the same idea in different points i.e. one point would discuss salaries and the next would discuss pay.

QUESTION TWO

The general performance on this question was very poor. Only 32 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 26.7% was recorded. The highest score was 18 out of 20 marks while the lowest was 0.

This question was divided into two (2) parts. Part (a) required candidates to demonstrate the relationship which was profitable for Fipelwa-Nalesa. The performance in part (a) was very poor as few candidates managed to calculate correctly. The candidates were required to calculate in order to arrive at the profitable relationship or option of supply.

Part (b) the candidates were required to discuss how Fipelwa-Nalesa can use marketing mix elements to serve Choppies Supermarket and Mpundu Retail Shop better. Many candidates just discussed the marketing mix elements without making reference to how Fipelwa-Nalesa can apply the marketing mix elements. This is indicative of the inability to apply business concepts in real business world scenarios. Other candidates only discussed the traditional 4 'Ps' of marketing and lost some marks.

QUESTION THREE

The general performance on this question was fair. Only 55 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 43.7% 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). Part (a) candidates were asked to discuss four (4) cultural and ethical factors investors must consider as they make investment decisions in country A. Most candidates failed to clearly understand the scenario given hence they discussed some social factors of the environment generally like just explaining the factors to consider under social environment when conducting PESTEL Analysis.

In part (b) candidates were required to illustrate four (4) international factors that have an impact on the economic environment. Most candidates could not pick the economic variables presented in the scenario such as the removal of subsidies and liberalization of the economy to attract direct foreign investments. Many candidates just mentioned the interest rates and exchange rates.

QUESTION FOUR

The general performance on this question was very poor. Only 22 of the 133 candidates that attempted the question managed to obtain at least 10 marks out of a total of 20 available marks. A pass rate of 16.5% was recorded. The highest score was 16 out of 20 marks while the lowest was 0.

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

In part (a) candidates were expected to explain the effectiveness and efficiency at Prude. Many candidates managed to identify low prices at Prude as the prominent factor for its effectiveness and efficiency.

In part (b) candidates were required to describe four (4) sources of cost efficiency being utilized by Prude. Majority of candidates failed to identify and describe the four (4) sources mentioned in the scenario and lost marks on this part of the question.

In part (c), candidates were required to explain how Prude was maintaining its cost leadership strategy. Failure to understand what Low-Cost Leadership strategy is made many candidates fail to explain how this coming is maintaining this strategy.

In part (d), candidates were asked to recommend penetration Marketing strategies Prude should pursue to open Stores in the Northern part in 2025. Majority of the candidates just mentioned selling products at low prices. In this part of the question they were expected to use the Ansoff Growth Matrix and apply the correct quadrant that talks about market penetration strategies.

QUESTION FIVE

The general performance on this question was good. 33 of the 50 candidates that attempted the question managed to obtain at least 10 marks out of a total of 20 available marks. A pass rate of 66% 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 use the strategic clock by Bowman and Faulkner (1995) to demonstrate price and perceived value by customers. Both the diagram and interpretation of the diagram were well presented by many candidates who attempted this question.

In part (b), candidates were required to explain four (4) approaches to achieve a cost leadership approach in the economy stated in the question. Majority of the candidates who attempted this part of the question scored good marks and on the overall this question had a pass rate of 66%.

Overall performance of candidates

Highest mark obtained in this paper:	77%
Lowest mark obtained in this paper:	0%
Overall pass rate in this paper:	54.5%

SUBJECT: CA 3.1 – ADVANCED FINANCIAL REPORTING

QUESTION ONE

The general performance on this question was poor. 58 out of the 193 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 30.1%. The lowest score was 0, whilst the highest was 33 out of the available 40 marks.

This question and was made up of three (3) parts. Part (a) of the question required candidates to explain how the direct method differs from the indirect method of preparing statement of cash flows, part (b) required candidates to discuss the reasons why directors may wish to report the loan proceeds under operating activities, while part (c) required candidates to prepare the group statement of cash flows.

This could be attributed to lack of adequate preparation by many candidates for the paper. The interest paid, gain /loss disposal and depreciation figures were well treated by most of the candidates. However, perhaps due, to selective preparation of candidates for the examinations paper (wrong prediction), lack of adequate preparation and understanding of IFRS, few of the candidates performed poorly in this question.

The following were noteworthy mistakes of candidates:

- Added revaluation gain of K100, 000, which was reported in other comprehensive income.
- Deducted net pension expense and net movement gain in pension liabilities as cash outflow, instead of contributions (K200, 000).
- Subtracted share of associate loss (K120,000), the loss should have been added (reversed) since it was subtracted when profit was determined.
- Ignoring deferred tax balances in calculating tax paid. Tax paid is computed by taking into account both current and deferred tax balances, and income tax expense in the profit or loss account.
- Swapped the balances brought forward and balances carried forward. Further, few candidates indicated balances on a wrong side of the ledger accounts. For future examinations, you are advised to use narrative if you are not comfortable with ledger accounts. Take note that both narrative and ledger accounts are acceptable.
- Misclassification of cash items. Candidates are advised to be familiar with headings of cash flow.
- Failed to reconcile finance cost in order to determine the interest paid.
- Most Candidates generally attempted part a and part b, however candidates did not spend sufficient time discussing the reasons why the directors may wish to report the loan proceeds as an operating cash flow rather than a financing cash flow and the ethical and professional requirements of the question. Most of Candidates simply concluded that it was unethical and unprofessional, without considering the ethical and professional issues

which were tested. Thereby discussed the ethics generally without linking it to the scenario which was presented in the question.

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

QUESTION TWO

The general performance on this question was poor. Only 44 of the 135 candidates that attempted the question managed to obtain at least 10 marks out of a total of 20 available marks. A pass rate of 32.6% was recorded. The highest score was 19 out of 20 marks while the lowest was 0.

This question tested candidates on accounting for employee benefits in accordance with IAS 19, and had three parts.

- A notable proportion of candidates lacked clarity in distinguishing between a defined benefit plan and a defined contribution plan.
- Under defined contribution plans, many candidates incorrectly treated the 7% employee contribution as an additional expense. This resulted in double counting, as such contributions are borne by employees and should not be recognised as an employer expense.
- In defined benefit plans, several candidates incorrectly applied the closing discount rate (11%) to opening balances of plan assets and obligations, instead of using the opening rate (8%), leading to inaccurate calculations.
- Additionally, there was confusion between contributions paid into the scheme and benefits paid to members, resulting in incorrect allocations between plan assets and plan obligations.

QUESTION THREE

The general performance on this question was very poor. Only 10 of the 114 candidates that attempted the question managed to obtain at least 10 marks out of a total of 20 available marks. A pass rate of 8.8% was recorded. The highest score was 16 out of 20 marks while the lowest was 1.

The question was made up of three transactions in the scenario testing candidates on impairment of cash generating unit, share based payment transactions, and provisions, contingent liabilities and assets.

- In Transaction One, many candidates failed to include goodwill in the carrying amount of the subsidiary prior to performing the impairment test. This omission often led to incorrect conclusions that no impairment existed.
- In Transaction Two, a significant number of candidates were unable to identify that a share-based payment arrangement with an option for settlement in either shares or cash requires split accounting. Consequently, candidates who could not determine the fair values of both the equity and cash components lost valuable marks.
- For Transaction Three, candidates unfamiliar with expected value techniques in provisions incorrectly applied probability percentages in a manner consistent with recognition criteria under the conceptual framework. This resulted in the exclusion of relevant probability-weighted outcomes (e.g., the 40% scenario), thereby understating the provision.

QUESTION FOUR

The general performance on this question was very poor. Only 30 of the 114 candidates that attempted the question managed to obtain at least 10 marks out of a total of 20 available marks. A pass rate of 26.3% was recorded. The highest score was 18 out of 20 marks while the lowest was 0.

This question was made up of three transactions testing candidates on debt finance (financial instruments), leases, and effects of changes in foreign exchange rates.

Common mistakes observed included the following:

- Most of the candidates did not attempt the Debt Finance (Financial Instruments) portion of the question. Even the ones who attempted struggled to explain the correct treatment.
- Some students failed to translate the foreign currency into kwacha, instead of dividing by the rate given, they were multiplying. This in turn affected their calculations and answers.
- Most of the candidates failed to make computations on the sale and lease back preferring to answer the question in making statements (theory) as opposed to computations. Candidates struggled with the requirements under IFRS 16.

QUESTION FIVE

The general performance on this question was good. 108 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 61.4% was recorded. The highest score was 19 out of 20 marks while the lowest was 0.

This question was on comparative financial performance analysis and ethical issues in financial reporting.

Common mistakes observed included the following:

- Some candidates could not compute ratios, hence they failed to make the analysis required.
Some candidates did not compute the ratios, instead made the analysis using the reports (financial statements) given.
- Most of the Candidates who attempted to compute the ratios could not give a proper analysis or comments. Candidates failed to express themselves properly, they could not give reasons for the underlying issues of the ratios computed. There was no proper application in their answers.
The candidates were merely making comparisons with the given ratios without proper explanations.
- Report format - Some of the candidates failed to write the report as required by the examiner. They do not know the format of a report.
- Some candidates were making reference to ratios they had not computed or provided (workings not shown).
- Most of the Candidates exhibited poor communication skills. Their English is worrying as future Accountants.

Overall performance of candidates

Highest mark obtained in this paper: **71%**
Lowest mark obtained in this paper: **12%**
Overall pass rate in this paper: **22.8%**

SUBJECT:3.2-ADVANCED AUDIT AND ASSURANCE

QUESTION ONE

The general performance on this question was very poor. 24 out of the 259 candidates that attempted the question achieved a pass (that is a score of at least 20 out of 40 marks), representing a pass rate on the question of 9.3%. The lowest score was 3, whilst the highest was 35 out of the available 40 marks.

The performance in this compulsory question was very poor with a majority of candidates scoring far less than half the available marks. The question included topic from various areas of the syllabus as expected and among these were easy marks which well-prepared candidates should have scored. An average overall score of 13.2 marks of the possible 40 marks shows the general low pass rate in this paper. It is unlikely that candidates that score less than half the available marks in the compulsory question will gain sufficient marks to pass the examination from the optional questions where generally the average score is below half the available marks.

Part (a)

Candidates are referred to parts (2) (f) which require candidates to be able to *'Evaluate appropriate monitoring and review procedures to effectively manage an audit or assurance engagement.'*

- (i) This part of the question required candidates to describe three tasks in supervising the work of the audit team in the audit of the financial statements of Luapula Plc. Supervision of the audit team is one of the requirements for auditors to conduct quality audits. Use of general knowledge of what is involved in any form of supervision should have earned candidates easy marks. Assigning of work to audit team members and reviewing the work forms the main tasks of supervision and when work not performed to the required standard guiding the staff and requiring that the work should be done to the expected level. Candidates at this level of the examination are expected to know the composition of a typical audit team and that it will comprise experienced and less experienced staff and close supervision of work by senior audit team members is necessary.

The following observations were made:

- Many candidates explained the importance of supervision in an audit rather than explain how this should be done
- There were candidates that explained audit work that is conducted in an audit such as conducting analytical procedures and performing tests of controls which clearly did not address the question requirement.
- There were many candidates who repeated the information in the scenario by stating that the auditor needs to supervise in order to ensure a quality audit is conducted without explaining how this should be done which was the question requirement.

- There were many who explained the benefits of supervision of audit work without addressing the question requirement to explain how this should be done.
- (ii) This part of the question required candidates to describe matters to be considered as part of reviews of audit work. Quality control requirements under the applicable auditing standards require that audit work performed should be reviewed. Candidates should be aware that an audit teams comprise staff of different levels of seniority and that work performed should be reviewed by senior audit team members. Again general knowledge could have been applied in answering this part of the question. Clearly among other matters, the reviewer will wish to establish whether the work done is in line with relevant auditing standards and meets the audit objective.

As a senior member of the audit team such as Audit Senior, Audit Manager and Engagement partner you are expected to review audit working papers prepared by the other audit team members. Candidates needed to explain the matters that they will consider in carrying out the reviews such as ensuring that the audit work has been performed according to auditing standards and that any queries raised have been addressed etc.

The following observations were made:

- There were many candidates who explained work done at the review stage of the audit without explaining matters considered in such reviews.
- There were candidates who explained that auditors require to observe the audit work of audit assistants which is incorrect.

Part (b)

This question required candidates to discuss the ethical matters that will have been considered by the auditors before accepting nomination as auditors of Luapula Plc. it was necessary for candidates to use the information in the scenario in answering this part of the question. General answers on ethics did not attract maximum marks. Reference is made to unit 2(a) of the syllabus which requires candidates to be able to '*Explain, professional and ethical issues during the acceptance of assurance or audit engagements.*'

The following observations were made:

- There were many candidates who simply explained ethical matters with no reference to the information in the scenario. At this level of the examinations candidates are required to apply the theory to the information in the scenario.
- There were candidates that explained matters that explained matters that had no connections with ethical matters such as the importance of considering whether the client's internal controls are working or not and no marks were awarded for doing so.

Part (c)

This part of the question required candidates to illustrate the use of analytical procedures in planning the audit of the financial statements of Luapula Plc. Candidates are reminded that analytical procedures are used at all the three stages of audits. Unit (3) part (m) requires candidates to be able to '*Apply analytical procedures that may be used to plan an audit or assurance engagement.*' They are first used in gaining an understanding of the entity and in assessing risk. Candidates simply needed to show how analytical procedures which include comparisons and simple ratio computations and interpretation are done in planning an audit.

The performance in this part of the question was poor with a majority of candidates not attempting to answer this part of the question.

The following observations were made:

- A majority of the candidates did not attempt to answer this part of the question.
- Several candidates computed some ratios and discussed the materiality of the figures with no reference to planning the audit which involves risk identification.
- There were candidates who evaluated the performance of Luapula Plc. and commented on the general performance of the company with no reference to planning the audit.

Part (d)

- (i) Candidates were required to explain the audit objectives with regards opening balances in the financial statements of Luapula Plc. ISA 510 *Initial Audit Engagements – Opening Balances* provides guidance on opening balances.

The following observations were made:

- Many candidates simply explained the meaning of opening balances and the impact that they have on the current year financial statements without explaining the objective of the auditors with regards the opening balances.
 - There were candidates who simply explained that opening balances are the closing balances in the previous year with some suggesting that auditors need to inspect opening balances which is incorrect.
- (ii) This part of the question required candidates to suggest three substantive audit procedures that should be performed on the opening balances of the financial statements of Luapula Plc. Candidates should recognize the fact that if the opening balances are misstated, this could impact the current year financial statements which could be misstated as a result. In answering questions on audit procedures, candidates require to always consider what could go wrong in the financial statements in this case as a result in the misstatement of the opening balances.

The following observations were made:

- There were incorrect answers such as obtaining written representations and inquiries of management instead of simple answers such as confirming that the balances from the previous year were correctly brought forward in the general ledger to the current year.

Part (e)

- (i) This part of the question required candidates to required candidates to describe the audit work that should be done on comparative figures in the audit of the financial statements of Luapula Plc. To answer this question satisfactorily, candidates needed to know what comparative figures are and also the guidance given by ISA 710 *Comparative Information – Corresponding Figures and Comparative Financial Statements*.

The following observations were made:

- A sizeable number of candidates discussed opening balances in answering this part of the question showing lack of understanding of the distinction from corresponding figures.
 - Many candidates did not realize that the financial ratios included in the documents containing financial statements are other information which is subject to the provisions of ISA 720 (Revised) The Auditor’s responsibilities relating to other information. At this level of the examination candidates will not be asked questions which expressly state that the information is other information and they should have observed that the ratios are other information which should be examined for any inconsistencies with other evidence obtained by the auditors.
- (ii) This part of the question required candidates to discuss how the four matters in the scenario needed to be dealt with. This part of the question expected candidates to demonstrate how they could deal with specific audit matters that they could encounter in an audit.

Unit (4)(a) of the syllabus requires candidates to *‘Evaluate and propose how issues identified during the cause of an engagement may be raised and dealt with in communication with management, directors and those charged with governance including action taken when issues cannot be agreed.’*

The performance in this part of the question was poor signifying lack of knowledge of the following matters raised in the exit meeting:

- Material uncertainty with regards going concern
- The Key Audit Matters
- The use of the management letter to communicate internal control deficiencies and

- The need to communicate the suggested opinion to those charged with governance before issuing the audit report,

QUESTION TWO

The general performance on this question was poor. Only 62 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 36.5% was recorded. The highest score was 18 out of 20 marks while the lowest was 2.

The performance in this question was lower than expected with an average score of 8.1 marks of a possible maximum marks of 20. The question was divided into two parts with the first part comprising knowledge based questions on money laundering and the second part was on audit planning and appropriateness of accounting treatments.

Part (a)

- (i) This part of the question was knowledge based and could have been answered with no reference to the information in the scenario. Candidates were required to describe money laundering.
A majority of the candidates managed to explain money laundering and scored maximum marks. Many candidates either did not attempt to answer the part that required candidates to state the money laundering authority with many stating different institutions from the Drug Enforcement Commission. Many others did not state institutions that could report money laundering activities to the money laundering authority.
- (ii) This part of the question was multi requirement with the first part requiring candidates to simply state the anti-money laundering authority in Zambia which is the Drug Enforcement Commission and the second part required candidates to state two institutions that could report anti money laundering activities to the authority. These are regulated institutions and supervisory bodies such as the Bank of Zambia and ZICA. It is therefore imperative that auditors should report suspected or actual money laundering activities by their clients.

Part (b)

- (i) This part of the question required candidates to describe four areas that they should gain an understanding of in planning the audit of Precious Mining Co. Consideration should have been made on the provisions of ISA 315 *Understanding the entity and its environment and assessing the risks of material misstatements*. Section 3(a) of the syllabus states '*Evaluate based on a business scenario the areas of a business that may be important to understand to develop an effective audit plan.*'
Candidates were expected to use the information in the scenario in answering this question and not give general answers.

The following observations were made:

- Many candidates described less than the required 4 areas that auditors needed to gain an understanding on.
 - There are many areas that auditors require to gain an understanding on during the planning stage of the audit. Candidates should have considered the information in the scenario and describe these. General answers in this question are not appropriate and candidates are reminded to apply the theory to the information in the scenario at this level of the examinations.
 - There were candidates that simply did not attempt to answer this part of the question. This is a bad examination strategy and candidates are encouraged to attempt to answer all parts of questions in order to increase their chances of passing the examination.
- (ii) This part of the question required candidates to evaluate the appropriateness if the accounting treatment for matters 1 to 4 in the scenario. Candidates cannot conduct audit procedures on matters for which they do not know and understand the accounting treatment. Section (3)(i) of the syllabus provides thus *Evaluate drawing conclusions on the appropriateness of stated accounting treatments in the context of a given business ad a given scenario in the public or private sector in an audit assignment based on local law ad generally accepted accounting practice.*

The following observations were made:

- Many candidates did not answer this part of the question signifying lack of accounting knowledge of the matters in the scenario.
- The answers by many candidates were incorrect considering the matters in the scenario. All the accounting issues in the scenario are in the syllabus and covered adequately in the study material under specific accounting issues. Candidates are reminded that they require to be able assess the appropriateness of accounting treatments during audits.

QUESTION THREE

The general performance on this question was very poor. Only 25 of the 184 candidates that attempted the question managed to obtain at least 10 marks out of a total of 20 available marks. A pass rate of 13.6% was recorded. The highest score was 14 out of 20 marks while the lowest was 0.

The performance in this question was poor with a great majority of candidates scoring less than half the available marks with a low average score of 5.9 marks of the maximum 20 marks.

Part (a)

- (i) This part of the question required candidates to suggest suitable materiality levels in planning the audit of the financial statements of Lukulu Ltd. The question suggested the use of 5% and 2% as starting points for performance materiality for the financial statements as a whole and that for specific assertions. The actual levels that should

be determined will depend on the other matters considered including risk. What is important in answering questions on materiality levels is the logic and explanations made more than the actual figures determined.

General answers with no reference to information in the scenario did not earn maximum marks. The performance in this part of the question was poor with a majority of candidates scoring less than half the available marks. Section 3(l) of the syllabus states '*Apply judgments and measures of materiality in carrying out of an audit or assurance engagement.*' Candidates could have used any of the three elements of revenue, profit before tax and total assets to compute materiality using the percentages given of 5% and 2% for materiality for the financial statements as a whole and materiality for inventory that had higher risk levels. A demonstration of computing performance materiality level as lower than the originally computed materiality levels was necessary to score maximum marks.

The following observations were made:

- A majority of the candidates simply stated the guidance on how materiality could be computed by stating the following:
 - 5% of Profit before tax
 - ½ - 1% of Gross profit
 - ½ to 1% of Revenue
 - 1-2% of Total assets and
 - 5% of profit before tax.

Although the above benchmarks are correct candidates were required to illustrate their use in computing materiality levels.

- A majority of the candidates did not compute materiality level for inventory which the question clearly stated had a higher risk level. Candidates should have demonstrated that they know that materiality levels can and should be computed for assertions with different risk levels.
- There were many candidates that simply did not attempt to answer this part of the question resulting in the loss of the available marks.

- (ii) This part of the question is related to part (i) in that there is action that should be taken on materiality levels when the risk characteristics during the audit change. If the risk is considered higher than initially assumed then materiality level should be revised downwards and increase the nature and extent of audit procedures. On the other hand if the risk is assumed to be much lower, the materiality levels may be revised upwards. Section 3(n) of the syllabus states *Evaluate how risk and materiality judgments affect the planning of an assurance or audit engagement, including the nature, timing and extent of work.*

The following observations were made:

- A majority of the candidates that did not answer part (i) could not demonstrate the impact of risk changes to the materiality level that will be used in the audit. Marks were awarded for demonstrating that any materiality level computed in (i) would require to be reduced on account of the increased risk.
- Many candidates explained audit risk in answering this part of the question which did not answer the question requirement and no marks were awarded for doing so. Candidates are reminded to ensure that they address the question requirements in answering examination questions.

Part (b)

This was a simple question requiring candidates to explain 5 substantive audit procedures that should be conducted on accounts payables of Lukulu Ltd. The information in the scenario should have helped candidates describe the suitable audit procedures. As in all questions on audit procedures candidates only need to consider financial statements assertions related to the accounts payables and then design procedures to test those assertions.

Well prepared candidates should have scored maximum marks in this question.

The following observations were made:

- There were candidates that gave less than the required 5 substantive audit procedures resulting in scoring a maximum of correct procedures of the number provided.
- There were many candidates that seemed not to know audit procedures by suggesting procedures such as observation of accounts payables!
- Surprisingly there were candidates who explained audit procedures for trade receivables which were not asked for and not part of the information in the scenario.
- Many candidates explained methods of obtaining evidence such as completeness, confirmations and accuracy without describing the audit procedures that should be carried out. This observation has been made in the past and candidates are reminded that this is a core area of the syllabus and audit procedures are likely to feature in future examination sessions.

Part (c)

This part of the question required candidates to respond to the suggestion by the Audit Senior that there is no need to seek third party confirmations of the accounts payables. Candidates should have brought to bear their knowledge of regular supplier account reconciliations with the third party evidence in the form of monthly supplier statements. Sufficient information was provided in the scenario which should have helped candidates to answer this part of the question.

A majority of candidates showed lack of knowledge in this area particularly that external confirmations are not usually obtained where supplier accounts are regularly reconciled to the balances in the client accounts.

The following were observed:

- A majority of the candidates could not support their arguments for or against the suggestion by the Audit Senior that there is no need to seek external confirmation of payables.
- There were candidates that explained positive and negative forms of confirmation which did not address the question requirements.

QUESTION FOUR

The general performance on this question was fair. 103 of the 230 candidates that attempted the question managed to obtain at least 10 marks out of a total of 20 available marks. A pass rate of 44.8% was recorded. The highest score was 18 out of 20 marks while the lowest was 0.

The performance in this part of the question was poor with an average score of 8.9 marks below half the available marks. It was however pleasing that a sizeable number of candidates scored half or more of the available marks with a highest score of 18 marks.

Part (a)

This part of the question required candidates to discuss the intended legal action on the auditors by two parties namely the bank and an institutional investor. It is important in this type of question to deal with each of the two separately. For 8 marks it is necessary that all factors that should be considered are explained and not simply suggest whether or not the litigant will succeed. It is important that in the answer you need to state the matters that must be proved. It is not correct to insinuate that the litigant will or will not succeed that is a matter for the court to determine. Reference is made to unit (1)(h) of the syllabus which provides '*Evaluate the extent of legal liability including criminal and civil law liability including professional negligence issues and how they can be mitigated.*'

In order to score high marks in this question, candidates needed to deal with each of the two litigants the bank and the equipment supplier Heavy Duty Equipment Suppliers because the rules and matters to consider are different.

The following observations were made:

- Many candidates treated the two parties intending to take legal action as one and did not show the distinction in terms of guidance on succeeding in suing the auditors.
- Many candidates discussed the responsibilities of management and the auditors making no reference to the intended litigation.
- In evaluating and assessing the chances of succeeding in suing the auditors candidates needed to make reference to the three criteria of there being a duty of care, that there was a breach of the duty of care and that the litigant suffered loss as a result of the breach. A majority of the candidates did not make reference to the three matters to support their answer.

- Many candidates discussed and explained the three criteria with no reference to the bank or the investor that relied on the audited financial statements.

Part (b)

- (i) This part of the question required candidates to explain the requirements of ISQC 1 regarding continuance of audit engagement. This was a knowledge based question which could have been answered with no reference to the information in the scenario.

The following observations were made:

- A sizeable number of candidates discussed threats to the independence of the auditors and used situations in the scenario to support their answers which did not address the question requirement.
 - Many candidates discussed the challenges faced by Zambezi Road Contractors such as liquidity problems which are the concerns of management.
 - Some candidates answered the question as if Victor & Co were being appointed auditors for the first time and discussed pre conditions for an audit. In this case the candidates needed to expressly state that they have assumed that the pre-conditions are no longer in existence.
- (ii) This part of the question required candidates to describe matters that should have been considered by Jim Banda before accepting nomination as auditor of Zambezi Road Contractors Ltd. It is important for candidates to ensure they understand the stage of client acceptance this is. In this case the auditor has to consider specified matters before accepting appointment and again this part could have easily been answered with no reference to the information in the scenario.

The performance in this largely knowledge based questions was poor with many candidates scoring less than half the available marks.

The following observations were made:

- Many candidates described less than the four required matters that should have been considered.
- There were specific matters contained in the scenario that should have been described in answering this question. Most of the answers were general in nature no reference to the information in the scenario as expected in answering scenario based questions.

QUESTION FIVE

The general performance on this question was very poor. Only 30 of the 161 candidates that attempted the question managed to obtain at least 10 marks out of a total of 20 available marks. A pass rate of 18.6% was recorded. The highest score was 14 out of 20 marks while the lowest was 1.

The performance in this question was poor with only 29 candidates the total that answered this question scoring half or more of the available marks. The average score in this question was a low of 6.5 marks of the maximum marks of 20. The question was a mixture of questions from group audits, going concern with half the marks on subsequent events.

Part (a)

This part of the question required candidates to describe the matters that the group auditors should communicate to the component auditors as part of the audit of group financial statements. ISA 600 *Specialized considerations – audit of group financial statements (including the work of component auditors)* gives guidance in this area. Use of information in the scenario should have helped candidates to answer this question. Candidates should have noted that the communication to component auditors is for the specific purpose of the group audit of the consolidated financial statements.

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

The following observations were made:

- A majority of candidates explained the benefits to the group engagement team of communicating with the component auditors without reference to the question requirement requiring a description of matters that should be communicated.
- A significant number of candidates simply did not attempt to answer this part of the question showing lack of knowledge of the provisions of the relevant auditing standard.

Part (b)

This part of the question required candidates to explain audit procedures that should be performed on the going concern assumption of Muchinga Engineering Plc. In answering this question, use should have been made of information in the scenario to support the work that should be done.

Management made an assessment of the going concern ability of the company and the auditors needed to perform procedures to assess the reasonableness of the assumptions used and considering the information in the scenario. The performance in this part of the question was poor with any candidates scoring less than half the available marks.

The following observations were made:

- A significant number of candidates explained less than the required 5 audit procedures to score maximum marks.
- There were candidates who explained the responsibilities of management and the auditors with regards going concern without specifying the audit procedures that auditors should undertake.
- There were many candidates who discussed the meaning of going concern and the basis of preparing financial statements which did not address the question requirement. Candidates are reminded to ensure they understand the question requirement before attempting to answer questions.

Part (c)

This part of the question was on subsequent events and required candidates to have knowledge of the relevant accounting standard IAS 10 Events *after the reporting period* and ISA 560 *Subsequent events* which gives guidance to the auditors. The candidates needed to know the active and passive duties of the auditors and the work that they are required to perform during these two periods. This part of the question was easy and well prepared candidates should have scored maximum marks.

- (i) This part of the question required candidates to describe the responsibilities of the auditors from the period end to the date of signing the audit report. During this period the auditors have an active duty to perform audit procedures. This was a general knowledge question in view of the fact that there were no specific issues in the scenario that required discussion. It was disheartening that the performance in this easy part of the syllabus was below expectation. For 5 marks candidates were expected to explain a minimum of 5 valid points to score maximum marks. In questions that do not specify the number of points that should be discussed, candidates should use the marks offered as a guide to the number of valid points expected.

The following matters were observed:

- A sizeable number of candidates simply explained that the auditors have an active duty to perform audit procedures on subsequent events.
 - There were candidates who explained the responsibilities of management and the auditors with regards subsequent events disregarding the fact that the question is regarding auditor responsibilities during the specified period.
 - Surprisingly there were many candidates who explained the meaning of adjusting and non-adjusting events for which no marks were awarded as this did not address the question requirements.
- (ii) This part of the question required candidates to describe the responsibilities of the auditors after signing the audit report to the date of the issue of the financial statements. Candidates should have noted that the auditor has no responsibility after signing the audit report. Management is required to inform the auditors of matters after the signing of the audit report that would have caused the auditors issue a different opinion and then the auditors have duties regarding any such information which should have been discussed in answering the question.

The following observations were made:

- There were many candidates who explained the same responsibilities during the active period on subsequent events by the auditors.
- There were candidates who asserted that the auditors have to make adjustments for any such events after modifying the opinion. It is not the responsibility of the auditors to make adjustments to the financial statements.

Overall performance of candidates

Highest mark obtained in this paper: **73%**

Lowest mark obtained in this paper: **3%**

Overall pass rate in this paper: **14.2%**

SUBJECT: CA3.4 ADVANCED TAXATION

QUESTION ONE

The general performance on this question was excellent. 113 out of the 131 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 86.3%. The lowest score was 1, whilst the highest was 36 out of the available 40 marks.

The question examined tax planning on the choice of business medium.

In part (a) candidates were required to calculate the amount of income tax and NAPSA contributions payable by each individual assuming the business that that business is run as a sole proprietorship.

The following were the common mistakes:

- Failure to deduct motoring expenses on the motor vehicles from net profits.
- Failure to deduct capital allowances from net profits.

In part (b) candidates were required to calculate the amounts of income tax payable by each individual , assuming that the business is run as a partnership.

The following were the common mistakes:

- Failure to apportion the profits of the partnership to individual partners correctly.
- Deducting the capital allowances for a privately owned vehicle from the partnership net profit instead of deducting them from the profits appropriated to the partner who owns the vehicle.
- Failure to restrict the capital allowances to business use.

In part (c) candidates were required to calculate the income tax and NAPSA contributions payable by each individual as well as the company if the business was run as a private Limited company.

The following were the common mistakes made when computing income tax of the company:

- Failure to deduct the travel allowance from the net profits of the company.
- Failure to deduct the directors salary from the net profits of the company.

In part (d) candidates were required to advise on whether it will be beneficial for the business to be run as a sole trader, a partnership or as a private limited company basing the evaluation on the family's net income after tax and any available NAPSA contributions, under each alternative.

The following were the common mistakes:

- Inclusion of travel expenses as a deduction from the net profits of each business medium when computing the net income.
- Failure to deduct the employer's and employee's NAPSA from the net profits of the sole trader and from the profits of the limited company.

QUESTION TWO

The general performance on this question was poor. Only 28 of the 82 candidates that attempted the question managed to obtain at least 10 marks out of a total of 20 available marks. A pass rate of 34.1% was recorded. The highest score was 16 out of 20 marks while the lowest was 1.

This question covered taxation of financial institutions

In part (a) candidates were required to calculate the company income tax payable by a Bank for the tax year.

The following were the common mistakes:

- When computing capital allowances on new buildings some candidates were using the rates for industrial buildings rather than commercial buildings.
- When computing capital allowances on ATM machines some candidates were using rates for commercial buildings.
- Failure to disallow staff refreshment expenses.
- Failure to deduct management fees from net profits.
- Failure to deduct gains from sale of securities.

In part (b) candidates were required to explain the tax implications of interest free loans.

The following were the common mistakes:

- Failure to understand the nature and tax implications of interest free loans offered to directors.
- Assuming that an interest free loan which is written off is a disallowed expense against the profits of the company.

QUESTION THREE

The general performance on this question was fair. Only 57 of the 121 candidates that attempted the question managed to obtain at least 10 marks out of a total of 20 available marks. A pass rate of 47.1% was recorded. The highest score was 20 out of 20 marks while the lowest was 2.

This question was on computation of income tax for an incorporated entity resident in Zambia which is a subsidiary of a foreign company and tax audits and investigations. It was divided into three parts (a) (b) and (c)

In part (a) candidates were required to calculate the amount of income tax payable for the tax year.

The following were the common mistakes:

- Failure to disallow excess interest paid on the interest free loan obtained from the foreign parent company.
- Failure to compute the tax EBITDA
- Failure to determine the qualifying cost correctly in computation of industrial buildings allowances.
- Classifying the staff canteen as a commercial building rather than as industrial building.

In part (b) candidates were required to explain the procedures tax auditors may perform to uncover any hidden income.

The common mistakes were as follows:

- Providing vague responses such as 'the auditors will request for accounting documents.
- Some candidates assumed that ratio analysis should be carried out.

In part (c) candidates were required to advise on the steps to take to regularize the errors and omissions made on the income tax return for the previous tax year, showing the amount of any additional income tax payable.

The common mistakes were as follows:

- Providing shallow responses like 'the company should apply to the Commissioner General' without providing further details.
- Lack of knowledge on the subject and therefore providing 'guess work' responses.

QUESTION FOUR

The general performance on this question was poor. Only 25 of the 77 candidates that attempted the question managed to obtain at least 10 marks out of a total of 20 available marks. A pass rate of 32.5% was recorded. The highest score was 19 out of 20 marks while the lowest was 0.

This question covered international aspects of taxation and taxation of trusts. In part (a) candidates were required to compute the final Income Tax payable by the individual for the tax year.

The common mistakes were as follows:

- Failure to compute the total assessable income for the purposes of computing double taxation relief.
- Failure to apply the double taxation relief formula correctly.
- Failure to include the WHT on GRZ treasury bill discount as part of the Zambian tax charge.

In part (b) candidates were required to advise on the Property Transfer Tax implications of transferring the property into the trust During her life time and Upon death through a valid will. Some candidates assumed that there is property transfer tax in both cases. However, there is no property transfer tax on transfer of property into a trust for the benefit of immediate family members whether during the lifetime of the settlor or upon death

In part (c) candidates were required to advise on the three (3) main types of trusts that could be created for the benefit of the tax payer and recommend the one(s) which would be the most appropriate in the specific circumstances of the scenario.

The common mistakes were as follows:

- Mixing up the trusts especially accumulation and maintenance trust with discretionary trust.
- Failure to recommend the one which was the most appropriate in the circumstances of the scenario.

QUESTION FIVE

The general performance on this question was very poor. Only 22 of the 99 candidates that attempted the question managed to obtain at least 10 marks out of a total of 20 available marks. A pass rate of 22.2% was recorded. The highest score was 16 out of 20 marks while the lowest was 2.

This question was on ethics and tax and financial arrangements. In part (a) candidates were required to evaluate three (3) ethical threats to compliance with fundamental principles of the IFAC code of ethics the firm will be exposed to, in the provision of tax services to a client and recommend an appropriate safeguard to manage each threat to acceptable levels.

The common mistakes were as follows:

- Failure to identify the threats
- Failure to recommend appropriate safeguards to manage each threat

In part (b) and (c) candidates were required to advise on the taxation implications arising from the use of the bank loan as means of financing the acquisition of two (2) motor cars and explaining how the answer will differ if they vehicles were motor VANS.

The common mistakes were as follows:

- Failure to explain the VAT implications of purchase of non-commercial vehicles. Input VAT is not recoverable.
- Failure to explain the VAT implications on purchase of commercial vehicles. Input VAT is recoverable.
- Restricting capital allowances on commercial vehicles to business use.
- Failure to apply the correct motor car benefit which will be disallowed against the profits of the company.
- Failure to compute capital allowances on commercial vehicles using the correct rate of 25%.
- Failure to compute capital allowances on commercial vehicles using the VAT exclusive cost.
- Failure to compute capital allowances on non-commercial vehicles using the VAT inclusive cost.

Overall performance of candidates

Highest mark obtained in this paper: **67%**

Lowest mark obtained in this paper: **12%**

Overall pass rate in this paper: **35.9%**

SUBJECT: CA3.5 – ADVANCED MANAGEMENT ACCOUNTING.

QUESTION ONE

The general performance on this question was very poor. Only 6 out of the 23 candidates that attempted the question achieved a pass (that is a score of at least 20 out of 40 marks), representing a pass rate on the question of 26.1%. The lowest score was 0, whilst the highest was 23 out of the available 40 marks.

Question One required candidates to:

- (a) Advise MDL on ways to manage and improve its performance using the Boston Consultative Group (BCG) analysis.
- (b) Assess if the current performance measurement system will motivate managers and improve MDL's performance.
- (c) Advise the board on how best to improve the performance of MDL and of each division.
- (d) Evaluate the improvements suggested to MDL's system.

Common mistakes made by the candidates included:

- Not doing workings for BCG growth and relative market share
- Giving generic textbook answers (no application to MDL)
- Poor structure (no headings for parts a, b, c, d)
- Ignoring key issues such as Economic downturn, Decentralisation and Divisional conflicts (D1 vs D5).
- Ignoring given data (market size + MDL revenue).
- Using absolute revenue instead of relative share.
- Ignoring market trends (declining economy).
- Describing system instead of assessing whether it motivates and improves performance.
- Candidates keeping on repeating ROI instead of suggesting alternatives such as Residual Income (RI) and Economic Value Added (EVA).
- Candidates did not exhibit understanding of concepts such as Enterprise Resource Planning (ERP), Integrated systems and what Corporate database actually mean.

QUESTION TWO

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 1.

This question required candidates to:

- (a) Calculate the effect of the change in the exchange rate on the profit per unit earned by each subsidiary in dollars and kwacha.

- (b) Comment on the effect on ZATO Plc and the USA subsidiary when transfer prices are fixed in dollars and Kwacha, respectively.
- (c) Explain the differences between transfer prices based on full cost plus and marginal cost plus.

Common mistakes made by the candidates included:

- Most of the candidates misunderstood the question and failed to do proper exchange rate conversions. The \$35 transfer price which the local subsidiary(ZATO Plc) charged the USA company translated to K17.50 because at the time of transfer, the agreed Kwacha to dollar exchange rate was K1 = \$2. Therefore, the Kwacha transfer price was K17.50, $\$35 \div \2 . But nearly all the candidates used \$35 and prefixed a "K" to it as K35.
- Some candidates did not attempt some parts of the question.
- It was observed that many candidates showed poor computational skills
- In part (c), a lot of candidates differentiated fixed cost plus transfer pricing and marginal cost plus transfer pricing in general pricing method terms. This was not an ordinary topic on pricing where one is just comparing price methods as it is at the CA2.2 level. Candidates were supposed to explain these two transfer pricing methods in the context of transfer pricing by bringing out the impact of these methods on the receiving divisions (especially) and the supplying division; as well as the attendant behavioural/demotivating effects. For example, was the supplying division going to cover its fixed costs if a marginal cost plus transfer price method was used? If a full cost plus transfer price was used, and the fixed costs are subjectively derived, the profits of the receiving division would be impacted/reduced substantially. The receiving division manager would be very demotivated.

QUESTION THREE

The general performance on this question was fair. 10 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 58.8% was recorded. The highest score was 16 out of 20 marks while the lowest was 2.

Question Three required candidates to:

- (a) Advise RAE Ltd, management on how it can use Kotter & Schlesinger (1979) strategies to deal with resistance to change and restraining forces as it plans to overhaul its production approach.
- (b) Evaluate the impact of the Kaizen costing approach on RAE Ltd, costing system and employee management practices.
- (c) Evaluate the effect of transitioning to just-in-time (JIT) purchase and production, noting the impact on RAE Ltd's performance measures.

Common mistakes made by the candidates included:

- Most of the candidates did not know the Kotter and Schlesinger's (1979) six methods of dealing with resistance to change and restraining forces. The six methods are education and communication; participation and involvement; facilitation and support; co-option and manipulation; and explicit and implicit coercion.
- Some candidates attempted parts (b) and (c) only, thereby reducing their chances of getting high marks.
- In part (b), most of the candidates just explained the Kaizen Costing (KC) technique. This was not enough for 8 marks. They were expected to compare KC with standard costing and traditional budgeting as per the scenario. In addition, part b) required candidates to evaluate KC /standard costing on employee management practices. E.g. KC empowers employees and treats them as sources of solutions whereas standard costing treats them as sources of problems and blames them for adverse variances. It was also vital to mention that the switch to KC would represent a major cultural change in the company because the company had a history of bureaucratic control.
- Like in part (b), most of the candidates simply explained the Just- In-Time (JIT) production philosophy. However, they were expected to evaluate the consequences of moving from the traditional economic order production system to the JIT one. For example, benefits to be reaped as a result of switching to JIT include lower working capital requirements, space savings, increased flexibility, etc. Problems of JIT include possibilities production stoppages, reliability of suppliers, etc. Factory floors will be streamlined, ISO certified suppliers, cellular production, multi-skilled workers, staff training, etc
- Future candidates should plan how to answer essay type questions. They should underline the key words in the requirements.

QUESTION FOUR

The general performance on this question was very poor. Only 1 of the 20 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% was recorded. The highest score was 13 out of 20 marks while the lowest was 2.

In part (a) (i) candidates were required to calculate the Net Present Value of the filtration equipment and advise K Plc whether, purely on financial grounds, the investment is worthwhile. They were further required to state any assumptions that they deemed to be necessary.

Common mistakes:

- Using profit instead of cash flows.
- Ignoring capital allowances completely.
- No workings for capital allowance: easy marks were lost.
- No workings for tax payable: easy marks were lost.
- Using straight-line depreciation instead of 25 % reducing balance (tax rule).

- Not including K20 million initial working capital outflow.
- Ignoring scrap value (K188, 000) in the final year. Most students did not consider it in the final year as a cash inflow.
- including irrelevant costs such as finance cost and R & D. (finance costs are excluded from NPV computation.)
- Not stating the assumptions. Easy marks were lost as a result.

PART (a)(ii): IRR / Discount Rate Change.

In part (ii) candidates were required to calculate by how much the discount rate would have to change to result in an NPV of zero.

Mistakes

- Most candidates failed to realise that the question was asking for **IRR**.
- Candidates failed to interpret the meaning of IRR relative to 10% cost of capital.

PART (b): Gearing Impact.

(b) K Plc has attained the status of being highly geared as a result of borrowing K100 million to finance the filtration equipment.

Required:

Discuss the impact of gearing on the following:

(i) Total earnings

Mistakes made:

Candidates provided superficial answers such as "EPS increases" without any explanation.

(ii) Earnings Per Share (EPS).

- Most candidates did not mention the financial gearing effect.
Higher gearing can boost the EPS if the company is profitable but in economic decline, the fixed interest payments can significantly reduce the EPS

(iii) Return On Equity (ROE).

- Most candidates did not link ROE to Increased returns due to leverage.

(iv) Cost of capital.

- Most candidates indicated that the cost of capital will reduce.
But higher gearing increases the cost of equity (because investors perceive increased risk and would like to be compensated for this increased risk) and vice-versa.

PART (c): Quick Ratio

In part (c) The Divisional Finance Director of K Plc remarked that "the ideal quick ratio for a company like ours should be 1:1".

Required:
Evaluate this statement.

Mistakes made:

Candidates failed to assess the statement. Most of them accepted the statement without evaluation.

QUESTION FIVE

The general performance on this question was poor. Only 7 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 38.8% was recorded. The highest score was 16 out of 20 marks while the lowest was 1.

This question required candidates to:

PART (a)

Candidates were required to evaluate the usefulness of the mission statement.

Common Mistakes

- Defining a mission statement instead of evaluating it.
- Not referring to the actual mission in the scenario.

PART (b)

“Candidates were required to discuss political and technological factors which influenced K Plc in developing its business and increasing its market share, using partial PESTEL framework. (5 marks)

Common Mistakes:

- Doing full PESTEL instead of just P & T.
- Listing factors without discussion.
- Failure to link responses to the scenario provided.

PART (c)

Candidates were required to discuss four impacts of ethical issues on strategy and two positive impacts of ethical business practices on K Plc.

- Failure to identify the ethical issue clearly.
- Writing general ethics theory.

PART (d)

“Candidates were required to explain the issues as Divisional Financial Controller.

Common Mistakes:

- Not answering from the accountant’s perspective.
- Ignoring professional ethics principles.
- Describing instead of explaining issues.

Overall performance of candidates

Highest mark obtained in this paper: **54%**

Lowest mark obtained in this paper: **7%**

Overall pass rate in this paper: **26%**

SUBJECT: CA 3.6- ADVANCED FINANCIAL MANAGEMENT

QUESTION ONE

The general performance on this question was very poor. Only 3 out 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 15.8%. The lowest score was 2, whilst the highest was 24 out of the available 40 marks.

The question was a typical investment appraisal question using NPV method and included also project duration. The common mistakes included:

- When calculating the cost of debt, candidates failed to take into account the premium on the redemption value.
- Also, candidates failed to calculate the market value of equity and market value of debt and these affected the calculation of cost of capital.
- Surprisingly, candidates were inflating the fixed costs and yet there was no inflation on fixed costs.
- Candidates completely failed to calculate working capital injection to incorporate in the NPV computation.
- Candidates had no idea on how to calculate project duration.

QUESTION TWO

The general performance on this question was fair. 4 of the 10 candidates that attempted the question managed to obtain at least 10 marks out of a total of 20 available marks. A pass rate of 40% was recorded. The highest score was 12 out of 20 marks while the lowest was 2.

(a) Some candidates who attempted this question were unable to calculate correctly the forecasted cash flows for the four (4) years on the basis of which the Present Values were to be determined and subsequently the Net Present Value.

(b) Some candidates were unable to identify the two (2) different risks associated with each launch option by BATA and how they were to be managed.

(c) This part of the question required the candidates to discuss the potential benefits and hazards of interest rate swaps as a tool for managing interest rate risk. Some of the candidates did not discuss the benefits and hazards of such swaps.

(d) Some candidates who attempted this part of the question, did not use the 8.5% borrowing rate for BATA instead some used a rate of 9.8%.

QUESTION THREE

The general performance on this question was good. 11 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 68.8% was recorded. The highest score was 13 out of 20 marks while the lowest was 4.

- (a) The majority of students were unable to show how the forward market would be carried out. This demonstrated a lack of understanding of what a forward contract is as a derivative instrument, but also limited understanding of the structure of the derivative market, that is, spot vs forward markets. It is within this understanding that a student can clearly show how forwards can be used to hedge against foreign exchange rate fluctuations.
- (b) The students were supposed to show the pay off as a result of changes in foreign exchange rates. Given the two scenarios, one showing currency depreciation and the other showing currency appreciation and based on that making a decision on whether to exercise the contract or not, factoring in the premium charged on the option contract.
- (c) While students identified the merits and demerits of traded currency, the explanations lacked specificity and depth, showing a limited understanding of traded currency options.
- (d) Majority of students had a challenge explaining the difference between forward rate agreement and Synthetic Foreign Exchange agreements (SAFEs).

QUESTION FOUR

The general performance on this question was fair. 11 of the 19 candidates that attempted the question managed to obtain at least 10 marks out of a total of 20 available marks. A pass rate of 57.9% was recorded. The highest score was 20 out of 20 marks while the lowest was 4.

This question was in three parts:

- (a) Calculate the the gross redemption yield and the Macaulay duration for the bond.
- (b) Explain the methods that a company may use to obtain a listing on the Lusaka Securities Exchange (LuSE).
- (c) Discuss four (4) benefits of a company obtaining a listing on the Lusaka Securities Exchange.

Observations noted:

- While few students got the question correct, most students had a challenge in calculating the redemption yield and Macaulay duration for the bond. This indicated a lack of understanding of the two concepts but also the formulas used within the process.
- Students were able to show the listing methods on LuSE.
- But also explained the benefits of listing on LuSE to a company.

QUESTION FIVE

The general performance on this question was very good. 10 of the 12 candidates that attempted the question managed to obtain at least 10 marks out of a total of 20 available marks. A pass rate of 83.3% was recorded. The highest score was 19 out of 20 marks while the lowest was 7.

Observations noted from the parts of the question:

- (a) Candidates were required to state the advantages and disadvantages of Africa adopting a single currency as stated in the case study. Some candidates only stated one correct advantage and one correct disadvantage. The reason could be that scenario was not understood well by these candidates.
- (b) Some candidates did not attempt this part of the question.
- (c) This part of the question required the candidates to discuss how Afro Zone countries were to manage their economics and those that responded did not state the economic fundamentals but only considered the security risks instead.
- (d) The question required that the responses should state the measures that countries would take to reduce their trade deficits. Common mistakes were largely due some candidates not starting that it was need to increase exports by producing quality goods for export in order to address issues of negative balance of payments.

Overall performance of candidates

Highest mark obtained in this paper: **58%**

Lowest mark obtained in this paper: **21%**

Overall pass rate in this paper: **35%**

SUBJECT: 3.7 PUBLIC SECTOR AUDITING AND ASSURANCE

QUESTION ONE

The general performance on this question was good. 73 out of the 105 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 69.5%. The lowest score was 0, whilst the highest was 39 out of the available 40 marks.

The performance in this question was good with more than half the candidates who attempted this question scoring more than half the available marks and an average score of 21.2 of the maximum 40 marks.

Part (a) of the question required candidates to describe the principles of transparency and accountability in the audit of the USAI WASH Activity. The performance was good with a majority of candidates scoring maximum marks.

The following observations were made:

- A few candidates explained the responsibilities for accountability and transparency which were not the question requirement.
- There were candidates who discussed value for money principles in answering this part for which no marks were awarded.

Part (b) of the question required candidates to describe 3 different types of audits that can be conducted on the USAID WASH Activity. A majority of the candidates scored maximum marks and explained the three types of audits that could be conducted on the project.

In part (c), candidates were required to identify and explain 3 threats to the independence of auditors in the audit of the Ministry of Water Development and Sanitation and to suggest suitable safeguards that should be applied. Most of the candidates scored maximum marks and were able to explain the ethical issues and suitable safeguards.

The following observations were made:

- There were candidates that discussed ethical principles with no reference to the information in the scenario as required.
- There were candidates who explained general ethical threats without using the information in the scenario as required.
- There were few candidates who explained the ethical matters but did not provide suitable safeguards as required.

Part (d) of the question required candidates to identify and explain 2 audit risks in the audit of the financial statements of the USAID Expanding WASH Activity.

The following observations were made:

- Candidates lost marks for not explaining what could go wrong in the financial statements on account of the risks explained.
- There were candidates that explained the three elements of audit risk namely inherent, control and detection risks with no reference in the scenario.

Part (e) of the question required candidates to explain 2 measures expected to be in place to prevent and detect fraud in the procurement processes for water treatment chemicals and sanitation materials.

The following observations were made:

- A few candidates explained general controls without specifically referring to the information on the system for the purchase of water treatment chemicals.
- A few candidates discussed audit procedures that should be conducted to detect fraud which was not the question requirement.

Part (f) of the question required candidates to discuss 4 compliance audit procedures to verify adherence to public procurement regulations and donor guidelines for the USAID Expanding WASH Activity.

The following observations were made:

- Candidates lost easy marks for not explaining 4 compliance audit procedures as required.
- There were candidates who discussed the three value for money principles in explaining compliance audit procedures which did not earn any marks.
- There were candidates who suggested internal controls and written representations as compliance audit procedures.
- A sizeable number explained the controls that should be put in place to prevent and detect fraud rather than suggest audit procedures.

Part (g) of the question required candidates to explain how the principles of economy, efficiency and effectiveness can be used in carrying out a performance audit of USAID WASH Activity. Most of the candidates scored maximum marks in answering this part of the question.

The following observations were made:

- Some candidates lost marks explained the value for money principles without applying them to the information in the scenario.

Part (h)

This part of the question required candidates to discuss 3 steps the audit team can take to address data migration issues and ensure that all financial and program data in the new

system are complete, accurate and up to date. The performance in this part of the question was poor.

The following observations were made:

- A sizeable number of candidates did not attempt to answer this question.
- Most candidates discussed general IT audit procedures disregarding the objective in the question requirement on data migration.

QUESTION TWO

The general performance on this question was very good. Only 56 of the 78 candidates that attempted the question managed to obtain at least 10 marks out of a total of 20 available marks. A pass rate of 71.8% was recorded. The highest score was 17 out of 20 marks while the lowest was 3.

Part (a) of the question required candidates to identify and explain 2 risks of material misstatement in the financial statements of the audit of the Ministry of Agriculture.

A majority of the candidates ably explained the risks of material misstatements in the audit of the Ministry of Agriculture and scored maximum marks.

Part (b) required candidates to discuss 5 methods of obtaining sufficient appropriate evidence in the audit of the Ministry of Agriculture.

A majority of the candidates scored maximum marks and explained the various methods that could be used to gather audit evidence. A few candidates lost easy marks in that they explained less than the required number of methods.

Part (c)

This part of the question required candidates to explain the auditor's responsibility for subsequent events, distinguishing between adjusting and non-adjusting events and how the fire incident impacts the financial statements.

This question had multiple requirement in the same question requirement. Most candidates explained the auditor's responsibility regarding subsequent events without discussing adjusting and non-adjusting events as required. Others did not discuss the fire that occurred after the period end and lost the mark for not doing so.

Part (d)

This part of the question required candidates to explain giving a suitable example the link between the subject matter and the criteria in the compliance audit of the Ministry of Agriculture.

Candidates lost marks for not linking the two that is the subject matter and the criteria as required.

Part (e)

This part of the question required candidates to describe 4 audit procedures in the conduct of the compliance audit for the Ministry of Agriculture.

Candidates lost marks for explaining methods of obtaining evidence instead of using these to describe compliance audit procedures. There were candidates who explained less than the required 4 compliance audit procedures.

QUESTION THREE

The general performance on this question was fair. 37 of the 69 candidates that attempted the question managed to obtain at least 10 marks out of a total of 20 available marks. A pass rate of 53.6% 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 work in each of stages (i) to (iv) in the performance audit of NDMA.

A majority of the candidates were able to explain the work that should be undertaken at the four stages and scored maximum marks.

Part (b)

This part of the question required candidates to describe the key elements of the NDMA's performance design and criteria for evaluating NDMA's compliance with disaster preparedness, response and mitigation responsibilities.

It was clear from the answers by candidates that a significant number did not know the elements of performance audits and as such could not apply the theory to the information in the scenario.

Part (c)

This part of the question required candidates to explain the possible approaches for the NDMA's performance audit. Full marks were awarded for explaining any two of the possible three approaches that could be followed. There were few candidates that clearly did not know any of the possible approaches and discussed for example risk based audits for which no marks were awarded.

Part (d)

This part of the question required candidates to identify the subject matter and suggest 3 suitable audit criteria for the compliance audit of NDMA's procurement process.

A significant number of candidates score well in answering this part of the question. Candidates lost marks for discussing criteria that was not in the scenario. Candidates should note that criteria should be extracted from the applicable laws and regulations such as the Act that governs procurement in this case. A few candidates simply identified the subject matter and did not explain suitable criteria resulting in the loss of marks.

Part (e)

This part of the question required candidates to describe 2 audit procedures required to assess compliance in the procurement of emergency relief supplies at NDMA.

Most candidates lost easy marks for explaining methods of obtaining evidence such as recalculation without describing the audit procedures as required.

QUESTION FOUR

The general performance on this question was poor. Only 33 of the 90 candidates that attempted the question managed to obtain at least 10 marks out of a total of 20 available marks. A pass rate of 36.7% was recorded. The highest score was 18 out of 20 marks while the lowest was 0.

Part (a)

This part of the question required candidates to describe 4 professional and ethical issues in the forensic investigation.

The following observations were made:

- There were candidates who lost marks on account of explaining general ethical matters without using the information in the scenario in conducting the forensic investigation.
- There were candidates who discussed fraud risk factors in the scenario which did not meet the question requirement and no marks were awarded for doing so.
- There were candidates that explained weaknesses in the procurement process of fuel which are not ethical matters. Ethical issues should related to adherence with the ethical principles of accountants.

Part (b)

This part of the question required candidates to suggest 2 objectives of the forensic investigation. The forensic investigator should determine the objective of any forensic investigation. While most candidates scored maximum marks a sizeable number did not score any marks.

The following observations were made:

- There were candidates who explained the meaning of forensic investigations without explaining the intended forensic investigation
- There were candidates who discussed audit procedures that should be conducted on the fuel requisitions without explaining the objectives of the planned forensic investigation.

Part (c)

This part of the question required candidates to describe the work that should be performed in any 4 key stages of the planned fuel forensic investigation at the Ministry of Transport.

The following observations were made:

- It was clear that most candidates who scored low marks simply did not know the stages of forensic investigations hence could not correctly discuss the work in stages they do not know.
- A significant number did not attempt to answer this part of the question.

QUESTION FIVE

The general performance on this question was very poor. Only 14 of the 70 candidates that attempted the question managed to obtain at least 10 marks out of a total of 20 available marks. A pass rate of 20% was recorded. The highest score was 12 out of 20 marks while the lowest was 0.

Part (a)

This part of the question required candidates to describe 4 areas of the operations that require changes in order to comply with the provisions of ISSAI 10: The Mexico Declaration on SAI Independence.

The following observations were made:

- There were candidates that discussed general ethical matters and those not related to the independence of the SAI.
- There were candidates who discussed principles of the Mexico declaration without relating them to the information in the scenario resulting in the loss of easy marks.

Part (b)

This part of the question required candidates to describe 2 areas where professional skepticism should be applied in the audit of the INTOSAI member country's Supreme Audit Institution. The performance in this part of the question was poor with many candidates scoring no marks.

The following observations were made:

- A majority of candidates explained the meaning of professional skepticism instead of describing the areas in which it should be applied in audit of the SAI of a member of INTOSAI.
- Again some candidates discussed weaknesses in the operations of the SAI which did not address the question requirement.

Part (c)

This part of the question required candidates to illustrate using information in the scenario the use of any 4 elements of the design phase in planning the performance audit of the SAI of the member country. The performance in this question was poor with a majority scoring less than half the available marks.

The following observations were made:

- It was clear that many candidates did not know the elements of the design phase of performance audits and so they could not describe the use of the information in the scenario to explain the work that should be done during each of the four elements.
- Most of the candidates simply discussed the value for money principles which was not the question requirement.
- There were candidates that describe the elements of performance audits of Objectives, inputs, processes and outputs which were not the ones referred to in the question.

Overall performance of candidates

Highest mark obtained in this paper: **77%**

Lowest mark obtained in this paper: **0%**

Overall pass rate in this paper: **54.3%**

SUBJECT: CA 3.8 - PUBLIC SECTOR FINANCIAL MANAGEMENT

QUESTION ONE

The general performance on this question was very poor. Only 2 out of the 11 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 18.2%. The lowest score was 2, whilst the highest was 25 out of the available 40 marks.

(a) The question required candidates to evaluate the proposed project using NPV and the following were the challenges:

- Failed to inflate the operating costs correctly.
- Failed to account for the number of days in a year as the room rate given was pay day.
- Failed to currently account for inflation of 20% on food and beverages.
- Failed to split the initial cost of K120 million into two so that the first K60 million goes to year 0 and the second payment of K60 million goes to year 1.

(b) Required candidates to explain the factors to consider before a final decision is made and the candidates failed to bring out the following:

- Non-financial factors that might have any impact on the project.
- The Going concern of the project.
- The sensitivity analysis and simulation analysis.
- The inaccuracy of the NPV.

(c) Required candidates to distinguish between public and private sector financial risk.

- Candidates were generally explaining what financial risk is and not the differences between public sector and private sector financial risks.

QUESTION TWO

The general performance on this question was very good. 17 out of the 9 candidates that attempted the question managed to obtain at least 10 marks out of a total of 20 available marks. A pass rate of 77.8% was recorded. The highest score was 15 out of 20 marks while the lowest was 6.

(a) Common Mistakes for candidates who responded to this question was their inability to adequately identify ways by which parliament could enhance public financial management.

(b) Candidates were expected to explain processes associated with practices in the Public Financial Management. The common mistakes were that the explanations were not in line with what was required, instead some of the candidates just defined what the notational budget consisted of and the budgeting process itself.

(c) The question that the candidates were supposed to respond involved the discussion of two (2) constraints in the information in General –Purpose Financial Reports. This was not done by some candidates.

QUESTION THREE

The general performance on this question was excellent. 9 out of the 10 candidates that attempted the question managed to obtain at least 10 marks out of a total of 20 available marks. A pass rate of 90% was recorded. The highest score was 19 out of 20 marks while the lowest was 3.

This question was fairly attempted by most candidates that attempted it.

QUESTION FOUR

The general performance on this question was excellent. 7 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 87.5% was recorded. The highest score was 18 out of 20 marks while the lowest was 8.

Interestingly, the majority of students identified the key risks but the explanations were generic and lacked relevant context examples to support the explanations.

QUESTION FIVE

The general performance on this question was very good. 3 out of the 4 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 15 out of 20 marks while the lowest was 7.

The majority of students were able to highlight the main policy priorities driving public expenditure in Zambia, showing a good understanding and awareness of the National Development plans. However, several students had challenges analyzing the effectiveness of the current expenditure framework in achieving its intended outcomes. It was interesting to see actionable recommendations for re-aligning public expenditure policy to better support Zambia's National Development strategy. The recommendation would however have benefited from a clear understanding of the challenges encountered within the current expenditure framework.

Overall performance of candidates

Highest mark obtained in this paper: **59%**

Lowest mark obtained in this paper: **31%**

Overall pass rate in this paper: **45.5%**