MARCH 2026 EXAMINATIONS

CHIEF EXAMINERS REPORTS

DIPLOMA IN ACCOUNTANCY

SUBJECT: DA 1 - FINANCIAL ACCOUNTING

QUESTION ONE

The general performance on the question was very poor. Of the 55 that attempted the question, only 9 managed to obtain at least 10 out of the available 20 marks. A pass rate of 16.4% was recorded. The highest score was 12 while the lowest was 0 out of 20.

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

QUESTION TWO

The general performance on the question was very poor. Of the 18 that attempted the question, none managed to obtain at least 10 out of the available 20 marks. A pass rate of 0% was recorded. The highest score was 6 while the lowest was 1 out of 20.

Part "a" required candidates to prepare a statement of profit or loss account. The few candidates who attempted the question failed to establish the following key figures i.e. sales figure, purchases figure, administration expense and rent expense. Candidates are encouraged to cover the syllabus adequately.

Part "b" required candidates to prepare a statement to show the closing capital balance for the sole trader. This part required candidates to use the accounting equation at start and end of the accounting period to establish the opening capital balance and the closing capital balance.

QUESTION THREE

The general performance on the question was good. Of the 49 that attempted the question, only 32 managed to obtain at least 10 out of the available 20 marks. A pass rate of 65.3% was recorded. The highest score was 16 while the lowest was 0 out of 20.

Part "a" required candidates to prepare an adjusted bank account. Well prepared candidates obtained all available.

Part "b" required candidates to prepare a bank reconciliation statement. Many candidates failed to include the standing order amount of K780.

Part "c" required candidates to redraft a trial balance. A good number of candidates obtained good marks.

QUESTION FOUR

The general performance on the question was fair. Of the 51 that attempted the question, only 27 managed to obtain at least 10 out of the available 20 marks. A pass rate of 52.9% was recorded. The highest score was 14 while the lowest was 0 out of 20.

Part "a" required candidates to prepare Trading Account and a statement of Profit ot loss Account for each department. Some candidates lost marks by using total amounts and other failed to apportion general overheads.

Part "b" required candidates to prepare a statement of financial position. This was well answered.

QUESTION FIVE

The general performance on the question was good. Of the 51 that attempted the question, only 32 managed to obtain at least 10 out of the available 20 marks. A pass rate of 62.7% was recorded. The highest score was 15 while the lowest was 4 out of 20.

Part (a) (i) required candidates to prepare a statement of Profit or loss Account
Part (a) (ii) required candidates to prepare a statement of financial Position. Candidates failed to account for the new issue of shares by failing to show the equity component
and share premium component.

Part "b" required candidates to establish the total amount which should be recognized in respect of receivables in statement of profit or loss. Candidates failed to adjust for write back of K6,000.

QUESTION SIX

The general performance on the question was very poor. Of the 30 that attempted the question, only 6 managed to obtain at least 10 out of the available 20 marks. A pass rate of 20% was recorded. The highest score was 18 while the lowest was 0 out of 20.

Part "a" required candidates to prepare the motor vehicles account at cost as per 1AS 16. Candidates lost marks by using motor vehicle numbers under details column. Under details column, candidates are expected to use the name of the other account where the double entry is to be completed. The vehicle number is reflected in the asset register only.
Part "b" required candidates to prepare the allowance for depreciation on motor vehicles account. Candidates failed to interpret the proportion to the number of months of ownership.
Part "c" required candidates to prepare motor vehicle disposal account. The agreed exchange allowance of K7,500 was not correctly accounted for i.e. Debit the motor vehicle Account and credit the disposal account.

OVERALL PERFORMANCE OF CANDIDATES

Highest mark obtained in this paper	**60%**
Lowest mark obtained in this paper	**5%**
Overall pass rate in this paper	**12.7%**

SUBJECT: DA2-QUANTITATIVE ANALYSIS

QUESTION ONE

The general performance on the question was very good. Of the 32 that attempted the question, 23 managed to obtain at least 10 out of the available 20 marks. A pass rate of 71.9% was recorded. The highest score was 16 while the lowest was 4 out of 20.

This question was a set of multiple choices covering the whole syllabus. The general performance on this question was fairly good. The average mark on this question was 11 out 20 marks. The question was attempted by all the 32 candidates. Most of the candidates had challenges to correctly answer questions that involved calculations, hence there is need to inform candidates that they should be prepared to answer numerical calculation type of questions even on multiple choice questions.

QUESTION TWO

The general performance on the question was excellent. Of the 31 that attempted the question, 28 managed to obtain at least 10 out of the available 20 marks. A pass rate of 90.3% was recorded. The highest score was 20 while the lowest was 6 out of 20.

The question was split into four parts. Candidates were required to use the given data to draw a scatter plot of the data, calculate the regression line, calculate the correlation coefficient of the data and determine the coefficient of determination. It was observed that the performance in this question was good, candidates had less challenges in solving the questions given. Those that lost marks on this part of the question made computational errors.

QUESTION THREE

The general performance on the question was very good. Of the 27 that attempted the question, 21 managed to obtain at least 10 out of the available 20 marks. A pass rate of 77.8% was recorded. The highest score was 19 while the lowest was 1 out of 20.

The question was split into two parts. The first part (a) of the question was on grouped data. It required candidates to find the average, standard deviation, mode and median of the data. The general performance was good as most candidates demonstrated knowledge of solving the given question. There was an observed use of wrong totals in the table for few candidates hence loss of marks. Some candidates were observed to have used wrong principles in determining the median and the mode. They were just selecting the median or modal class rather than calculating the actual value.

Part (b): This part of the question required candidates to use the given probability distribution table. The table was to be used to compute the average number of arrivals and the standard deviation of the data. Most candidates did well on this part of the question.

QUESTION FOUR

The general performance on the question was very good. Of the 26 that attempted the question, 21 managed to obtain at least 10 out of the 20 available marks. A pass rate of 80.8% was recorded. The highest score was 20 while the lowest was 0 out of 20

The first part of the question, part (a), required candidates to use the NPV to determine the worthiness of investing in a project. It was observed that candidates were unable to use the correct formulae to solve this problem hence obtained very low marks on this part. Mostly, candidates who were observed to have been using wrong formula in the calculations. The performance on this part of the question was bad.

Part (b) of the question required candidates to calculate the Rank correlation coefficient by Spearman's formula. A good number of candidates had no challenges in solving this problem. A few of the candidates did not realise that this was regression, hence they used wrong formulae in computing the required measure.

QUESTION FIVE

The general performance on the question was very poor. Of the 20 that attempted the question, 4 managed to obtain at least 10 out of the 20 available marks. A pass rate of 20% was recorded. The highest score was 20 while the lowest was 0 out of 20.

Part (a): This part of the question required candidates to use the given data to construct a probability distribution table. Most of the candidates did not realise that they were to use the relative frequency method to compute the probabilities, hence the loss of marks. The table was to be used to draw a histogram of the data and compute the average number and the standard deviation of the data. Most candidates did not do well on this part of the question.

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

QUESTION SIX

The general performance on the question was very poor. Of the 17 that attempted the question, 5 managed to obtain at least 10 out of the available 20 marks. A pass rate of 29.4% was recorded. The highest score was 18 while the lowest was 0 out of 20.

Part (a) required candidates to use the given scenario to find the total of investment as well as compare the return on the investment when interest is compounded annually to that when compounded semi-annually. The main concept the candidates were required to use was calculation of future value of annuity. The performance on this part of the question was not good as most of the candidates used wrong formulae. The overall performance on this part of the question was poor.

Part (b): This part required candidates to compute probabilities based on the given probability table. It observed that candidates had difficulties computing the correct probabilities using the data that was given in the probability table. Perhaps emphasis should be made on how to compute probabilities on probability tables. The performance on this part of the question was bad.

Overall performance of candidates

Highest mark obtained in this paper**:** **93%**
Lowest mark obtained in this paper: **20%**
Overall pass rate in this paper: **71.9%**

SUBJECT: DA3- BUSINESS ECONOMICS

QUESTION ONE

The general performance on the question was fair. Of the 44 that attempted the question, 23 managed to obtain at least 10 out of the available 20 marks. A pass rate of 52.3% was recorded. The highest score was 20 while the lowest was 4 out of 20.

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

QUESTION TWO

The general performance on the question was excellent. Of the 36 that attempted the question, 32 managed to obtain at least 10 out of the available 20 marks. A pass rate of 88.9% was recorded. The highest score was 18 while the lowest was 5 out of 20.

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 what happens when the selling price is set below the equilibrium price. This was well answered. Majority of the candidates were able to identify the fact that a price set below equilibrium price leads to a shortage. However, some candidates failed to note that K85 is the equilibrium price.
(b) The question required candidates explain how the government intervene in the market with reference to the command economy. This was not well answered by some candidates. The required answer pointed to a shortage in (i) hence rationing in the required intervention by the government.
(c) The question required candidates to explain any three (3) reasons why government may introduce a subsidy to suppliers of a good or service. This was well attempted by majority of the candidates.
(d) The candidates were required to discuss any three (3) advantages of a vertical integration. This was poorly done. Majority of the students described the sources of profits rather than focusing on the advantages of backward and forward integration.

QUESTION THREE

The general performance on the question was very poor. Of the 39 that attempted the question, 7 managed to obtain at least 10 out of the available 20 marks. A pass rate of 17.9% was recorded. The highest score was 14 while the lowest was 0 out of 20.

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 why the demand curve under a perfectly competitive market structure is a horizontal straight-line. This was poorly done. Majority of the explained characteristics of perfect competition in general instead of focusing on price taker.
(b) The question required candidates to outline any three (3) reasons why a country may not suffer if the competitive market becomes a monopoly. This was poorly done too as majority of candidates merely presented the characteristics of monopoly instead of the advantages of monopoly market structure.

(c) The question required candidates to explain why economists distinguish between fixed costs and variable costs. This was fairly done and majority of the candidates were able to describe the two costs well.
(d) The candidates were required to differentiate between supernormal profit and normal profit. This was well answered too, though some responses couldn't clearly distinguish the two profit concepts.

QUESTION FOUR

The general performance on the question was very poor. Of the 14 that attempted the question, 3 managed to obtain at least 10 out of the available 20 marks. A pass rate of 21.4% was recorded. The highest score was 13 while the lowest was 0 out of 20.

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

(a) The question was divided into two (2) parts namely (i) and (ii) and required candidates to:
   (i) Explain any four (4) determinants of price elasticity of demand. This was poorly done. Majority of the candidates explained factors affecting demand instead of price elasticity of demand! The factors are totally different.
   (ii) Calculate by what percentage the price of cigarettes should be increased to achieve a 15% reduction in cigarette sales among adults. This was poorly done too as majority of the candidates could not use the price elasticity of demand formula to calculate the required reduction. Price elastic of demand was given as -0.4 as well as percentage change in quantity demanded as -15%. What was required was to calculate the percentage change in price by using the formula PED = %Change in quantity demanded divided by percentage change in price.

(b) This question required candidates to distinguish between diminishing marginal returns and decreasing returns to scale. This was fairly well done. However, some candidates failed to understand that diminishing marginal returns is a short run concept while decreasing returns to scale is a long run concept.
(c) The question required candidates discuss any four (4) reasons there is separation of ownership from control in large companies. This was not well answered as required b majority of the candidates. The question was about why large companies hire other people to run their companies than themselves. Some of the answers given were more general. Others discussed fewer than the three (3) required reasons and lost marks for that.

QUESTION FIVE

The general performance on the question was poor. Of the 38 that attempted the question, 15 managed to obtain at least 10 out of the available 20 marks. A pass rate of 39.5% was recorded. The highest score was 18 while the lowest was 0 out of 20.

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

(a) This part of the question required candidates to distinguish between money market and capital markets and giving an example of each. Overall performance on this question was fair. The common mistake was to consider money market as given by Newscasters on ZNBV TV as opposed to the study guide definition. Money market is not about foreign exchange rates! Candidates are encouraged to study the Study Guide.
(b) The question required candidates to describe the three (3) methods or approaches used in measuring national income. This was well attempted though a good number of candidates were only able to describe two (2) methods. Ohers merely listed the methods without describing them as required and lost marks for that. Candidates are encouraged to pay particular attention to the command words in the questions.
(c) The question required candidates to outline any four (4) types of unemployment. This was well answered by majority apart from the fact that some merely listed the types of unemployment. Other interchanged the outlines for cyclical and structural unemployment.

QUESTION SIX

The general performance on the question was very poor. Of the 24 that attempted the question, 3 managed to obtain at least 10 out of the 20 marks available. A pass rate of 12.5% was recorded. The highest score was 14 while the lowest was 2 out of 20.

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

(a) This part of the question required candidates to explain the importance of national income in measuring economic performance. This was well done.
(b) The question required candidates to outline any three (3) limitations of the investment multiplier. This was poorly answered. Majority of the candidates seemed to be lost on this question. This is an issue of question spotting where candidates choose what topics to study instead of the entire syllabus.
(c) The question required candidates to explain any five (5) factors influencing the amount of savings. This was fairly done although some candidates explained less than five (5) factors and could not get the full credit allocation for the question.

QUESTION SEVEN

The general performance on the question was very good. Of the 25 that attempted the question, 18 managed to obtain at least 10 out of the 20 available marks. A pass rate of 72% was recorded. The highest score was 17 while the lowest was 6 out of 20.

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

(a) This part of the question required candidates to explain why beneficial trade can take place between countries A and B using absolute advantage theory and comparative advantage theory. Performance was generally poor as majority of the candidates could not correctly calculate the comparative advantage ratios let alone identify which country has a comparative advantage in what good. Candidate should know that for comparative advantage calculation, four rations are required.

(b) The question required candidates to explain how customs duties are used as a barrier to restrict imports. This part of the question was well answered by majority of the candidates. The focus is on the impact of customs duty on the price of imported goods in the country.

(c) The question required candidates to outline the role of globalization in enhancing regional integration. The question was well answered. Points needed to be included were covered in the mini scenario.

Overall performance of candidates

Highest mark obtained in this paper: **75%**
Lowest mark obtained in this paper: **27%**
Overall pass rate in this paper**:** **50%**

SUBJECT: DA4 – INFORMATION TECHNOLOGY AND COMMUNICATION

QUESTION ONE

The general performance on the question was good. Of the 47 that attempted the question, 29 managed to obtain at least 10 out of the available 20 marks. A pass rate of 61.7% was recorded. The highest score was 20 while the lowest was 2 out of 20.

This question required candidates to select the best answer from options that were provided in the question. Those who performed well were able to provide best answers, However, some candidates were completely off the best options while others were very close to the correct answer, for this reason, they lost marks.

QUESTION TWO

The general performance on the question was fair. Of the 37 that attempted the question, 20 managed to obtain at least 10 out of the available 20 marks. A pass rate of 54.1% was recorded. The highest score was 16 while the lowest was 4 out of 20.

This question required candidates to outline five (5) reasons why information security risk management is crucial in part (a). The second part required candidates to state three (3) actions one would take after realizing that the computer is slow due to lack of space. Part (c) required them to list five (5) types of hardware that can be used within a business organization while the last part of the question required them to state two (2) disadvantages of batch processing.
The common mistakes observed were:

(a) Some students did not understand the question, they failed to understand the requirements of the question, therefore answered it wrongly.
(b) Some students were thinking of resolving the problem but did not explain it correctly.
(c) Some students confused the type of hardware with types and sizes of computers which showed lack of understanding between hardware components and types of computers. some students were explained the concepts, instead of listing types of hardware that can be used within a business organization.
(d) Some students explained batch processing instead of stating two disadvantages of batch processing.

QUESTION THREE

The general performance on the question was very good. Of the 37 that attempted the question, 26 managed to obtain at least 10 out of the available 20 marks. A pass rate of 70.3% was recorded. The highest score was 18 while the lowest was 6 out of 20.

This question required candidates to outline five (5) key features of using a peer-to-peer network in a business organization in part (a) of the question. Part (b) required candidates to explain the main types of computerized accounting systems such as, financial accounting, Payroll accounting, Tax accounting, Cost accounting and Management accounting.

The most common errors that were observed on this question were:

- Some students did not understand the decentralized network architecture in which participants are called peers. Some students wrote on advantages of using peer-to-peer in a business organization instead of features.
- Some students presented wrong definitions as answers on the main types of computerized accounting systems, especially cost accounting and management accounting.

QUESTION FOUR

The general performance on the question was poor. Of the 20 that attempted the question, 7 managed to obtain at least 10 out of the available 20 marks. A pass rate of 35% was recorded. The highest score was 19 while the lowest was 0 out of 20.

This question required candidates to explain in part (a) the three (3) data processing methods that are primarily used in a business computer system and in part (b) to list two (2) types of Decision Support Systems in the first and second parts of a question. Part (c) required candidates to state two (2) challenges associated with the use of spreadsheets, while part (d) required them to explain what each of the following excel functions:

(i) =IF()
(ii) =SumIf()
(iii) =Counta()
(iv) =Today()
(v) =Max()

The common mistakes observed were that:

- Most students did not answer the question correctly. Some could not explain the three data processing methods that are used in business computer systems. A few wrote on real-time and batch processing.
- Most students could not list any types of Decision Support Systems
- Some students could not state the challenges associated with the use of spreadsheets. They were explained what a spreadsheet was, and not challenges.
- Some students failed to explain clearly the meaning of the excel functions especially =counta() and =today() ,some student simply omitted the question.

QUESTION FIVE

The general performance on the question was excellent. Of the 45 that attempted the question, 39 managed to obtain at least 10 out of the available 20 marks. A pass rate of 86.7% was recorded. The highest score was 18 while the lowest was 4 out of 20.

The first part (a) of this question required students to explain any five (5) reasons meetings are held in organizations. Part (b) required them to outline any three (3) reasons keeping minutes of meetings is important. The last part (c) of the question required candidates to state four (4) important pieces of information that must be included when writing a notice for a meet.
The common mistakes that were observed on this question were:

- Mixing up of answers for 5(a) with 5(b) or (b) answers were presented as (b) answers.

- Some candidates presented reasons for having minutes as the importance of an agenda which was not supposed to be the case.
- Some candidates simply had incomplete answers.
- Repeated answers’
- Irrelevant content
- Very poor-quality answers that lacked clarity.
- Some candidates presented answers that were part of structure of a notice which was not necessarily the contents of the important message in a notice.

QUESTION SIX

The general performance on the question was very good. Of the 26 that attempted the question, 19 managed to obtain at least 10 out of the available 20 marks. A pass rate of 73.1% was recorded. The highest score was 19 while the lowest was 4 out of 20.

The first part (a) of the question required candidates to name a business letter prepared in response to a letter of complaint, while part (b) required them to write a letter to a client in response to a letter of complaint from a scenario that was provided in the question. Part (c) required them to outline any four (4) purposes of business letters.

The common errors observed on this question were:

- Omitting elements of a letter such as subjects, salutation and complimentary close.
- Answers not related to given scenarios.
- Very poor structured letters with poor grammar.
- Inadequate content provided in a letter.
- Very wrong content presented as part of the main body.
- Omitting this part of the question lead to reduced marks too.
- Repeated answers.
- Incomplete answers.

QUESTION SEVEN

The general performance on the question was very good. Of the 23 that attempted the question, 19 managed to obtain at least 10 out of the available 20 marks. A pass rate of 82.6% was recorded. The highest score was 19 while the lowest was 3 out of 20.

This question required candidates to: Identify in part (a) any four (4) types of nonverbal communication that is likely to occur when engaged in informal Communication and part (b) required them to explain any four (4) disadvantages of using grapevine communication in an organization. The last part (c) required them to outline any four (4) ways to overcome barriers to communication that occur when grapevine communication is taken as the main channel of communication.
The most common errors on this question were:

- Inadequate content or incomplete answers.
- Failure to classify types of nonverbal communication, instead they presented specific examples which was not supposed to be the case,
- Repeated answers

- Mixing up of answers.
- Some candidates presented answers meant for a good listener instead of ways to overcome the barriers.
- Some candidates presented barriers to communication instead of disadvantages of grapevine as requested by the question.

Overall performance of candidates

Highest mark obtained in this paper: **77**%
Lowest mark obtained in this paper: **31%**
Overall pass rate in this paper: **70.2**%

SUBJECT: DA5 – COST ACCOUNTING

QUESTION ONE

The general performance on the question was good. Of the 60 that attempted the question, 41 managed to obtain at least 10 out of the available 20 marks. A pass rate of 68.3% was recorded. The highest score was 16 while the lowest was 4 out of 20.

This is a compulsory question of multiple choice questions. All the candidates attempted the question.

QUESTION TWO

The general performance on the question was poor. Of the 54 that attempted the question, only 18 managed to obtain at least 10 out of the available 20 marks. A pass rate of 33.3% was recorded. The highest score was 16 while the lowest was 0 out of 20.

Part (a) required candidates to prepare a profit statement using absorption costing principles. Part (b) requested for a reconciliation of absorption and marginal costing profits; the calculation of the under or over-absorption of overheads in part (c); and the listing of the three stages of absorption costing in part (d).

The most common mistakes made by the candidates included:

- failing to calculate the standard cost per unit as a starting point. This cost per unit was to be used for valuing production and inventory.
- wrong valuation of inventory and production figures because of not having the correct rate.
- Including non-production costs when calculating the full production cost per unit.
- deducting the variable administration cost before the gross profit instead of deducting it after the gross profit.
- Using the production and closing inventory figures from the marginal costing statement in the question paper.
- In part (b), failing to reconcile the marginal and absorption costing profits. The reconciling item is the fixed overhead cost per unit x the change in inventories.
- failing to calculate the under/over absorption cost in part (c).

Part(d) was generally well attempted.

QUESTION THREE

The general performance on the question was very good. Of the 56 that attempted the question, 42 managed to obtain at least 10 out of the available 20 marks. A pass rate of 75% was recorded. The highest score was 20 while the lowest was 2 out of 20.

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

(a) Sales price and sales volume profit variances;
(b) Material price and usage variances;
(c) Labour rate and efficiency variances;
(d) Variable overhead expenditure and efficiency variances;
(e) Fixed overhead expenditure and volume variances.

This question was very well attempted.

The common errors for those that performed badly included:

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

- Valuing the sales volume variance using the selling price per unit instead of the standard profit per unit.

QUESTION FOUR

The general performance on the question was poor. Of the 42 that attempted the question, only 13 managed to obtain at least 10 out of the available 20 marks. A pass rate of 31% was recorded. The highest score was 16 while the lowest was 0 out of 20.

Candidates where required to:

(a) Calculate the total cost per unit and the selling price of Job 309 using absorption costing
(b) Calculate the total cost per unit and the selling price of Job 309 using Activity Based Costing.
(c) Calculate by how much Job 309 costs more or less under traditional (absorption) costing system than ABC system.

This question was very popular amongst the candidates. A few of them performed very well though generally the performance was poor and disappointing.

- Candidates were applying ABC techniques under the heading of absorption costing and vice versa. This was in all parts a, b and c.
- Some candidates were mixing items for the absorption costing and ABC approach.
- Some candidates had challenges with (a) and (b), putting in entries that were not applicable.
- A number of candidates failed to compute absorption rates for labour, machine and quality control. Some candidates were adding the estimated activities to the financial figures.
- Most of the candidates if not all failed to compute this part. Others left it out completely un-attempted.
- Some candidates were using the selling price to compute the under cost instead of using the absorbed costs.

Generally, candidates were giving explanations instead of calculations.

QUESTION FIVE

The general performance on the question was very poor. Of the 43 that attempted the question, only 4 managed to obtain at least 10 out of the available 20 marks. A pass rate of 9.3% was recorded. The highest score was 16 while the lowest was 0 out of 20.

This question required candidates to calculate the labour cost per unit part (a); and the production cost per unit (part (b). Part (c) required the preparation of a stores ledger account using the FIFO method.

Parts (a) and (b) were poorly attempted by most of the candidates. This contributed to the poor pass rate on this question.

The most common mistakes made by the candidates included:

- Failure to calculate the correct number of hours per week. This should have been done by multiplying the number of employees per week by hours per week.
- Not multiplying total hours per week by the labour rate per hour.
- Adding up hours and monetary figures to get the 'total cost'.
- Failure to calculate the cost per unit.
- Failure to calculate the correct value of production because of mistakes in part (a).

QUESTION SIX

The general performance on the question was very poor. Of the 17 that attempted the question, none managed to obtain at least 10 out of the available 20 marks. A 100% failure rate was recorded. The highest score was 9 while the lowest was 1 out of 20.

Question Six required candidates:

(a) To prepare a contract account
(b) To calculate the value of Work-In-Progress(WIP) to be included in the statement of financial position.
(c) To list the Just-In-Time (JIT) conditions.

The most common mistakes made by the candidates included:

- Not knowing which transactions to debit or credit to the contract account.
- Failure to calculate the estimated costs to completion on which the overhead rate of 25% was based.
- Not knowing what to do with the 10% retention rate and the materials on site.
- In part ((b), hardly any candidate computed the WIP.
- Not attempting part (b).
- Attempting part (c) only and avoiding parts (a) and (b) altogether.

- No candidate got 10% or more on this question.
- In part (c), poorer candidates gave traditional economic order model principles as JIT principles and a lot of guess work.

It looks like students and lecturers avoid the contract costing topic. Question Six was the least popular question in Section B.

Overall performance of candidates

Highest mark obtained in this paper: **67%**
Lowest mark obtained in this paper: **12%**
Overall pass rate in this paper: **33.3%**

SUBJECT: DA 6 - BUSINESS LAW

QUESTION ONE

The general performance on the question was very good. Of the 29 that attempted the question, 24 managed to obtain at least 10 out of the available 20 marks. A pass rate of 82.8% was recorded. The highest score was 20 while the lowest was 4 out of 20.

Question One was compulsory and multiple choice based. The general well performance of the Candidates suggests that the candidates studied and went through all topics in the course.

QUESTION TWO

The general performance on the question was fair. Of the 17 that attempted the question, 8 managed to obtain at least 10 out of the available 20 marks. A pass rate of 47.1% was recorded. The highest score was 18 while the lowest was 0 out of 20.

Question Two had two parts.
(a) Candidates were expected to explain various principles of commercial law. General performance was poor, candidates are encouraged to study.
(b) was on the sale of Goods act. Candidates were generally able to identify and apply the Law as it applies to the sale of Goods. Few candidates managed to cite correct case law.

QUESTION THREE

The general performance on the question was poor. Of the 22 that attempted the question, 7 managed to obtain at least 10 out of the available 20 marks. A pass rate of 31.8% was recorded. The highest score was 13 while the lowest was 2 out of 20.

This was a four-part question. It required students to write brief notes on:
(a) Negligent misrepresentation
(b) Supervening illegally in contract law
(c) Redundancy in employment law
(d) The employer’s duty to pay remuneration to employees.
Part (d) was fairly handled by the candidates. However, the rest of the parts were poorly answered with only few managing to give the correct answers. Students demonstrated lack of knowledge of the principles. Future students should study so that they can grasp the principles.

QUESTION FOUR

The general performance on the question was excellent. Of the 29 that attempted the question, 26 managed to obtain at least 10 out of the available 20 marks. A pass rate of 89.7% was recorded. The highest score was 18 while the lowest was 4 out of 20.

This question was divided as follows:
(a) Part a of the question asked students to explain the four contents of the partnership deed.
(b) Part b asked the students to explain what happens to the offer when there is a counteroffer.
60% of those that attempted this question scored high; while the remaining 40% struggled through. It is recommended that candidates continue to put more effort into their studies.

QUESTION FIVE

The general performance on the question was good. Of the 18 that attempted the question, 12 managed to obtain at least 10 out of the available 20 marks. A pass rate of 66.7% was recorded. The highest score was 20 while the lowest was 1 out of 20.

In this question, students were asked to distinguish:
(a) Ratio decindendi and obiter Dictar
(b) Criminal law and civil law
(c) Public law and private law
(d) Tort remedies of nominal damages with exemplary damages
(e) Interim injunction and prohibitory injunction

This question was well attempted and those that answered scored high on this question. Others who did not do well, showed scanty knowledge of the subjects. Going forwards, candidates must endeavour to study and know all topics in the manual very well in order for them to adequately tackle questions of this nature in future.

QUESTION SIX

The general performance on the question was very poor. Of the 28 that attempted the question, 8 managed to obtain at least 10 out of the available 20 marks. A pass rate of 28.6% was recorded. The highest score was 17 while the lowest was 1 out of 20.

This was also a four part question. It required students to explain:
(a) An offer
(b) Privity of contract
(c) Agency of necessity and
(d) Agency by ratification.
The parts were fairly answered; with 60% scoring above half of the marks. However, some students lack understanding of the principles which accounted for 40% of the candidates who did not do well. Henceforth, future students should intensify their studies in this regard.

Overall performance of candidates

Highest mark obtained in this paper: **83%**
Lowest mark obtained in this paper: **28%**
Overall pass rate in this paper: **62.1%**

SUBJECT: DA 7: - PRINCIPLES OF MANAGEMENT

QUESTION ONE

The general performance on the question was fair. Of the 24 that attempted the question, 13 managed to obtain at least 10 out of the available 20 marks. A pass rate of 54.2% was recorded. The highest score was 16 while the lowest was 4 out of 20.

This question was compulsory and examined all the learning outcomes of the manual in DA 7 Principles of Management.

QUESTION TWO

The general performance on the question was fair. Of the 15 that attempted the question, 6 managed to obtain at least 10 out of the available 20 marks. A pass rate of 40% was recorded. The highest score was 15 while the lowest was 0 out of 20.

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

Part (a) candidates were asked to describe the leadership style the Director was using in addressing challenges faced at the Public Works Department in Kafue. Majority of the candidates were able to identify and describe the leadership style but failed to explain the ability in addressing challenges faced and this affected the scores.

Part (b) the candidates were required to explain the potential adjustments the Director could make to improve the leadership effectiveness in this situation. Candidates completely failed to explain the potential adjustments thereby missing out on the marks and that affected the performance in this question.

QUESTION THREE

The general performance on the question was very good. Of the 17 that attempted the question, 13 managed to obtain at least 10 out of the available 20 marks. A pass rate of 76.5% was recorded. The highest score was 18 while the lowest was 2 out of 20.

The question had two (2) parts; part (a) and (b).
Part (a) required candidates to explain any five (5) barriers to effective performance appraisal suggested by Lockett. This part was fairly well answered by many candidates. Though some candidates were giving general answers on barriers to performance NOT as suggested by Lockett.

Part (b) required candidates to describe McGregor’s two (2) theories of motivation and stating situations where each may be appropriate. This part was well answered as many candidates were able to explain McGregor’s Theory X and Y and their application.

QUESTION FOUR

The general performance on the question was fair. Of the 17 that attempted the question, 10 managed to obtain at least 10 out of the available 20 marks. A pass rate of 58.8% was recorded. The highest score was 18 while the lowest was 0 out of 20.

This question had three (2) parts; part (a), (b) and (c).

In part (a) candidates were expected to list any five (5) stages of change that would have an impact on organisations as suggested by Kotler and Cohen (2009). This part of the question was poorly answered by most candidates. They simply could not recall the stages.

Part (b) candidates were required to identify any five (5) ways of removing barriers when major changes occur in an organisation. This part was well answered by many candidates.

Part (c) candidates were asked to outline any five (5) advantages of a decentralized structure as organisations manage change. This part was equally well answered by many candidates.

QUESTION FIVE

The general performance on the question was excellent. Of the 23 that attempted the question, 20 managed to obtain at least 10 out of the available 20 marks. A pass rate of 87% was recorded. The highest score was 20 while the lowest was 8 out of 20.

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

Part (a) required candidates to list any ten (10) theories of motivation they are familiar with. Many candidates managed to list the ten (10) theories of motivation and got full credit of the marks awarded.

Part (b) candidates were required to explain any five (5) benefits of motivation. Majority of the candidates who attempted this part of the question gave correct benefits of motivation and were able to explain the effect on productivity.

QUESTION SIX

The general performance on the question was fair. Of the 23 that attempted the question, 11 managed to obtain at least 10 out of the available 20 marks. A pass rate of 47.8% was recorded. The highest score was 20 while the lowest was 0 out of 20.

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

Part (a) asked candidates to explain the four (4) decisional roles suggested by Mintzberg. A good number of candidates explained well the four (4) decisional roles suggested by Mintzberg. Others explained the managerial functions of planning, organizing, directing and controlling. This demonstrated a lack of understanding on the difference between the managerial functions and managerial roles.

Part (b) required candidates to explain the SWOT analysis. Many of the candidates who attempted this part of the question gave the correct meaning of SWOT Analysis. Other candidates failed to explain especially the 'T' element. They mistook it to mean Time bound.

Overall performance of candidates

Highest mark obtained in this paper: **87%**
Lowest mark obtained in this paper: **31%**
Overall pass rate in this paper: **62.5%**

SUBJECT: DA8 - FINANCIAL REPORTING

QUESTION ONE

The general performance on this question was fair. Only 58 of the 112 candidates that attempted the question got 13 and above marks out of 25. A pass rate of 51.8% was recorded. The lowest mark recorded was 0 while the highest was 25.

This was a compulsory question that required the candidates to prepare the consolidated statement of financial position for Bush group. The pass rate for such a predictable question was disappointing despite being the best performed question at the sitting. Most of the candidates who attempted fell short on the following issues:

- Most candidates failed to appreciate the fact that the subsidiary was acquired 6 months before the reporting date and therefore all adjusting income and expense related items needed to be proportionated such as fair value depreciation/amortization, unwinding of the discount etc. This led to candidates losing good amount of marks pertaining to these adjustments and resulting balances.
- Further, a handful of candidates were applying 70% on the assets and liabilities of the subsidiary with worst cases adding the assets and liabilities of the Associate Tree co to the consolidated amounts. This shows how several candidates head to the exam room without basic knowledge on the predictable examination topics.
- Future candidates are reminded to pay particular attention to the period between acquisition and reporting for the sake of correctly proportionating subsidiary income and expense-related adjustments in the post-acquisition period.
- Few candidates failed to duplicate the figures that did not require any amendment onto the consolidated financial statements for easy marks.
- Most candidates struggled to calculate goodwill correctly as they could not discount the deferred consideration correctly. Few candidates used all shares of the subsidiary in calculating the discounted value unlike only acquired number. In addition, candidates mostly could not unwind the discount over a right period of 6 months from acquisition to the reporting date. The majority did not even show any discount unwinding.
- Failure to follow recommended presentation of putting figures in brackets to maximize on achieving high marks also had a detrimental effect on the victims that exercised the practice as their totals that were incorrect could not be allocated proportionate marks for components unknown. Future candidates are seriously reminded to utilize this technique to maximize the marks they earn.
- Future candidates are reminded to read through examiners' reports of previous examinations to learn about common mistakes by past candidates. This helps candidates pay particular attention to problematic areas common to all.
- Finally, few candidates ended their answer on workings, and nothing was posted to the consolidated statement of financial position. This seriously disadvantaged the candidates as a question like this gives candidates lots of marks that are straight from the question.

QUESTION TWO

The general performance on this question was very poor. 22 of the 109 candidates that attempted the question got 13 and above marks out of 25. A pass rate of 20.2% was recorded. The lowest mark recorded was 0 while the highest was 20.

This was a compulsory question that had two (2) parts. Part (a) required the candidates to prepare a statement of profit or loss for Leadpass Plc, and part (b) required candidates to prepare a statement of financial position for Leadpass Plc.

The performance on this question was below average as most of the candidates struggled to make needed adjustments using adjusting notes. This was expected to be better for such a predictable question. The candidates who could not perform well exhibited the following challenges:

- Calculation of the revenue from construction contract proved a challenge to most candidates. Candidates mainly failed to even compute the percentage completion using method prescribed in the question. In worst cases, candidates were only using the revenue figure from the trial balance of K555,000
- For the loan note, most candidates merely reported the principal amount of K120,000 in the statement of financial position figures most students could not understand the meaning of 'no annual payment of interest' hence they could not even apply the effective interest rate on the principal amount.
- Most candidates could not calculate the lease balance to be used in the financial statements. Generally, they failed to do the unwinding of the liability brought forward at the start of the year.
- Calculation of deferred tax was a challenge as very few candidates were able to get the correct tax amount with majority using the taxable temporary difference as a deferred tax liability.
- Most candidates were putting the retained earnings in the income statement under other comprehensive income.
- Most candidates could not adjust their administrative expenses and the cost of sales, the common answer was just using the trial balance figure
- Very few candidates were able to calculate the revaluation surplus figure
- A handful of candidates portrayed no knowledge of financial statements for limited liability companies as they prepared financial statements resembling those of a sole trader instead of published accounts.
- Workings for the statements were often omitted, resulting in significant mark loss.
- A substantial number of candidates failed to process adjustments correctly, producing inaccurate final figures.
- Calculation of the depreciation on the Property Plant and Equipment was a challenge for few of the candidates
- On the positive note, the candidates that performed well on this question demonstrated the ability to calculate income tax charge without struggle, Most important, they were able to bring amounts that did not require any adjustments into their respective places. Additionally, even where they failed to arrive at the correct final amounts, they showed a lot of workings and that made it easy for them to score good marks.
- The other shortcoming was a few candidates that did not show any workings for this question and opted to do workings on calculator and transfer from calculator to final answer. Such

candidates would not be anywhere near to passing the exam as most marks are achieved through workings that are also well referenced.

Future candidates are reminded that the workings for this type of a question are an important aspect of the success story.

QUESTION THREE

The general performance on this question was very poor. 16 of the 91 candidates that attempted the question got 13 and above marks out of 25. A pass rate of 17.6% was recorded. The lowest mark recorded was 0 while the highest was 20.

This question had three (3) parts. Part (a) required candidates to calculate for Smart the Equivalent ratios to those that had been provided by the agency. Part (b) required candidates to assess the financial performance and position of Smart in comparison to its sector entities as shown by sector average ratios.

Part (c) required candidates to explain any five (5) general limitations of ratio analysis.

From those who did not do so well, the following were the main weaknesses observed by their answers:

- Most candidates had challenges calculating the asset turnover ratio, the word turnover was misinterpreted for revenue, the candidates were using assets as a percentage of revenue despite the question emphasizing what was meant by asset in brackets.
- Most candidates mistook the operating costs of K9,800 as operating profit. Future candidates are urged to be thorough when reading and extracting amounts for substitution into formulae
- Most candidates showed lack of understanding of the ratio formulas
- Calculation of the inventory turnover ratio was a challenge for most candidates, most of the candidates were transposing the formulae. Candidates at this level are reminded to be accurate with formulae.
- Analyzing of the ratios calculated and comparing them with the sector ratios was a challenge as most of the candidates were calculating the increase or decrease in the two and giving the reason for the factors that could have led to that was a challenge. Firstly, the expressions were incorrect in that comparison of sector averages with a particular entity is in no way an increase or decrease.
- Calculation of the debt-to-equity ratio was a challenge as most candidates used the share capital value as equity and not the total equity value of the company.
- Overall, interpretation of this question was very poor

QUESTION FOUR

The general performance on this question was very poor. 2 of the 45 candidates that attempted the question got 13 and above marks out of 25. A pass rate of 4.4% was recorded. The lowest mark recorded was 0 while the highest was 15.

This question required candidates to explain how each of the four transactions described in the question, on IFRS 9, IAS 32, IFRS 15 and IAS 37 would be accounted for using appropriate IFRSs and relevant computations for the year to 31 December 2024.

Transaction for Kawesha Plc

Candidates where asked to explain how a convertible loan will be accounted for on its date of issue which was the date of reporting. Just few of the candidates recognized the need to slit the convertible bonds into the equity component and the liability component, though some of them did not apply the discounting factors accurately. Most candidates, despite inaccurate discount factors used went ahead to prepare amortization schedule and stating the amounts that would be reported as interest and those that would be reported as the carrying amount of the liability. The question was about initial measurement and not about the subsequent measurement at the end of the year. In short, the majority of candidates misunderstood the question requirement.

Transaction for Lungowe Plc

Majority of candidates calculated the amounts to recognize as revenue correctly for the performance obligations of goods sold and the installation. They however, did not calculate the amount to recognize for the service obligation for the 8 months that had already passed. Most candidates could not realize that performance obligation in relation to the one-year service had been satisfied for 8 months and therefore needed the 8/12 proportion applied on the amount of discounted revenue. They merely used the whole one-year amount. This led to wrong revenue figure for recognition in profit or loss statement. Further, it meant no amount was mentioned about deferred income from the service component.

Transaction for Stairs Limited

Most of the candidates stated that all the amounts would be included in the provision since the restructuring was certain. They did not state what factors made the restructuring certain according to IAS 37. Few candidates stated that relocation and retraining costs did not qualify to be included in the amount of the provision. Some candidates wasted their time defining a liability, and others a provision even though the question required application of the standard to the business transaction and not the definitions. Providing definitions did not attract any marks, even though correct. Future candidates are reminded to respond to the question requirement in the exam and not answer everything and anything they know.

Transaction for Kasendeka Plc

Candidates did not define what initial measurement and subsequent measurement was as applied to biological assets. Answers to this part of the question were scanty. Candidates correctly calculated the revenue from agricultural products but could not accurately calculate the initial measurement and subsequent measurement of biological assets at fair values. The calculations did not consider the 4% commission for the auctioneer. Therefore, the amount of fair value gain was incorrect. Most of the candidates did not state the carrying amount of the biological assets to be reported in the Statement of Financial Position.

QUESTION FIVE

The general performance on this question was very poor. 1 of the 56 candidates that attempted the question got 13 and above marks out of 25. A pass rate of 1.8% was recorded. The lowest mark recorded was 0 while the highest was 17.

Part a) The question required candidates to discuss the importance of accountability in the private sector.

Part (b) of the question required candidates to calculate and discuss the amount of borrowing costs that should be capitalized in the year according to IAS 23.

Part (c) of the question required candidates to describe the formal system for developing IFRS , the due diligence procedure, which involves consultations with accountants, financial analysts and other stake holders.

Part (d) of the question required candidates to discuss the accounting treatment of equity investment in a company that are classified as FVTPL or as FVTOCI.

Performance was less than average in majority of cases. Common mistakes included:

Part (a) The solution to this part of the question was reasonably well done, partly because consequences of accountability is common sense and could easily be remembered.

Part (b) Different candidates applied the percentage of borrowing costs to different amounts. Mostly candidates failed to distinguish a specific loan from a generally acquired loan and hence using rates on different incorrect amounts. Further, candidates did not correctly state the accounting treatment of the amount of borrowing costs calculated, that is, they failed to clearly distinguish between amounts to expense and amounts to capitalize. Future candidates are reminded to own the standard's pertinent principles regarding capitalizing and expensing borrowing costs.

Part (c) Few candidates correctly described the due diligence process described in the IFRS Foundations regulatory framework. For most of the candidates either the solution was missing or they described the different parts of the financial statements, which was totally off the direction of the question.

Part (d) Solutions of this question were hazy. Several candidates merely discussed shares that qualified as equity different from those that were classified as debt. Few candidates discussed the accounting treatment of surpluses or gains and deficits that arose on valuation of shares at the year end, stating whether to take them to investment income in the main SPL if equity investments were classified as FVTPL or to Other Comprehensive Income if equity investments were classified FVTOCI. Several candidates failed to bring out the implication for the two classifications and their main differences. Once more, candidates are reminded of the important principles around each standard as a tool for their passing of questions four and five in this paper.

This question, together with question four (4) were quite unpopular and poorly performed by the candidates at this sitting.

All in all, questions one, two and three were not only the most popular among candidates at this sitting but were the best performed as well.

Overall performance of candidates

Highest mark obtained in this paper: **61%**
Lowest mark obtained in this paper: **0%**
Overall pass rate in this paper: **13.3%**

SUBJECT: DA9 – MANAGEMENT ACCOUNTING

QUESTION ONE

The general performance on this question was fair. Only 40 of the 96 candidates that attempted the question got 13 and above marks out of 25. A pass rate of 41.7% was recorded. The lowest mark recorded was 2 while the highest was 23.

This question required candidates to:

(a) Calculate the material price planning and operating variances; material usage planning and operating variances

(b) Explain why the variances are analysed into planning and operational

(c) Explain four differences between financial and management accounting

Parts (a) and (b) were not very well attempted

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

- Failure to convert gramme to kilograms and millilitres to kilolitre. There was need to do this because the material prices were quoted per kg and per litre.
- Comparing budgeted costs with actual costs instead of budgeted costs with revised costs when calculating planning variances.
- Coming up with wrong variance signs. It should be noted that when the revised cost is less than the standard cost, the variance is favourable and vice –versa.
- Using wrong standard cost rates to value material usage planning and operating variances.

In part (b), most of the candidates failed to explain the reasons why variances are split into planning and operational. One key difference is that planning variances are due to faulty standards and are uncontrollable whereas operating variances are due operating efficiencies or inefficiencies and are controllable.

QUESTION TWO

The general performance on this question was very poor. Only 2 of the 91 candidates that attempted the question got 13 and above marks out of 25. A pass rate of 2.2% was recorded. The lowest mark recorded was 0 while the highest was 14.

This question required candidates to:

In part (a)

(i) calculate the annual cost of the current ordering policy, ignoring the finance cost.
(ii) calculate the annual cost if the economic order quantity (EOQ) was used to determine the optimum order size for maize, ignoring finance costs.

(iii) calculate the net gain or loss from accepting the discount.
(iv) explain how a just-in-time system for inventory procurement works and its effect on inventory levels.

In part (b)

(i) calculate the weekly profit using the throughput accounting concept.
(ii) calculate the throughput accounting ratio.

The performance was generally poor and disappointing. Some candidates did not answer the question in full.

The most common mistakes made by the candidates included:

Part (i) under (b)

- Candidates failed to calculate the annual cost while others were making calculations without any explanations.
- Candidates were failing to calculate the EOQ.
- Candidates failed to calculate the net gain. Some candidates were calculating net gain in days!
- Some candidates were writing K1,280,000,000 as K1,280,000.
- Candidates failed to explain how the JIT system works and its effect on inventory. They simply did not seem to understand what the JIT system was about.
- Some candidates were describing JIT as a system used to procure resources.

Part (ii) under (b)

- A number of candidates had challenges with this part of the question.
- In trying to calculate the weekly profit, some candidates were calculating contribution in place of throughput per minute.
- Some candidates were wrongly adding labour cost to variable costs to calculate throughput contribution.
- Some candidates were failing to calculate throughput per minute and come up with the correct ranking.
- Candidates failed to calculate the weekly profit.
- Candidates failed to calculate the throughput accounting ratio.

QUESTION THREE

The general performance on this question was very poor. Only 5 of the 93 candidates that attempted the question got 13 and above marks out of 25. A pass rate of 5.4% was recorded. The lowest mark recorded was 1 while the highest was 16.

This question examined candidates on limiting factor analysis and outsourcing decisions and required candidates to:

(a) Calculate the budgeted total contribution from each product and the budgeted profit for the year for AML.

(b) Calculate the break-even point in revenues for AML, and the number of cases of each product that this will represent.

(c) The production manager has indicated that there may be a shortage of direct labour for the coming year. Direct labour costs K10 per hour and there may only be 80,000 hours of labour available for production.

  (i) Prepare a production plan stating the maximum profit achievable if the shortage of labour hours.

(d) Following on from part (c), an outside supplier has offered to manufacture whatever product is in short. They will charge 20% more than the existing variable cost of that product, plus a fixed fee of K100,000 for machine tooling.

  (i) Assess the financial impact of accepting this proposal.
  (ii) Calculate the new total contribution and profit as a result of accepting the proposal.
  (iii) State what other factors should be considered before accepting the outsourcing proposal.

The most common mistakes made by the candidates included:

- Arithmetical errors in calculating the total contribution.
- Working on a total basis instead of per unit- at least up to the contribution per unit.
- Nearly all the candidates calculated the breakeven revenue for each product using the contribution sales ratios for each product. This was a multi-product situation. The fixed costs of K750, 000 were incurred for all the four products. Therefore, a weighted average contribution sales mix was required. This is calculated as total contribution for all the products divided by total sales revenue for all the products.
- Failing to work out the size of water bottles which required outsourcing. This was the 500ml size and the shortfall was 7,000 cases.
- Failing to work out the variable cost per unit (which was 20% more than the company's) of the external supplier.
- Failing to comment on the financial impact. The impact was that the company's profits were going to increase as a result of accepting the proposal.
- Stating factors which were not relevant to the scenario in the question. Factors such as quality, reliability, brand impact, long term sustainability and flexibility could have been mentioned.

QUESTION FOUR

The general performance on this question was very poor. Only 1 of the 31 candidates that attempted the question got 13 and above marks out of 25. A pass rate of 3.2% was recorded. The lowest mark recorded was 0 while the highest was 13.

This question examined candidates' understanding of budgetary control statements (part (a)), participative budgeting (part (b)) and relevant costing principles (part(c)).

The most common mistakes made by the candidates included:

- Failure to split labour costs into fixed and variable costs.
- Failure to split furniture pack costs into fixed and variable costs.
- Failure to split other material costs into fixed and variable costs.
- Failure to recognize that overheads – as per note 3- had a step cost.
- Failing to argue for both the advantages and disadvantages of participative budgeting.
- Some candidates did not have a clue of the assumptions of relevant costing; which are that they should relate to the future, should be cash flows and should change as a result of the decision at hand.

QUESTION FIVE

The general performance on this question was very poor. Only 7 of the 57 candidates that attempted the question got 13 and above marks out of 25. A pass rate of 12.3% was recorded. The lowest mark recorded was 1 while the highest was 22.

This question examined candidates' knowledge of working capital.

Candidates were required to:

(a) calculate the selling price for each product using Activity Based Costing (ABC).
(b) Explain the circumstances in which ABC is appropriate.
(c) Explain why Programme Planning and Budgetary Systems (PPBS) are suitable for the public sectors and not for Not-For –Profit Organisations.

Parts (b) and (c) were poorly attempted.

The most common mistakes made by the candidates included:

- Not attempting all the parts of the question.

- Using wrong ratios to share out overheads. E.g. for other overheads, using a ratio of 1.5:1 to share out K216, 000 to the products.

- Failing to explain when ABC is meaningful. ABC is useful where overheads are high relative to the direct costs, where products consume resources in different amounts, where product complexity and diversity varies, etc.

- Misunderstanding the requirement in part (c). Candidates were contrasting public sectors from private sectors. But PPBS is a budgeting system.

- Thus in part (c), they should have mentioned points like PPBS link financial resources to outcomes and objectives. In summary, PPBS focuses on objectives and services, is accountable for public funds, improves decision making, tracks outputs and outcomes in performance measurement and supports long term planning(not just yearly plans).

Overall performance of candidates

Highest mark obtained in this paper:	**64%**
Lowest mark obtained in this paper:	**3%**
Overall pass rate in this paper:	**11.5%**

SUBJECT DA-10 TAXATION

QUESTION ONE

The general performance on this question was very good. 38 of the 39 candidates that attempted the question got 13 and above marks out of 25. A pass rate of 97.4% was recorded. The lowest mark recorded was 1 while the highest was 23.

The question covered taxation of companies.

In part (a) to Calculate the maximum capital allowances claimable by the company for the tax year 2025.

Common mistakes noted.

- Inability to calculate the correct capital allowances on General plant because they could not calculate the balancing charge after disposal.
- Ussing the wrong rates to calculate capital on the Toyota Hilux and Range Rover, most candidates used 25% instead of 20%.
- Some candidates failed to apply the 50% rate on Manufacturing equipment but instead used 25%

In part (b) Calculate the company's taxable business profit for the year.

Common Mistakes noted.

- A good number of candidates failed to correctly calculate the disallowable amount on the branded T/shirts given to customers.
- Some candidates failed to add back the correct amounts to disallow in respect of Personal to holder car benefit
- Failure to correctly calculate the Accommodation benefits to be added back in respect of company owned house provide to directors.
- Grossing up the amounts of Royalties and Fixed deposit before deducting when computing the taxable profits

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

Common Mistakes noted:

- Failure to gross up the Royalties and fixed deposit incomes
- Failure to apply the correct company tax rate of 25% because of offering more than one third of shares to indigenous Zambians.

QUESTION TWO

The general performance on this question was fair. 22 of the 40 candidates that attempted the question got 13 and above marks out of 25. A pass rate of 55% was recorded. The lowest mark recorded was 1 while the highest was 22.

The question examined taxation of farming operations.

In part (a) to Calculate the tax payer's final taxable profits from farming after capital allowances

Common Mistakes noted:

- Failure to restrict the farm improve allowance on dwelling house to K100,000 per house as per law.
- Some candidates failed to correctly claim the allowances on the development expenditure citrus plantations at the rate of 100% rate instead of 10%

In part (b) Calculate the amount of income tax payable by the individual for the tax year 2025.

Common mistakes noted:

- Failure to time apportion the annual emoluments correctly to the Nine (9) months the individual was in employment in the tax year 2025
- Failure to incorporate the salary increment after probation.
- Failure to distinguish the farming income and employment income and applying wrong income rates altogether.
- Failure to correctly calculate the correct WHT on Royalties and Consultancy

In part (b), candidates were required to state the tax treatment of each of the income received by the taxpayer during the year. Some candidates failed to explain the correct tax treatment each type of income and also failed to compute the amount withholding tax withheld at source from each type of income. Candidates were also required to calculate the amount of income tax payable by the individual:

Common mistakes made by some candidates were:

- Failure to compute the correct taxable salary amount for the employee who only worked for 9 months in the charge year.
- Failure to compute the correct allowances which were based on the wrongly calculated basic salary.
- Lack of knowledge on the tax treatment of terminal benefits which were all exempt.
- Failure to compute correct capital allowances claimed by an individual which the vehicle which was used both for private and business purposes.
- Failure to compute the withholding tax which should have been deducted from the income tax payable.
- Using the wrong rates to compute the final income tax payable by the tax payer.

QUESTION THREE

The general performance on this question was fair. 15 of the 31 candidates that attempted the question got 13 and above marks out of 25. A pass rate of 48.4% was recorded. The lowest mark recorded was 7 while the highest was 18.

The question examined administration of direct taxes and VAT. In part (a) Candidates were required to State any five (5) Acts of Parliament which governs tax law in Zambia. Some candidates demonstrated a lack of the knowledge of the Acts and therefore failed to provide the required solutions.

In part (b) (i) candidates were required to taxable business profit made by the business for the tax yer 2025

Common Mistakes noted:

- Failure to correctly compute the disallowable salary drawn by the soletrader
- Failure to compute and disallow sole trader's private motoring costs
- Failure by a high number of candidates to correctly compute and disallow the goods drawn for personal
- Grossing up of other income such as Royalties, Bank interest and Consultancy income before deduction the income from net profit.

In part (ii) candidates were required to calculate the amount of income tax payable by the individual for the tax year 2025.

Common Mistakes noted:

- Failure by some candidates to compute the correct grossed up amounts of royalties and consultancy income
- failure to compute the correct excess balance of income taxable at 37% tax liability.
- Inability to compute the correct WHT on royalties and consultancy

QUESTION FOUR

The general performance on this question was fair. Only 13 of the 30 candidates that attempted the question got 13 and above marks out of 25. A pass rate of 43.3% was recorded. The lowest mark recorded was 2 while the highest was 18.

The question had two parts; part (a) and part (b). The question covered VAT, Customs & excise duty.

In part (a) (i) candidates were required to calculate the import taxes paid on the importation of the car.

Common Mistakes noted:

- Not including all the costs incurred up to the point of entry into Zambia for to determine the value for duty purposes.
- Usage of a wrong exchange rate as approved by the Commissioner General resulting in computing a wrong Customs value figure.
- Applying wrong customs and excise duty rates leading to incorrect import taxes.

In part (a) (ii) candidates were required to explain three (3) functions of Customs Service Division of Zambia Revenue Authority in relation to imported goods.
Some candidates failed to fully explain the required functions as per question requirement.

In part (b) (i) candidates were required to explain any five (5) conditions which must be met for input Value Added tax on a supply to be recovered. Most candidates demonstrated a lack of knowledge of the conditions and therefore failed to provide the required answers.

In part (b) (ii) candidates were required to calculate the amount of Value Added Tax (VAT) payable/refundable by the company.

Common mistakes noted:

- Wrong computation of standard rated sales as a result of applying wrong standard rated sales figure.
- Failure to compute the sales figure on the sale of Toyota Hilux figure due to wrong application of wrong VAT rate.
- Computing wrong purchases input VAT as a result of applying a wrong VAT rate.
- Wrongly computing the Input VAT on diesel due to failure to allow only 90% as per statute and using a wrong VAT rate instead of 16%.
- Claiming Input VAT on Petrol, Entertaining suppliers and Telephoner expenses which is not recoverable.

QUESTION FIVE

The general performance on this question was fair. Only 11 of the 20 candidates that attempted the question got 13 and above marks out of 25. A pass rate of 55% was recorded. The lowest mark recorded was 5 while the highest was 20.

In part (a) candidates were required to explain any four (4) fundamental principles of the IESBA Code of Ethics for professional Accountants and how they apply to the provision of taxation services. This part of the question was generally answered well with the exception of a few candidates who failed to provide the required explanations.

In part (b) candidates were required to Explain the Property Transfer Tax (PPT) implications arising from each of the transactions entered into by the tax payer.

Common Mistakes Noted:

- Failure to explain that a movable property is not subjected to PPT as it not under this scope.
- Failure to determine the correct Realised Value to use to compute PTT.
- Failure to state that disposal of shares listed on LuSE are not chargeable property.

In part (c) (i) candidates were required to Explain four (4) other sources of revenue for the Central Government apart from taxation. Some candidates failed to explain the other sources of government revenue

In part (c) (ii) candidates were required to explain the meaning of progressive taxes and regressive taxes giving one (1) example for each.

Common Mistakes Noted:

- Failure by some candidates to define and explain the meaning of progress taxes and regressive taxes.
- Failure to provide correct examples of progressive taxes and regressive taxes.
- Lack of depth in explanations.

Overall performance of candidates

Highest mark obtained in this paper: **74%**
Lowest mark obtained in this paper: **17%**
Overall pass rate in this paper: **67.5%**

SUBJECT: DA 11-PRINCIPLES OF AUDITING

QUESTION ONE

The general performance on this question was very poor. Only 3 of the 94 candidates that attempted the question got 13 and above marks out of 25. A pass rate of 3.2% was recorded. The lowest mark recorded was 0 while the highest was 14.

This was a mixed question dealing with appointment ethics, professional ethics and internal audit function.

Part (a)

(i) This part of the question required candidates to explain 3 matters that should be included in the written proposal for offer of audit services to Mutti Pharmaceuticals Plc. Candidates should be very clear with the stages followed in seeking audit appointments otherwise they risk not addressing the specific question requirements.

The main stages that require specific matters to consider are:

- Matters to consider in deciding to bid for offer of audit services.
- Matters to include in the bid documents.
- Matters to consider in accepting nomination to be auditors and
- Action that should be taken after accepting nomination.

This part of the question related to the second stage above which is the matters that should be included in the bid documents. The performance in this part of the question was poor due to the fact that most of the candidates gave answers that were for different stages of client acceptance stages not required in the question.

The following observations were made.

- There were many candidates that gave answers as if the firm had already been appointed auditor of Mutti Pharmaceuticals Plc.
- There was a significant number of candidates that explained matters that should be considered prior to accepting appointment which was the question requirement for part (ii) of this question.
- Surprisingly there were candidates that discussed audit risks which was not required and these are not matters that could be included in bid documents.

(ii) This part of the question required candidates to explain procedures that should be followed prior to accepting appointment as auditors of Mutti Pharmaceuticals Plc.

This is the stage where the prospective client has nominated and indicates to the audit firm that they would want them to be their auditors. The company is making an offer which the firm may either accept or reject and professional requirements require that the auditors considers specific matters in making the decision whether or not to accept appointment.

The following observations were made:

- It was surprising that many candidates discussed ethical issues in the scenario. Whereas ethical considerations should be made at this stage dealing with specific ethical issues in the scenario was not the requirement.
- There were candidates that explained matters that should be included in bid documents which was the requirement for part (i) of this question.

Part (b)

(i) This part of the question required candidates to explain the importance of professional ethics to the firm and the audit team members. A majority of the candidates got this part of the question correct and scored maximum marks.

The following observations were made:

- There were candidates that explained what ethics are which was not the question requirement.
- Some candidates either stated or explained the five ethical principles which did not answer the question requirement and for 2 marks this was a waste of valuable examination time.

(ii) This part of the question required candidates to identify and explain ethical matters from the information in the scenario at acceptance stage and during the conduct of the audit. Candidates required and expected to use the information in the scenario in answering this question. Ethical principles have been examined in this manner in previous examination questions and are likely to be examined like this in future examinations. Well prepared candidates should have scored maximum marks in answering this question.

The following observations were made:

- Most of the candidates explained the five ethical principles with no reference whatsoever to the information in the scenario. Such answers did not address the question requirement which required candidates to identify and explain ethical issues contained in the information in the scenario. Ethics have been examined in this manner in previous examinations and well prepared candidates should have scored maximum marks.
- There were candidates that explained matters that should be considered before accepting appointment as auditors which was not the question requirement.
- A sizeable number of candidates explained less than the required 5 ethical issues therefore losing easy marks on the matters not discussed.

Part (c)

(i) This part of the question required candidates to explain the objectivity of the internal audit function of Mutti Pharmaceuticals Plc using the information in the scenario. A majority of the candidates scored maximum marks in this part of the question. A few candidates lost marks because they did not give correct reasons to support their answers and made no reference to the information in the scenario.

(ii) This part of the question required candidates to explain 2 possible ways in which the work of internal audit of Mutti Pharmaceuticals Plc. most of the candidates scored low marks in this part of the question.

The following observations were made:

- Most of the candidates did not answer this part of the question losing all the possible marks.
- Many candidates discussed the conditions when external auditors could use the work of internal audit without explaining how this can be done which was the question requirement.
- Many candidates also discussed factors that should be considered before relying on the work of internal audit such as strong internal controls and qualified personnel.
- Very few candidates explained relying on the work of internal auditors or seeking direct assistance of internal audit which are clearly explained in the study materials.

QUESTION TWO

The general performance on this question was poor. Only 18 of the 96 candidates that attempted the question got 13 and above marks out of 25. A pass rate of 18.8% was recorded. The lowest mark recorded was 0 while the highest was 23.

The question was mainly on evidence dealing with financial statement assertions and procedures on inventory and cash balances.

Part (a)

(i) This part of the question required candidates to explain 3 financial statement assertions related to inventory. Most candidates scored maximum marks in this knowledge-based question.

The following observations were made:

- Some candidates lost marks because they only stated the assertions without giving any explanations as required.
- There were candidates who explained audit procedures for stated assertions which was not the question requirement.

(ii) This part of the question required candidates to explain using inventory the relationship between financial statements assertions and audit procedures.

Very few candidates explained the relationship between audit procedures and financial statement assertions.

Part (b)

(i) This part of the question required candidates to explain the meaning and importance of cut off in relation to inventory at the period end.

A majority of the candidates correctly explained the meaning and importance of cut off procedures.

(ii) This part of the question required candidates to describe 5 audit procedures that should be performed during the year-end inventory count at the main warehouse and the outlets.

The following observations were made:

- Candidates lost marks for explaining less than the required 5 procedures that are performed during the year-end inventory count.
- A significant number of candidates explained procedures that are undertaken after the inventory count such as to deal with valuation of inventory.
- Some candidates discussed the inventory count instructions which will have been reviewed during planning to attend inventory count.

(iii) This part of the question required candidates to explain the audit work to be performed relating to inventory at the third party warehouse.

The following observations were made:

- Some candidates mistook inventory at the third party warehouse as third party inventory and suggested that it should not be included in the final inventory valuation which is incorrect.

Part (c)
This part of the question required candidates to explain 2 procedures that should be followed in the conduct of the cash count during the audit.

The following observations were made:

- A majority of candidates discussed procedures to seek bank confirmations which is not the case. Candidates needed to recognize that this related to actual cash on hand at the period such as the cash at the three outlets awaiting banking. The cash will be reported as a current asset in the statement of financial positions and one of the assertion relating to this is accuracy and existence. Audit procedures require to be performed on the cash on hand.
- A number of candidates explained that the auditors should ensure that the cash is banked immediately which is a management responsibility. The main concern of the auditors is to obtain sufficient appropriate evidence that the cash exists at the period end.
- There were candidates who discussed internal controls necessary related to cash which did not address the question requirement.
- Surprisingly there were candidates that discussed work that should be performed on bank reconciliations which are not relevant in relation to cash. The cash on hand will not be in the bank reconciliation. This is clear evidence that the candidates did not understand the question to relate to actual cash on hand rather than cast at bank.

Part (d)
This part of the question required candidates to explain 4 matters auditors will seek confirmation of in a bank confirmation request.

It was surprising that most of the candidates simply did not know the matters that auditors would seek to confirm with the bank. This is despite the fact that the information in the scenario clearly describe the dealings of Palm Ltd with the bank. This information should have helped candidates to explain the matters that should be confirmed with the bank.

QUESTION THREE

The general performance on this question was fair. Only 44 of the 92 candidates that attempted the question got 13 and above marks out of 25. A pass rate of 47.8% was recorded. The lowest mark recorded was 1 while the highest was 22.

Part (a)

(i) This part of the question required candidates to explain the relevance of internal controls to the audit of the financial statements of Modern Chemicals Ltd. Majority of the candidates scored maximum marks in this part.

The following observations were made:

- There were candidates who explained the meaning of internal controls which was not the question requirement.
- A few candidates discussed the responsibilities of management and the auditor with regards internal controls.
- A sizeable number of candidates discussed the relevance of internal control from the point of view of Modern Chemicals Ltd rather than from the of the auditor and the audit process.

(ii) This part of the question required candidates to distinguish between tests of controls and substantive procedures. Most of the candidates who answered this question scored maximum marks.

A few candidates scored poorly showing lack of understanding of the two procedures of tests of controls and substantive procedures both of which are performed by the external auditors.

The following observations were made:

- Some candidates explaining that tests of controls were a means of preventing errors mistaking them with internal controls.
- There were candidates who explained that substantive procedures are put in place by management to detect material misstatement which is incorrect.

Part (b)

(i) This part of the question required candidates to distinguish between an interim audit and a final audit. A majority of the candidates who attempted this part of the question scored maximum marks.

The following observations were made:

- There were candidates who confused interim financial statements with interim audit which are different matters and no marks were awarded for doing so.
- There were candidates who explained that interim audit prevents fraud and final audits help to prepare financial statement both suggesting lack of understanding of the two types of audits.

(ii) This part of the question required candidates to explain two procedures that can be performed at each of the interim and final audits stages. Candidates needed to understand that the audit opinion issued is based on evidence obtained on the financial statements at the period end and that most of the procedures on account balances can only be done at the period end. For example receivables confirmation of balances at the interim audit stage will not provide the necessary evidence on the year-end receivables balance.

The following observations were made:

- Many candidates suggested that confirmations is done at the interim stage while testing internal controls are conducted at the final stage which is actually the reverse of what should be done.
- There were candidates who explained less than the required number of tasks at each stage of the audit.

Part (c)

(i) This part of the question required an explanation of the difference between audit risk and the risk of material misstatement in an audit. Most of the candidates correctly explained the meaning of audit risk but only a few correctly explained the risk of material misstatement.

(ii) This part of the question required candidates to explain the importance of risk assessment at the planning stage of the audit. The importance is basically that the auditors are required to follow a risk based approach to auditing and concentrating their audit effort on areas that may cause the financial statements to be misstated.
There were candidates who explained business risks in answering this part of the question which was not the question requirement.

Part (d)

This question required candidates to show an understanding of the difference between business and audit risks by requiring an explanation of each of these using information in the scenario.

(i) This part of the question required candidates to identify and explain 4 audit risks in planning the audit of the financial statements of Modern Chemicals Ltd. many candidates lost marks for not addressing the question requirement.

The following observations were made:

- There were candidates who explained the elements of audit risk of inherent risk, control and detection risks with no reference to the information in the scenario. No marks were awarded for doing so because this was not the question requirement.
- There were candidates that explained internal control weaknesses which was not the question requirement and no marks were awarded for doing so.
- A sizeable number of candidates simply identified a risk without explaining the assertion in the financial statements that will be misstated. What makes a risk an audit risk is the impact it will have on the financial statements.
- A minority of candidates explained less than the required 4 audit risks.
- It was surprising to note that some candidates explained business risks in this part showing lack of understanding of the difference between audit and business risks.

(ii) This part of the question required candidates to identify and explain 4 business risks facing Modern Chemicals Ltd.

The following observations were made:

- There were candidates who defined and explained business risk correctly as impacting the business from achieving its objectives with no reference to the information in the scenario and no marks were awarded for doing so as this did not address the question requirement.
- A few candidates explained business risks that were not in the scenario.
- Surprisingly there were candidates that explained audit risks in this part of the question requiring an explanation of business risks.

QUESTION FOUR

The general performance on this question was poor. Only 16 of the 43 candidates that attempted the question got 13 and above marks out of 25. A pass rate of 37.2% was recorded. The lowest mark recorded was 1 while the highest was 20.

Part (a)
Parts (i) (ii) and (iii) could best be answered in columnar format to ensure all parts are addressed and this also saves valuable examination time.

(i) This part of the question required candidates to describe 4 control activities in the sales and inventory systems of Buunga Milling Ltd:
(ii) This part of the question required candidates to explain the control objectives for each of the control activities described in (i)
(iii) This part of the question required candidates to suggest suitable tests of control for the control activities in (i).

The following observations were made:

- Poor presentation of the answer resulted in some candidates losing easy marks because they did not provide answers on one or more of the three requirements.
- Some candidates explained less than the required number of control activities.
- There were some candidates that explained the responsibilities of management and the auditors with regards internal controls.

Part (b)
This part of the question required candidates to 2 audit procedures that can be used to obtain sufficient appropriate audit evidence in the audit of the financial statements of Buunga Milling Ltd. This was a knowledge based question in which well-prepared candidates should have scored the maximum available marks.

The following observations were made:

- Some candidates lost marks for simply stating the audit procedures with no explanation as required and scored half the available marks.

- There were candidates who described audit procedures for the figures in the scenario which was a requirement of part (d) of this question. They needed to explain any two methods/procedures that will be used in conducting audit procedures as required in part (d).

Part (c)

(i) This part of the question required candidates to identify and explain 2 relevant accounting estimates in the audit of the financial statements of Buunga Milling Ltd. the performance in this part was poor and below expectation.

The following observations were made:

- There were candidates that tried to explain the meaning of accounting estimates without making reference to the information in the scenario.
- A sizeable number of candidates simply did not attempt to answer this part of the question.

(ii) This part of the question required candidates to explain the risk associated with accounting estimates in the audit of the financial statements of Buunga Milling Ltd. a large number of candidates lost the available marks by not attempting to answer this part of the question.

Part (d)

This part of the question required candidates to describe 3 substantive audit procedures relevant to the audit of trade accounts payables and accruals balances in the audit of the financial statements of Buunga Milling Ltd.

The majority of the candidates who attempted this part of the question scored the maximum available marks and were able to explain the substantive audit procedures for accounts payable. A few candidates lost marks for explaining methods of obtaining evidence without describing the audit procedures that should be conducted.

QUESTION FIVE

The general performance on this question was very poor. Only 9 of the 52 candidates that attempted the question got 13 and above marks out of 25. A pass rate of 17.3% was recorded. The lowest mark recorded was 1 while the highest was 18.

Part (a)

This part of the question required candidates to explain 3 methods other than narrative notes that could be used to record the purchases internal control system and for each method explain 1 advantage.

The following observations were made:

- There were candidates that did not address the second requirement requiring an advantage for each method explained thereby losing the marks allocated to doing so.
- There were candidates that were unable to explain the required number of methods either by discussing less than the required 3 and some did not attempt to answer the question.

- There were candidates that simply did not know the methods and discussed incorrect methods such as graphical methods, distribution list and purchase orders that had no relevance to the question.

Part (b)
This part of the question required candidates to state the financial statement assertions for each of the 5 substantive audit procedures in the question for tangible non-current assets. This part tested candidates on their understanding of the relationship between audit procedures and financial statement assertions. In order to determine the procedures to be conducted, the auditors should have in mind the assertion being tested. Candidates were simply expected to state the assertions tested by each of the five procedures in the question.

The following were observed:

- Many candidates simply listed all the assertions they know without making reference to the audit procedures.
- There were candidates that gave wrong assertions such as inspecting tangible non-current assets tests the assertion of rights and obligations which is incorrect.

Part (c)
This part of the question required candidates to explain the responsibilities of management and the auditors for subsequent events. Candidates were required to use the information in the scenario in answering this question and explain how each of management and the auditors will deal with the matters in the scenario. The performance in this part of the question was generally poor.

The following observations were made:

- A majority of the candidates did not make reference to the issues in the scenario in answering this question. This attracted only half the available marks.
- There were candidates who explained that management is responsible for the preparation of the financial statements whilst the auditors while stating that auditors should just express an opinion with no reference to subsequent events. This suggests that these candidates do not know and understand the provisions of IAS 10 and ISA 560 *Subsequent events.*

Part (d)
This question was on the topic of reporting covering three matters under this topics. The performance in this part on reporting was poor just as has been observed in the past.

(i) This part of the question required candidates to explain the meaning of the emphasis of matter paragraph and to illustrate its use in the audit report.

A significant number of candidates did not attempt to answer this part of the question. Others simply did not know the meaning and use of the emphasis of matter paragraph.

A number of candidates explained the meaning of the emphasis of matter paragraph but could not illustrate its use using information in the scenario as per question requirement.

(ii) This part of the question required candidates to explain the meaning of *Material Uncertainty Related to Going Concern* paragraph and illustrate its use in the audit report using information in the scenario. Except a few candidates, the majority of the candidates did not score any marks in this part of the question.

The following observations were made:

- Most of the answers showed lack of understanding of material uncertainty regarding going concern. For example a candidate stating that this related to materials for the company which are not going anywhere.
- There were candidates who explained the material uncertainty paragraph but did not address the second part of the question which required an illustration of its use in the auditor's report.

(iii) This part of the question required candidates to explain 4 main contents of the management letter. ISA 265 *Communicating deficiencies in internal control to those charged with governance and management.* Well prepared candidates should have scored maximum marks but it was disappointing to note that a majority seemed not to differentiate the management letter from the audit report.

The following observations were made:

- Several candidates explained contents of an engagement letter which is incorrect.
- There were candidates who explained that the responsibilities of the auditor are included in a management letter.
- There were candidates who explained some elements of an audit report such as the opinion and basis of opinion paragraphs.

Overall performance of candidates

Highest mark obtained in this paper: **75%**
Lowest mark obtained in this paper: **7%**
Overall pass rate in this paper: **17.7%**

SUBJECT: DA12- GOVERNANCE AND CORPORATE LAW

QUESTION ONE

The general performance on this question was very good. 24 of the 34 candidates that attempted the question got 13 and above marks out of 25. A pass rate of 70.6% was recorded. The lowest mark recorded was 6 while the highest was 22.

This was a compulsory question with two parts. Part (a) required students to discuss director's duty of care and skill in relation to company law. This part was fairly handled by students.

Part (b) was a scenario question on the *Salomon's Case* principle. It was also fairly handled by students. However future students should learn to apply IRAC when handling scenario questions. Also, they should study to have a better understanding of the principle.

QUESTION TWO

The general performance on this question was very poor. Only 2 of the 34 candidates that attempted the question got 13 and above marks out of 25. A pass rate of 5.9% was recorded. The lowest mark recorded was 1 while the highest was 19.

This was also a compulsory question. This question had two parts. In part (a); based on four legal principles in corporate governance, namely capital maintenance, insider trading, duties of partners and transmission of shares in a company. Candidates failed to explain the four legal principles properly.

Part (b) was based on remuneration committees. Candidates could not explain the main functions of this committee properly. Going forward candidates are encouraged to continue studying all topics.

QUESTION THREE

The general performance on this question was excellent. 28 of the 31 candidates that attempted the question got 13 and above marks out of 25. A pass rate of 90.3% was recorded. The lowest mark recorded was 9 while the highest was 23.

This was a three-part scenario question on types of businesses.

(a) The first part required students to state the particulars required for business name registration. It was well done.

(b) The second part required students to give distinctions between a sole proprietorship and a partnership business. Students did well here too.

(c) The third part required students to explain the meaning of

(i) Promotors' liability in relation to pre-incorporation contracts
(ii) Compulsory winding up and
(iii) Lifting of the veil of incorporation.

Students did fairly well, with an overall performance of 80% getting above half of the marks allocated under this question. They demonstrated that they have an idea of the principles. Henceforth, there is need for future students to be helped to have a deeper understanding of the principles.

QUESTION FOUR

The general performance on this question was very good. 16 of the 20 candidates that attempted the question got 13 and above marks out of 25. A pass rate of 80% was recorded. The lowest mark recorded was 2 while the highest was 25.

(a) Part a of question 4 asked the candidate to state the strength of an effective board and (b) Part b required the student to explain the meaning of none-executive directors with their roles in the company. Candidates that performed poorly showed lack of knowledge of the subject.

QUESTION FIVE

The general performance on this question was very good. 14 of the 17 candidates that attempted the question got 13 and above marks out of 25. A pass rate of 82.4% was recorded. The lowest mark recorded was 10 while the highest was 23.

This question had three parts:

Part (a) required candidates to explain three (3) symptoms of poor corporate governance in a Board of Directors.

Part (b) required candidates to say what was meant by:

(i) Public issue of shares.

(ii) Issue out of debentures.

Part (c) required candidates to describe the Liability of promoters in company formation.

Those who did not do well did just not study the topics. Going forward all students are encouraged to go through all topics.

Overall performance of candidates

Highest mark obtained in this paper: **89%**
Lowest mark obtained in this paper: **24%**
Overall pass rate in this paper: **63.4%**