JUNE 2026 EXAMINATIONS

CHIEF EXAMINERS REPORTS

CA ZAMBIA

SUBJECT: CA 1.1 FINANCIAL ACCOUNTING

QUESTION ONE

The overall performance on this question was good. Of the 316 candidates who attempted the question, 178 candidates passed, having obtained at least 10 out of the 20 marks available. This represented a pass rate of 56.3%. The highest mark scored was 20 out of 20, while the lowest mark scored was 2 out of 20.

The question was compulsory and consisted of ten (10) parts.

QUESTION TWO

The general performance on this question was excellent. Of the 313 candidates who attempted the question, 273 passed, having obtained at least 10 out of the 20 marks available. This represented a pass rate of 87.2%. The highest mark scored was 20 out of 20, while the lowest mark scored was 0 out of 20.

The question was compulsory and consisted of two requirements. Part (a) required candidates to prepare a statement of profit or loss and other comprehensive income for the year ended 31st December 2024 (10 marks). Most candidates performed well; however, some common errors were noted. These included the incorrect treatment of the rent prepayment adjustment, which should have been calculated as 3/15 × K480,000 = K96,000, and the inclusion of proposed dividends of K666,000 in the statement.

Part (b) required candidates to prepare a statement of financial position as at 31st December 2024 (10 marks). Candidates who demonstrated a good understanding of the required accounting treatments and presentation performed well and managed to obtain the maximum marks in this part.

QUESTION THREE

The general performance on this question was good. Of the 291 candidates who attempted the question, 182 passed, having obtained at least 10 out of the 20 marks available. This represented a pass rate of 62.5%. The highest mark scored was 20 out of 20, while the lowest mark scored was 0 out of 20.

Part (a) required candidates to draft a trial balance from the given list of balances. Very few candidates obtained full marks in this part, indicating that candidates had limited understanding of the process of balancing ledger accounts and subsequently extracting a trial balance.

Part (b) (i) required candidates to prepare a statement of profit or loss. The common mistakes identified included the incorrect treatment of:

- VAT element;
- Bank loan interest; and
- Allowance for irrecoverable debts.

Part (b) (ii) required candidates to prepare a statement of financial position as at 31st March 2024. Some candidates omitted VAT owing and the outstanding bank loan interest of K250, which represented the difference between K20,250 in interest due and K20,000 already paid.

QUESTION FOUR

The general performance on this question was very poor. Only 22 out of the 245 candidates that attempted the question passed (got at least 10 out of the total 20 marks available). The pass rate recorded was 8.9%. The highest mark scored on this question was 12 out of 20 and the lowest was 0 out of 20.

Part (a) required candidates to explain five (5) accounting concepts. Candidates failed to explain the basic cole concepts given in the question. Candidates are encouraged to pay attention to the theory part of the syllabus.

Part (b) required candidates to list two (2) advantages and two (2) disadvantages of double entry theory. Wrong answers were given.

Part (c) (i) required candidates to write up a revised cash book. Prepared candidates answered this part correctly.

Part (c) (ii) required candidates to prepare a bank reconciliation statement. Candidates had problem on the bank error adjustment.

QUESTION FIVE

The general performance on this question was fair. 52 out of the 103 candidates that attempted the question passed (got at least 10 out of the total 20 marks available). The pass rate recorded was 50.5%. The highest mark scored on this question was 20 out of 20 and the lowest was 0 out of 20.

Part (a) required candidates to prepare a club's statement of accumulated funds as at, 1st January 2025.

Candidates omitted cash at bank at start and subscription in arrears at start on Assets.
Part (b) (i) required candidates to prepare a subscription account. Common mistake was transposing subscription in arrears and in advance figures at start and at the close of the reporting period.

Part (b) (ii) required candidates to prepare a trading account on refreshments. Candidates failed to establish the purchases figure.

Part (b) (iii) required candidates to prepare a trading account for sale of books and leaflets. This part was well answered.

Part (c) required candidates to prepare an income and expenditure account for the club for the year ended 31st December 2025. Candidates failed to calculate the depreciation charge under expenditure.

Part (d) required candidates to prepare a statement of financial position at 31st December 2025. Candidates scored high in this part.

QUESTION SIX

The general performance on this question was fair. 116 out of the 237 candidates that attempted the question passed (got at least 10 out of the total 20 marks available). The pass rate recorded was 48.9%. The highest mark scored on this question was 19 out of 20 and the lowest was 0 out of 20.

Part (a) required candidates to prepare a statement of cash flows in accordance with IAS 7 using the indirect method. Candidates failed to calculate the value of payments to acquire PPE.

Part (b) required candidates to explain what is meant by the term "cash equivalent" in relation to cash flow statements. Candidates avoided answering this part.

Part (c) (i) required candidates to briefly explain the benefits of a cash flow statement to management of the reporting entity. This part was well answered.

Part (c) (ii) required candidates to briefly explain the benefits of a cash flow statement to employees and payables. Good answers were given.

Part (c) (iii) required candidates to briefly explain the main benefits of a cash flow statement to the firm's shareholders. Candidates gave good answers.

OVERALL PERFORMANCE OF CANDIDATES

Highest mark obtained in this paper:	84%
Lowest mark obtained in this paper:	7%
Overall pass rate in this paper:	50.6%

SUBJECT: CA 1.2 BUSINESS STATISTICS

QUESTION ONE

The general performance on this question was good. 67 out of the 111 candidates that attempted the question passed (got at least 10 out of the total 20 marks available). The pass rate recorded was 60.4%. The highest mark scored on this question was 20 out of 20 and the lowest was 2 out of 20.

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

QUESTION TWO

The general performance on this question was very good. 84 out of the 110 candidates that attempted the question passed (got at least 10 out of the total 20 marks available). The pass rate recorded was 76.4%. The highest mark scored on this question was 20 out of 20 and the lowest was 0 out of 20.

The question was assessing students using the given data to find the regression line, correlation coefficient and coefficient of determination. The performance on this part was very good. Few candidates got wrong answers due to wrong totals put in the formulas.

QUESTION THREE

The general performance on this question was very poor. 4 out of the 74 candidates that attempted the question passed (got at least 10 out of the total 20 marks available). The pass rate recorded was 5.4%. The highest mark scored on this question was 12 out of 20 and the lowest was 0 out of 20.

The question was split into two parts. In the first part, candidates were required to use the given data to compute the spearman's coefficient between times for two examinations. Most candidates failed to solve this question. The key weakness was inability to rank the data correctly hence obtaining wrong differences between the two variables.

The second part required candidates to use the concept of binomial probability distribution. Candidates demonstrated knowledge in using the formula but made lots of computation errors when finding final probabilities hence lost marks in working and final answers.

QUESTION FOUR

The general performance on this question was very good. 76 out of the 108 candidates that attempted the question passed (got at least 10 out of the total 20 marks available). The pass rate recorded was 70.4%. The highest mark scored on this question was 19 out of 20 and the lowest was 4 out of 20.

The first part of the question required candidates to define data and also identify qualitative and quantitative variables. The general performance was good, only few candidates were observed to have swapped the definitions of qualitative and quantitative variables. The other part of the question required to use the normal distribution method to find probabilities. The poor performance observed on this question could be attributed to candidates' inability to correctly use the Z-tables, hence getting wrong probabilities.

The question further required candidates to apply the probability distribution method to find the expected value and use the basic probability rules to find joint and conditional probabilities. Most candidates were able to find the expected value but struggled with applying probability rules to find joint and conditional probability.

QUESTION FIVE

The general performance on this question was good. 61 out of the 110 candidates that attempted the question passed (got at least 10 out of the total 20 marks available). The pass rate recorded was 55.5%. The highest mark scored on this question was 20 out of 20 and the lowest was 0 out of 20.

The first part required candidates to use the given ungrouped data to calculate the range, mean, standard deviation and interquartile range. The general performance on this part was good except for some candidates who struggled with finding the interquartile range mainly due to use of wrong formula.

The second part required candidates to use the normal distribution method to calculate the probabilities. There was an observed good performance even though some candidates failed due to failure to read correct probabilities from the Z tables.

QUESTION SIX

The general performance on this question was very poor. 2 out of the 37 candidates that attempted the question passed (got at least 10 out of the total 20 marks available). The pass rate recorded was 5.4%. The highest mark scored on this question was 13 out of 20 and the lowest was 0 out of 20.

The first part of the question required candidates to refer to the scenario given on population data and sampling of the same data. Candidates were required to identify the population of interest, sample and explain why such was selected. Most candidates failed to identify the correct sample from the data.

The second part had two sets of data summarized into mean and standard deviation. Candidates were required to use the given data to choose the package which was higher paying. Candidates were further requsted to calculate the combined mean and variance. A poor performance was observed on this question as candidates could not demonstrate knowledge in calculating combined mean and combined variance.

OVERALL PERFORMANCE OF CANDIDATES

Highest mark obtained in this paper:	79%
Lowest mark obtained in this paper:	16%
Overall pass rate in this paper:	52.3%

SUBJECT: CA 1.3 BUSINESS ECONOMICS

QUESTION ONE

The general performance on this question was very good. Out of the 172 candidates who attempted the question, 113 passed, having obtained at least 10 out of the 20 marks available. This represented a pass rate of 65.7%. The highest mark scored on the question was 20 out of 20, while the lowest mark was 2 out of 20.

QUESTION TWO

The general performance on this question was good. Only 86 out of the 172 candidates that attempted the question passed (got at least 10 out of the total 20 marks available). The pass rate recorded was 50%. The highest mark scored on this question was 20 out of 20 and the lowest was 0 out of 20.

This was another compulsory question attempted by all candidates.

(a) This part of the question required candidates to explain using demand and supply graphs the effects on the equilibrium price and equilibrium quantity of maize following (i) good weather leading to a bumper harvest, and (ii) drought leading to poor harvest. This was correctly answered by majority of the candidates. However, some candidates' performance was poor. The common mistakes were but not limited to:

- Poor graphs. Some graphs were not properly labelled, some interchanged demand and supply curves, others could not show the shift in a given curve, others had both demand and supply curves shifting (double shifts).
- Some candidates drew the correct graphs but did not provide and explanation while others provided the correct explanation with the accompanying graphs.
- Candidates are always advised that any question on demand and supply analysis would require the candidates first draw the initial equilibrium position. Then identify which graph would shift following the occurrence of the named event and the direction of the shift. Either the supply curve or demand curve can shift but not both t this level of study. It must be just one graph per event.

(b) This question required candidates to explain whether the maize farmer's income increases or decrease when there is a bumper harvest. Many candidates argued that the farmers' income would increase which is wrong. A critical consideration of the graph in (a)(i) shows why. Therefore, when there is a bumper harvest the farmers' income would decrease because the rightward shift in the supply curve leads to a decrease in the equilibrium price.

(c) This question required candidates to explain how the government can intervene to help maize farmers when there is a bumper harvest. This was well answered though some could not obtain the full credit because they kept repeating that government should fix a higher price.

(d) The question required candidates to advise the businessperson as to whether to increase or reduce the selling price, holding other factors constant, when the demand for a product is inelastic. Performance on this part question was mixed. Majority of the candidates stated that price reduction was the correct option in line with the law of demand. Others correctly stated that an increase in the selling price would be the correct option but without proper justification. The question tested the candidates' understanding of total revenue and price elasticity of demand. When demand is inelastic, demand doesn't respond strongly to a price change hence the correct option is to increase the selling price.

(e) This question required candidates to explain the statement that mealie prices would fall when more maize is harvested. Largely explanations were poor. From the graphs again, it is clear that bumper harvest leads to a fall in the equilibrium prices and as maize is the key input into mealie-meal production, the prices are expected to fall. The common mistake was that majority of candidates did not explain their answers using demand and supply analysis.

QUESTION THREE

The general performance on this question was fair. Only 80 out of the 168 candidates that attempted the question passed (got at least 10 out of the total 20 marks available). The pass rate recorded was 47.6%. The highest mark scored on this question was 20 out of 20 and the lowest was 0 out of 20.
This was an optional question. The question was divided into three (3) parts namely (a),(b) and (c) as follows:

(a) This part of the question required candidates to outline any four (4) characteristics of monopolistic competition that apply to the clothing retail industry. The performance on this question was fair. However, some candidates confused monopolistic competition with either monopoly or perfect competition.

(b) This question required candidates to distinguish between the short run and the long run in business decision-making. Majority of the candidates scored poorly on this question. The common mistake was failure to state that in the short run one factor of production is fixed while in the long run all factor of production are variable allowing the firm to choose the most efficient level of output.

(c) This question was divided into two (2) parts and required candidates to:

(i) Calculate the accounting profit and economic profits using the given data. Overall performance on this question was fair. The most common mistake committed by many candidates was failure to correctly identify explicit costs and implicit costs, let alone apply them to the calculations from the given data. Further some candidates interchanged explicit costs with implicit costs hence ended up interchanging accounting profits with economic profit.

(ii) To use the economic profit to explain whether or not the business was beneficial during the first month of operation. The correct answer depended on the correct economic profit but in this case economic loss figure. Some candidates tried to explain without making reference to the calculated figure!

QUESTION FOUR

The general performance on this question was fair. Only 44 out of the 97 candidates that attempted the question passed (got at least 10 out of the total 20 marks available). The pass rate recorded was 45.4%. The highest mark scored on this question was 17 out of 20 and the lowest was 0 out of 20.

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

(a) This part of the question required candidates to define money multiplier and write its formula. Majority of the definitions were poor. However, some candidates managed to write the correct formula. Other candidates seemed to confuse money multiplier or credit multiplier with investment multiplier.

(b) This question required candidates to explain the concept of credit creation. Overall performance was fair.

(c) This question required candidates to explain any three (3) monetary policy tools used by the bank of Zambia to control money supply. The question was correctly answered by majority of the candidates. However, some candidates presented functions of the Bank of Zambia instead of the monetary policy tools. Others included taxes which are part of fiscal policy and not monetary policy. Finally, some candidates were merely able to list the monetary policy tools but could not explain them as required.

(d) From the given data, candidates were required to:

(i) Determine the required reserves. Majority of the candidates were able to calculate the value of required reserves as 16% of the deposit.

(ii) Determine the largest loan that the bank can make on the basis of the new deposit. Performance was fair. However, some students added the required reserve of K8,000 to K50,000 instead of subtracting it.

(iii) To determine the excess reserves on the deposit when the bank decides to hold K42,000. Only a handful of candidates got this one correct. Candidates were simply required to demonstrate their understanding of excess reserves. The excess reserves is K42,000 hence if the bank decides to hold reserves of K42,000, then the excess reserves is zero.

QUESTION FIVE

The general performance on this question was poor. Only 28 out of the 138 candidates that attempted the question passed (got at least 10 out of the total 20 marks available). The pass rate recorded was 20.3%. The highest mark scored on this question was 18 out of 20 and the lowest was 0 out of 20.

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

(a) This part of the question required candidates to distinguish between visible trade and invisible trade. Performance was overall good but some candidates confused goods and services trade. Still other candidates referred invisible trade to represent illegal trade!

(b) This question required candidates to explain how the country's balance of payments is impacted by:

  (i) Foreign investment. This was poorly done. Many candidates could not provide the connection between foreign investment and balance of payments.
  (ii) Depreciation of the domestic currency. This was poorly done. Many candidates could not provide the connection between depreciation of the local currency and balance of payments
  (iii) Invisible transactions. This was poorly done. This was largely misunderstood. May candidates categorized invisible transactions as illegal transactions. Hence, many candidates could not provide the connection between invisible transactions and balance of payments.

(c) This question required candidates to explain how exchange controls and deflation ca correct a balance of payment deficit. This too was poorly done. Majority of the candidates confused exchange controls with barriers to free international trade hence their answers related to tariffs, quotas, embargoes, and so on. The question purely related to controlling the availability of foreign currencies.

Similarly, deflation was largely interpreted wrongly. Some candidates were able to demonstrate understanding of deflation but could not correctly explain how it can be used to correct a balance of payment deficit.

QUESTION SIX

The general performance on this question was good. Only 57 out of the 102 candidates that attempted the question passed (got at least 10 out of the total 20 marks available). The pass rate recorded was 55.9%. The highest mark scored on this question was 18 out of 20 and the lowest was 1 out of 20.

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

(a) This question required candidates to describe any three (3) challenges associated with industrialization. The performance ion the question was fair though majority of the answers given were too general in nature.

(b) This question required candidates to explain how the manufacturing sector can reduce dependency on a single sector. This was fairly well done with majority of the candidates highlighting diversification.

(c) This question required candidates to explain the negative externality and positive externality in consumption. Majority of the candidates' explanation of negative and positive externalities in consumption were off. This could indicate some candidates skipping this important topic! Others who came closer to the correct answer explained the answer from the producer's point of view instead of consumption as required.

(d) Lastly, this question required candidates to outline any three (3) policies the government can put in place to deal with externalities. This was poorly done too. Those who failed to explain what externalities are in (b) failed to outline the policies that government can put in place to deal with them. Some candidates mentioned taxes and subsidies but the explanations were poor.

Overall performance of candidates

Highest mark obtained in this paper: 80%
Lowest mark obtained in this paper: 0%
Overall pass rate in this paper: 45.1%

SUBJECT: CA 1.4 COMMERCIAL AND CORPORATE LAW

QUESTION ONE

The general performance on this question was excellent. Out of the 260 candidates who attempted the compulsory multiple-choice question, 248 passed, representing a pass rate of 95.4%. The highest score was 20 out of 20, while the lowest was 4 out of 20. About 30% of the candidates obtained full marks.

The question required candidates to select the best answer. Candidates who performed well demonstrated good understanding of the topics and took sufficient time to analyse the options

Future candidates are encouraged to study all topics thoroughly, read questions carefully, and use the elimination method to identify the most appropriate answer.

QUESTION TWO

The general performance on this question was poor. Out of 257 candidates who attempted the compulsory question, 108 passed, representing a 42% pass rate. The highest score was 18/20, while the lowest was 0/20.

The question covered two areas of the Law of Contract. Some candidates performed well, but many failed to identify the relevant legal issues and instead presented principles that were not required. Candidates were advised to study all topics thoroughly and focus on identifying and applying relevant legal principles.

QUESTION THREE

The general performance on this question was good. Of the 238 candidates who attempted the question, 143 passed, representing a pass rate of 60.1%. The highest mark scored was 20 out of 20, while the lowest was 0 out of 20.

The question covered unfair dismissal, wrongful dismissal, resignation, implied and express agency, and the differences between special and ordinary resolutions. Most candidates performed well on employment and agency, but experienced difficulties with the last part on resolutions.

QUESTION FOUR

The general performance on this question was good. Of the 148 candidates who attempted the question, 79 passed, representing a pass rate of 53.4%. The highest mark scored was 20 out of 20, while the lowest was 0 out of 20.
Part (a) required candidates to explain the procedure for appointing a company secretary. About three-quarters of the candidates performed very well in this part. Candidates who performed poorly may not have adequately focused on the topic.

Part (b) required candidates to discuss the principles of corporate governance. All candidates provided correct answers. Future candidates are encouraged to continue working hard and to cover all topics in the syllabus.

QUESTION FIVE

The general performance on this question was poor. Of the 217 candidates who attempted the question, 92 passed, representing a pass rate of 42.4%. The highest mark scored was 20 out of 20, while the lowest was 0 out of 20.

The question was optional, but the majority of candidates attempted it. Part (a) required candidates to define bankruptcy and explain its consequences. Most candidates performed exceptionally well and demonstrated a good understanding of the topic.

Part (b) required candidates to explain the difference between executed and executory consideration. Although candidates generally understood the concept of consideration, some had difficulties distinguishing between executed and executory consideration.

QUESTION SIX

The general performance on this question was poor. Of the 171 candidates who attempted the question, 43 passed, representing a pass rate of 25.1%. The highest mark scored was 18 out of 20, while the lowest was 0 out of 20.

The question was optional and consisted of four parts. In Part (a), most candidates failed to adequately explain the indoor management rule. In Part (b), although candidates understood negligence, some struggled to explain contributory negligence. In Part (c), most candidates explained the *nemo dat* rule but lacked knowledge of the relevant legal provisions. In Part (d), candidates correctly defined customary law but generally failed to discuss it adequately or provide relevant examples.

Overall performance of candidates

Highest mark obtained in this paper: 84%
Lowest mark obtained in this paper: 12%
Overall pass rate in this paper: 58.3%

SUBJECT: CA 1.5 MANAGEMENT THEORY AND PRACTICE

QUESTION ONE

The general performance on this question was excellent. Of the 179 candidates who attempted the question, 177 passed, representing a pass rate of 98.9%. The highest mark scored was 20 out of 20, while the lowest was 2 out of 20.

The question was compulsory and consisted of ten (10) multiple-choice questions covering all the learning outcomes in the CA 1.5 Management Theory and Practice manual. Most candidates performed very well, with only two candidates failing the question.

QUESTION TWO

The general performance on this question was good. Of the 176 candidates who attempted the question, 113 passed, representing a pass rate of 64.2%. The highest mark scored was 18 out of 20, while the lowest was 1 out of 20.

The question consisted of three parts. In Part (a), candidates were required to explain how coordination could be made more effective. Most candidates explained coordination as a management function and its role in organizational effectiveness.

Part (b) required candidates to state two points highlighting the importance of quality management. Most candidates correctly stated its meaning and importance.
Part (c) required candidates to outline eight principles of management by Henri Fayol. Some candidates incorrectly provided Henri Mintzberg's management roles instead of Fayol's principles. Overall, the performance was good.

QUESTION THREE

The general performance on this question was good. Of the 137 candidates who attempted the question, 89 passed, representing a pass rate of 64.9%. The highest mark scored was 20 out of 20, while the lowest was 0 out of 20.

The question consisted of two parts. Part (a) required candidates to explain the three levels of strategy. Most candidates responded correctly, although some incorrectly explained the levels of management.

Part (b) required candidates to identify eight differences between leaders and managers. While some candidates clearly distinguished between the two, others confused the concepts. Candidates were encouraged to clearly understand and differentiate between leadership and management.

QUESTION FOUR

The general performance on this question was excellent. Of the 65 candidates who attempted the question, 62 passed, representing a pass rate of 95.4%. The highest mark scored was 19 out of 20, while the lowest was 5 out of 20.

The question consisted of three parts. Part (a) required candidates to explain the importance of considering an employee as a whole and was well answered. Part (b) consisted of three sub-parts, which were generally well answered. Part (c) required candidates to explain the importance of managers adopting a flexible and contingent approach and was also well answered.

QUESTION FIVE

The general performance on this question was excellent. Of the 172 candidates who attempted the question, 154 passed, representing a pass rate of 89.5%. The highest mark scored was 20 out of 20, while the lowest was 0 out of 20.

The question consisted of three parts. Part (a) required candidates to differentiate between formal and informal organizations. Some candidates experienced difficulties in distinguishing between the two. Part (b) required candidates to outline five stakeholders of an organization, which was answered correctly by almost all candidates. Part (c) required candidates to explain the meaning of SWOT, and the majority answered correctly.

QUESTION SIX

The general performance on this question was very good. Of the 161 candidates who attempted the question, 122 passed, representing a pass rate of 75.8%. The highest mark scored was 20 out of 20, while the lowest was 0 out of 20.

The question consisted of five parts, all covering principles of corporate governance. Candidates were required to briefly explain the principles. Most candidates performed well and correctly explained the principles, except probity, which proved challenging for many candidates.

Overall performance of candidates

Highest mark obtained in this paper: 93%
Lowest mark obtained in this paper: 25%
Overall pass rate in this paper: 91.1%

SUBJECT: CA1.6 BUSINESS COMMUNICATION

QUESTION ONE

The general performance on this question was excellent. 125 out of the 138 candidates that attempted the question passed (got at least 10 out of the total 20 marks available). The pass rate recorded was 90.6%. The highest mark scored on this question was 20 out of 20 and the lowest was 4 out of 20.

QUESTION TWO

The general performance on this question was very good. Of the 138 candidates who attempted the question, 91 passed, representing a pass rate of 65.9%. The highest mark scored was 20 out of 20, while the lowest was 0 out of 20.

The question covered differences between supercomputers and mainframes, risks of improper data management, and disadvantages of real-time systems. Some candidates struggled to distinguish between supercomputers and mainframes and provided irrelevant examples such as microcomputers. Others had difficulties identifying relevant risks of improper data management. Some candidates also failed to relate the disadvantages of real-time systems to their requirement to respond to external interactions within a predetermined time.

QUESTION THREE

The general performance on this question was poor. Of the 69 candidates who attempted the question, 11 passed, representing a pass rate of 15.9%. The highest mark scored was 12 out of 20, while the lowest was 0 out of 20.

The question covered switching between applications in Microsoft Windows, formulas and functions, cell and absolute referencing, and data reliability and validity. Most candidates struggled to clearly explain these concepts and distinguish between them. Common errors included confusing formulas with functions, absolute referencing with relative referencing, and data reliability with data validity. Candidates also misunderstood how to switch between applications, often describing closing one application before opening another.

QUESTION FOUR

The general performance on this question was very good. 99 out of the 133 candidates that attempted the question passed (got at least 10 out of the total 20 marks available). The pass rate recorded was 74.4%. The highest mark scored on this question was 20 out of 20 and the lowest was 2 out of 20.

The question was about explaining two benefits of implementing network security in the organisation, explaining software controls and hardware controls, stating four benefits of using databases and outlining two advantages of off-the-shelf software.

The common mistakes were as follows:

- Most candidates did not understand the benefits of implementing network security in the organizations. They were explaining the advantages of implementing a network and not considering the security aspects of the network.
- The hardware and software controls were not correctly explained.
- Some candidates did not understand off-the-shelf software; they were giving some advantages of the tailor-made software.

QUESTION FIVE

The general performance on this question was good. 50 out of the 100 candidates that attempted the question passed (got at least 10 out of the total 20 marks available). The pass rate recorded was 50%. The highest mark scored on this question was 19 out of 20 and the lowest was 0 out of 20.

The question was about writing minutes of the meeting using the notes that were given in the scenario.

The common mistakes were as follows:

- Some candidates presented the same notes provided for use in the question resulting into loss of marks.
- Failure to provide correct main headings of minutes and in some cases some candidates failed to include the main heading in the answer.
- Some subheading items were left out such as opening remarks, matters arising and main business.
- Some candidates provided correct subheading, however, they had wrong contents which in some cases were also mixed up.
- Time was attached on each item and in some cases program of activities were written as answers.
- Some candidates created wrong subheadings which were not part of the notes that were provided in the scenario question.
- Types of minutes and agenda items were presented which was not supposed to be the case.
- Items on the minutes were not logically presented i.e candidates started the minutes with the main business, followed by matters arising and then opening remarks, closing remarks and any other business. This resulted in loss of marks.

QUESTION SIX

The general performance on this question was excellent. 96 out of the 110 candidates that attempted the question passed (got at least 10 out of the total 20 marks available). The pass rate recorded was 87.3%. The highest mark scored on this question was 20 out of 20 and the lowest was 1 out of 20.

The question was about the new accounts assistant presenting a report to management, comparing the sales of two products that the company recently introduced. The requirements were calculating the average sales for each product, outlining five strategies that could be used to reduce stage fright and explaining three visual aids that could be used during the presentation.

The common mistakes were as follows:

- Most candidates calculated the average for the four (4) quarter instead of the average for two products and lost marks on this part of the question.
- Some candidates omitted this question and only concentrated on either part B or C and lost marks.
- Some candidates provided general strategies that were not well aligned with the question and lost marks.
- Repeated answers which were also not very clear were a common error.
- Some candidates provided different visual Aids that were also not well aligned with the question.
- In some cases wrong content was provided and that affect the grades.

Overall performance of candidates

Highest mark obtained in this paper: 88%
Lowest mark obtained in this paper: 19%
Overall pass rate in this paper: 76.1%

SUBJECT: CA2.1 FINANCIAL REPORTING

QUESTION ONE

The general performance on this question was fair. 65 out of the 134 candidates that attempted the question achieved a pass (that is a score of at least 20 out of 40 marks), representing a pass rate on the question of 48.5%. The lowest score was 3 whilst the highest was 39 out of the available 40 marks.

This was a compulsory question that had two (2) parts. Part (a) required the candidates to distinguish between finance lease and operating lease for 8 marks. Part (b) required candidates to prepare consolidated statement of financial position for 32 marks.

The general performance on the question was good. The good performance was mainly attributed to part (b) of the question. There was scanty answering of parts (a) with some candidates leaving this part unattempted. From those that attempted part (a), the majority expressed total ignorance on the subject matter.

A few common mistakes observed from parts (a) and (b) of the question include but are not limited to:

- Many candidates did not appreciate that, under IFRS 16, lessees generally recognize a right-of-use asset and a corresponding lease liability for most leases, while the finance lease and operating lease distinction remains particularly relevant to lessor accounting.

Candidates were required to prepare the consolidated statement of financial position for the Stem Co. Group as at 31 March 2025. This part of the question was fairly answered by most candidates. However, several recurring weaknesses were noted, particularly in relation to consolidation adjustments, group retained earnings, investment in associate accounting, right-of-use asset depreciation and the treatment of intra-group balances. The main observations were as follows:

- Calculation of group retained earnings was a major challenge. Many candidates failed to ascertain the pre-acquisition retained earnings balance using the profit for the year figure provided in the question.
- Some candidates incorrectly apportioned the group's share of the associate's profit for only four months, instead of six months.
- Some candidates treated total equity figures as opening retained earnings, demonstrating confusion between share capital, reserves and retained earnings.
- A few candidates incorrectly used the profit for the year as profit at acquisition, which resulted in inaccurate goodwill and post-acquisition reserve calculations.
- Some candidates incorrectly offset bank balances against the bank overdraft and presented the net amount under non-current liabilities, instead of classifying the balances separately as indicated in the questions.
- The adjustment for cash in transit was poorly handled, with many candidates failing to make the correct consolidation adjustment.
- Most candidates did not include Stem Co.'s share of the impairment loss, which affected the accuracy of the group results.

- The calculation of share capital was another area of weakness. Many candidates simply included the K200,000 share capital of Leaf Co., instead of presenting only the parent company's share capital in the consolidated statement of financial position.
- Very few candidates correctly calculated depreciation on the right-of-use asset, indicating weak application of IFRS 16 in the consolidation context.
- Only a small number of candidates correctly calculated the movement in net assets from acquisition to the reporting date.
- Some candidates incorrectly applied the 75% shareholding to individual subsidiary figures when consolidating, instead of consolidating the subsidiary's assets and liabilities in full and recognising the non-controlling interest separately.
- The adjustment to the investment balance was not well understood. Many candidates merely transferred the trial balance figure without making the required consolidation adjustments.
- The most common weakness was the tendency to reproduce the parent company's figures directly from the trial balance without making the necessary consolidation adjustments.
- A handful of candidates could not correctly ascertain additional share capital and share premium for Stem Co arising from its purchase consideration for the acquisition of Leaf. This was because of misapplication of the share price to use and miscalculation of number of shares bought.
- Some items could not be correctly posted to main statement but ended in workings only. For example, carrying amount of investment in associate, Intangible asset, ROUA and deferred consideration.
- Few candidates applied the percentage interest the parent had in subsidiary and associate on their assets and liabilities and consolidated them that way.
- Most candidates did not know the accounting for unrealized profit. They were adding unrealized profit to inventory instead of subtracting.
- Few candidates failed to correctly account for NCI at the reporting date by leaving out the share of impairment loss of goodwill. Subsequently, those who did so included the total impairment loss in computing group retained earnings.
- Few candidates failed to duplicate the figures that did not require any amendment onto the consolidated financial statements for easy marks.
- Failure to present figures in brackets, as recommended, adversely affected some candidates. Where totals were incorrect and components were unclear, proportionate marks could not be awarded. Future candidates are strongly encouraged to use this presentation technique to maximize the marks earned.
- 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 poor. Only 64 of the 99 candidates that attempted the question managed to obtain at least 10 marks out of a total of 20 available marks. A pass rate of 64.6% was recorded. The highest score was 20 out of 20 marks while the lowest was 1.

This was an optional question that had two (2) parts. Part (a) required the candidates to prepare a schedule of adjustments to profit and other comprehensive income that had already been calculated. Part (b) required candidates to redraft a statement of financial position incorporating adjustments from a list of adjusting notes.

The performance on this question was fair in comparison to previous sittings. Candidates managed to score above average marks, mainly from Part (b) because most entries were just a reuse of the exact amounts in the question and required no adjustments. The answers to Part (a) were either not reared or contained incorrect amounts and wrongly adjusted. The mistakes made are evidence of learning accounting by rote, instead of by understanding the logic of double entry. The following were the common mistakes:

- The increase in FV of equity investment of K20 million was reported in the SPL as an income instead of in OCI. This showed lack of understanding of IFRS 9 by many candidates.
- Adding the correctly calculated closing balance of K14 million to the opening balance of K12 million to find the charge for the year, instead of subtracting the opening balance from the closing balance.
- Subtracting the price of an item of plant sold on credit for K39 million from the trade receivables balance of K130 million, instead of adding it to create a new receivables component.
- Crediting the whole amount of sale of an item of plant to the retained earnings, instead of finding the loss on disposal K6 million, and subtracting it from the RE.
- Charging the whole amount of the impairment loss K20 million to the RE, instead of splitting it between the amount to reduce the amount of revaluation surplus down to zero, K12 million, and the amount to go to the SPL K8 million, a requirement of IAS 36. This mistake was committed by most candidates at this sitting.
- Charging the whole amount of correctively calculated effective rate of interest to the SPL, instead of the difference between the coupon rate which had already been charged as an expense and the effective rate of interest.
- Most candidates that attempted to answer this question were only able to bring in balances that did not require any adjustments.
- 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 good. 79 of the 114 candidates that attempted the question managed to obtain at least 10 marks out of a total of 20 available marks. A pass rate of 69.3% was recorded. The highest score was 20 out of 20 marks while the lowest was 0.

This question had two parts (a) and (b). Part (a) required candidates to prepare a report that compared performance of two (2) companies and to recommend which of the two entities would be the best buy for Ferguson. Part (b) required a brief discussion of asset turnover, return on capital employed and gearing.

The question was very well attempted. Most candidates demonstrated a satisfactory understanding of the calculation of accounting ratios, as evidenced by the large number of correct ratio computations.

However, the major weakness was in the interpretation of the calculated ratios. Many candidates merely stated whether a ratio had increased or decreased without relating their interpretation to the scenario presented in the question or variation in the balances for the two entities. There was limited ability to analyze the financial performance and position of the business using the information provided. Greater emphasis should therefore be placed on developing students' analytical and interpretive skills rather than focusing solely on ratio calculations. Ratio calculations are for basic certificate level and those taking application level papers must try to advance their interpretation skills.

Challenges noticed from part (a) of this question was the inability portrayed by few candidates to understand what the examiner was asking.

QUESTION FOUR

The general performance on this question was poor. Only 1 of the 58 candidates that attempted the question managed to obtain at least 10 marks out of a total of 20 available marks. A pass rate of 1.7% was recorded. The highest score was 10 out of 20 marks while the lowest was 0.

This question was poorly attempted by the least number of candidates that attempted the question. It examined the application of selected International Financial Reporting Standards, namely IAS 21 – The Effects of Changes in Foreign Exchange Rates, IAS 16 – Property, Plant and Equipment, IFRS 15 – Revenue from Contracts with Customers, IAS 2 Inventories and IAS 37 – Provisions, contingent liabilities and contingent assets.

The responses to this question indicated that many candidates possessed only limited knowledge of these standards and experienced difficulty applying their principles to practical scenarios. There was a noticeable lack of understanding of the recognition, measurement, and disclosure requirements prescribed by the respective standards.

Overall, candidates demonstrated a reasonable understanding of computational techniques in certain areas, particularly where standard calculations were required. However, there remains a significant weakness in the application of accounting standards to practical scenarios and in interpreting financial information.

To improve future performance, greater emphasis should be placed on:

- Strengthening candidates' understanding of the application of IFRS and IAS standards to practical scenarios.
- Providing additional practice in the preparation of consolidated financial statements, particularly in the calculation of goodwill, post-acquisition profits, and investments in associates.
- Enhancing students' understanding of IFRS 15, IFRS 8, IAS 21, IAS 16, IAS 2, and IFRS 16 through practical case studies.
- Developing candidates' analytical and interpretive skills, particularly in relation to ratio analysis and financial statement interpretation.
- Encouraging students to move beyond memorization of formulas and focus on applying accounting principles to real-life business situations.

QUESTION FIVE

The general performance on this question was very poor. Only 6 of the 70 candidates that attempted the question managed to obtain at least 10 marks out of a total of 20 available marks. A pass rate of 8.6% was recorded. The highest score was 16 out of 20 marks while the lowest was 0.

This question had three parts as follows:

Part (a) of this question required candidates to describe the general requirements of determining the fair value and the FV hierarchy according to IFRS 13.

Part (b) of the question required candidates to explain the basis of initial recognition, measurement and classification of financial assets according to IFRS 9. Candidates were also required to state exceptions to the general provisions found in the standard.

Part (c) of the question required candidates to evaluate the appropriateness of accounting treatments proposed by directors with regard to:

(i) An item of lant that had suffered some impairment, given the cost, value in use and fair values less cost to sale.

(ii) A brand name that had suffered some impairment at the time of reporting in the statement of financial position.

In part (a) of the question, majority of the candidates were stating general advantages of applying IFRSs, instead of discussing the specific contents of IFRS 13.

Hardly did the candidates bring out issues from IFRS 13 as plain as they are.

Part (b) required candidates spent time discussing provisions of IAS 16, the measurement of assets, depreciation and subsequent revaluation of assets, instead of discussing the provisions of IFRS 9 that specifically apply to financial assets.

In part (c) (i), candidates could not resent the analysis of finding the net realizable value in a logical structure. Descriptions and figures were just listed without indications whether they were being added or subtracted from some figure to arrive at a determinable specific amount.

Part (c) (ii)

The majority of candidates provided correct answers to this question, except that some of them stated that K99 million would be reported in the statement of financial position instead of the K88 million, and charging the difference as the impairment to the statement of profit or loss.

Overall performance of candidates

Highest mark obtained in this paper:	76%
Lowest mark obtained in this paper:	6%
Overall pass rate in this paper:	36.6%

SUBJECT: CA2.2 MANAGEMENT ACCOUNTING

QUESTION ONE

The general performance on this question was poor. Only 17 out of the 146 candidates that attempted the question achieved a pass (that is a score of at least 20 out of 40 marks), representing a pass rate on the question of 11.6%. The lowest score was 0, whilst the highest was 33 out of the 40 available marks.

This question required candidates to:

(a) (i) outline four steps MH Plc could use to calculate the product costs using activity-based costing (ABC);

(ii) calculate the budgeted cost driver rates per processing activity on the basis of (ABC); and

(iii) calculate the total processing activity cost absorbed by soft drink A using the cost driver rates determined in (ii) above.

(b) prepare a budgetary control statement that showed the original budget costs, flexible budget costs, the actual costs, and the total variance of each processing activity.

(c) explain six assumptions on which Cost-Volume-Profit analysis is based.

(d) explain three limitations of cost-plus pricing.

Part (a)

(i) A number of candidates failed to outline the steps and instead gave alternative costing approaches. For those that managed a number of them did not give the outline in the right order but randomly. Marks were awarded though.

Some candidates were citing analysing the costs, evaluating the unit costs and calculating the unit cost of a product as steps.
The answer content from some candidates was not commensurate with marks available. Very little content was given.

Some candidates left out this part (a) completely.

(ii) A number of candidates failed to calculate the budgeted cost driver rates.

(iii) Some candidates used 40 instead of 36 as the base factor (number of batches).

Part (b)

- Some candidates failed to give original and actual budget figures.
- Some candidates used original instead of flexed budgeted figures to get the variance.
- Some candidates were putting the figures for the actual budget under the flexible budget figures column.
- Some candidates left out this part (b) completely.

Part (c)

- Some candidates were mentioning items without any explanation.
- Some candidates failed to give any of the assumptions.
- Some candidates were giving the benefits instead of the assumptions.

Part (d)

- Some candidates completely failed to give any of the limitations.
- Others were giving assumptions instead of limitations.

- Presentation was generally very poor for some candidates. This included some writing in the margins.

- Some candidates left out the whole questions un-attempted.

QUESTION TWO

The general performance on this question was fair. 77 of the 141 candidates that attempted the question managed to obtain at least 10 marks out of a total of 20 available marks. A pass rate of 54.6% was recorded. The highest score was 19 out of 20 marks while the lowest was 0.

Question Two required candidates to:

(a) prepare a flexible budget showing the profit or loss at 50%, 70% and 90% capacity. Candidates needed to work out the flexible budget by simply indicating in tabular form the 50%, 70% and 90% capacity utilization levels using the 50% parameter threshold. Particulars of the budget were to include the production units, selling price per unit, sales value, variable costs & overheads and fixed costs.

(b) prepare a cash budget for the month of January, February, March and April 2025. Candidates were expected to compute the cash budget for Jan, Feb, Mar and Apr clearly indicating particulars such as cash and credit sales, dividend received and all the various payments made, the closing balances and carried forward balances.

Common mistakes made by the candidates included the following:

- Failure to incorporate and apply the specific production units to the right rate and unit as per question set.
- Some candidates failed to complete and display components of the variable costs.

QUESTION THREE

The general performance on this question was poor. Only 18 of the 86 candidates that attempted the question managed to obtain at least 10 marks out of a total of 20 available marks. A pass rate of 20.9% was recorded. The highest score was 19 out of 20 marks while the lowest was 0.

This question required candidates to calculate:

(a) The total costs incurred for the production process.
(b) The equivalent units for materials and conversion costs.
(c) The cost per equivalent units.
(d) Prepare process 2 account.
(e) Explain the purpose of management accounting.

Candidates commonly faced the following challenges:

- Failing to calculate total costs by adding opening WIP plus costs added in June.
- Opening WIP not treated on FIFO basis as per the question requirement.
- Not able to calculate equivalent units for opening WIP, units started and completed as well as closing WIP.
- Failing to include all production costs (materials, labour, plant costs, and absorbed overheads) in Process 2 account.
- Inability to value opening WIP, units started and completed and closing WIP.

QUESTION FOUR

The general performance on this question was good. Only 71 of the 134 candidates that attempted the question managed to obtain at least 10 marks out of a total of 20 available marks. A pass rate of 53% was recorded. The highest score was 18 out of 20 marks while the lowest was 1.

Question Four required candidates to:

(a) Calculate relevant costs of building a double ox-cart.
(b) Define a cost unit, a cost centre and a responsibility centre

The common mistakes made by the candidates included:

- Including non-relevant costs in the answer.
- Not providing explanatory notes for inclusion or exclusion of transactions in the answer.
- Leaving out part (a).
- Failing to provide good definitions of a cost unit, a cost centre and a responsibility centre.

QUESTION FIVE

The general performance on this question was poor. Only 8 of the 66 candidates that attempted the question managed to obtain at least 10 marks out of a total of 20 available marks. A pass rate of 12.1% was recorded. The highest score was 13 out of 20 marks while the lowest was 0.

The question was the least popular question in Section B.
Performance was very poor.

Part (a) required candidates to prepare a full cost statement, starting from manufacturing costs, adding non-manufacturing overheads to obtain the full cost, and then applying the required profit mark-up to calculate:

- Selling price per soccer ball, and
- Total selling price for the entire job.

Challenges faced by candidates in Part (a):

- Some presented poorly structured cost statements and omitted essential workings, resulting in the loss of method marks.
- Many incorrectly treated idle labour time, charging all recorded hours to production instead of accounting for idle hours appropriately.

Part (b) tested candidates' ability to apply target costing principles to determine the maximum allowable cost of producing one soccer ball while maintaining the required profit margin.

Challenges faced by candidates in Part (b):

- Many candidates misunderstood the concept of target costing, treating it as a cost-plus pricing exercise instead of working from the market selling price.
- Some calculated the required profit incorrectly, failing to apply the one-sixth (1/6) profit margin to the selling price.
- Candidates often used the wrong formula to determine the target cost, leading to incorrect answers.
- Some confused the target cost with the actual/full cost calculated in part (a).
- A number of candidates demonstrated a weak understanding of the relationship between market price, target profit, and target cost, resulting in incorrect computations.

Part (c) examined the calculation of the target cost gap and to identify three measures that could have been applied to the product to reduce the cost gap. This part was generally well attempted.

Overall performance of candidates

Highest mark obtained in this paper:	73%
Lowest mark obtained in this paper:	2%
Overall pass rate in this paper:	22.8%

SUBJECT: CA 2.3 AUDITING PRINCIPLES AND PRACTICE

QUESTION ONE

The general performance on this question was poor. Only 56 out of the 221 candidates that attempted the question achieved a pass (that is a score of at least 20 out of 40 marks), representing a pass rate on the question of 25.3%. The lowest score was 0, whilst the highest was 29 out of the 40 available marks.

Part was on (a) Audit strategy and assurance engagements. Some common mistakes noted included the following:

- Most candidates understood audit strategy.
- Many could not correctly explain the five elements of an assurance engagement.
- Common mistakes included confusing them with internal controls, ethical principles, or types of assurance.
- Candidates should remember: three-party relationship, subject matter, suitable criteria, sufficient appropriate evidence, and assurance report.

Part (b) assessed Audit risks and responses. A lot of candidates performed badly on this part. Some of the mistakes noted were as follows:

- Candidates often identified risks without explaining their financial statement impact.
- Many gave management responses instead of auditor responses.
- Business risks and irrelevant risks were sometimes given instead of audit risks.
- A columnar risk-and-response format is recommended.

In part (c), candidates were tested on Payroll controls and tests of controls. They needed to identify controls specifically mentioned in the scenario. Many lost marks because of the following mistakes:

- Providing generic controls or discussing weaknesses instead.
- Tests of controls were poorly understood.
- A test of control must describe what the auditor actually does, e.g. inspect payroll records for evidence of authorisation, rather than ensure the manager reviews them.

Part (d) of the question was based on Income tax payable. The following common mistakes were noted:

- Many candidates failed to provide five relevant substantive procedures.
- Procedures must explain what the auditor does and how.
- Candidates confused tax accruals with trade payables.
- Simply stating assertions such as "accuracy" or techniques such as "recalculate" was insufficient.

The final part of the question(e) was based on Internal audit assignments. Many candidates did not understand the role of internal audit. They listed terms such as "fraud" or "value for money" without explaining them.

QUESTION TWO

The general performance on this question was excellent. 181 of the 208 candidates that attempted the question managed to obtain at least 10 marks out of a total of 20 available marks. A pass rate of 87% was recorded. The highest score was 19 out of 20 marks while the lowest was 1.

In part (a), most candidates correctly explained the governance weaknesses and suggested improvements. Some nevertheless confused corporate governance issues with ethical threats while others explained corporate governance generally instead of identifying those in the given scenario. Some candidates further failed to suggest improvements, losing marks.

Part (b) recorded good performance as most candidates answered correctly. Candidates needed to identify and discuss the four ethical principles violated by the Finance Director, using the scenario. A few of them provided general explanations of ethical principles without applying the scenario did not receive maximum marks.

Part (c) of the question required candidates to explain the advantages of Audit and Nomination Committees. The common mistakes noted included the following:

- Some discussed disadvantages instead of advantages.
- Some confused the Nomination Committee with the Remuneration Committee.
- The Audit Committee is not responsible for preparing financial statements.

In part (d), Many candidates performed poorly due to weak knowledge of share capital, nominal value and share premium. Some suggested incorrect procedures, such as inspecting share capital for existence. Others simply stated audit techniques such as "recalculate" without explaining the actual procedure and therefore earned no marks.

Candidates generally performed well, but the main weaknesses were failure to apply answers to the scenario, misunderstanding committee responsibilities, and lack of accounting knowledge when designing audit procedures.

QUESTION THREE

The general performance on this question was poor. Only 72 of the 197 candidates that attempted the question managed to obtain at least 10 marks out of a total of 20 available marks. A pass rate of 36.5% was recorded. The highest score was 16 out of 20 marks while the lowest was 0.

The question was divided into four parts whose performance was as given below:

Part (a)

- Candidates needed to identify ethical threats and appropriate safeguards.
- Many used lengthy paragraphs instead of a clear columnar format.
- Threats were often incorrectly named or not linked to the scenario.
- Safeguards must be specific to the threat. Some situations cannot be safeguarded and the auditor must decline the engagement.

Part (b)

- Candidates needed to explain the auditor's responsibility for a non-adjusting subsequent event.
- The fire was a non-adjusting event because it occurred after year-end and did not relate to conditions existing at year-end, but it required disclosure because of its significance.
- Many incorrectly believed auditors have no responsibility once the audit report is signed.
- Candidates needed to explain the auditor's procedures and responsibilities, not simply classify the event.

Part (c)

- Candidates needed knowledge of IAS 10 – Subsequent Events.
- A post-year-end sale of inventory below cost can provide evidence of conditions existing at year-end, making it an adjusting event.
- Many incorrectly classified it as non-adjusting simply because the sale occurred after year-end.
- Candidates also failed to explain the auditor's responsibility when management refuses to amend the financial statements, including the need to recall the financial statements where appropriate.

Part (d)

- Candidates needed knowledge of ISA 450 – Evaluation of Misstatements Identified During the Audit.
- Auditors must communicate uncorrected misstatements to management and request correction.
- Auditors must consider all accumulated uncorrected misstatements together, not just individual errors.
- Very few candidates explained the effect of uncorrected material misstatements on the audit opinion.

The main weaknesses were poor application of ethical and auditing standards, failure to explain auditor responsibilities, weak knowledge of IAS 10 and ISA 450, and poor answer presentation.

QUESTION FOUR

The general performance on this question was poor. Only 49 of the 169 candidates that attempted the question managed to obtain at least 10 marks out of a total of 20 available marks. A pass rate of 29% was recorded. The highest score was 16 out of 20 marks while the lowest was 0.

Part (a) of the question required candidates to explain five factors considered before accepting an audit appointment. The following were the common mistakes observed:

- Many focused only on preconditions for an audit, which is just one factor.
- Some discussed auditors' rights, which was irrelevant.
- Some discussed understanding the client, which occurs after appointment.

In part (b), candidates needed to explain lowballing and expectation gap separately. Many combined the two terms or gave incomplete definitions.

Part (c) required candidates to give one advantage and one disadvantage of narrative notes and flowcharts. Most candidates only gave advantages or repeated the same points for both methods.

Part (d) required candidates to explain four reasons why auditors cannot provide absolute assurance. Some discussed scenario weaknesses instead of the required reasons. Many others provided fewer than the required four reasons, losing marks.

QUESTION FIVE

The general performance on this question was very poor. Only 10 of the 76 candidates that attempted the question managed to obtain at least 10 marks out of a total of 20 available marks. A pass rate of 13.2% was recorded. The highest score was 14 out of 20 marks while the lowest was 0.

The question was divided into parts (a) to (d). The following was observed:
Part (a) Materiality: Candidates needed to give technical definitions of materiality and performance materiality and explain the difference. Many gave incomplete definitions or explained only one.

Part (b) Cash and bank procedures: Candidates required to provide five specific substantive audit procedures. Many gave vague procedures such as "check the bank statement" and failed to include direct bank confirmation.

Part (c) was on Materiality, pervasiveness and audit opinion: Candidates needed to assess all three for each issue. Many ignored the financial figures, misunderstood pervasiveness, and selected audit opinions without proper justification.

In part (d), the candidates were assessed on Emphasis of Matter and Other Matter. Most of the struggled to distinguish the two.

Overall performance of candidates

Highest mark obtained in this paper:	74%
Lowest mark obtained in this paper:	5%
Overall pass rate in this paper:	32.9%

SUBJECT: CA 2.4 TAXATION

QUESTION ONE

The general performance on this question was poor. Only 57 of the 182 candidates that attempted the question managed to obtain at least 10 marks out of a total of 20 available marks. A pass rate of 31.3% was recorded. The highest score was 37 out of 40 marks while the lowest was 0.

The question covered taxation of Partnership. In part (a) candidates were asked to calculate capital allowances claimable by the partnership for the tax year.

Common mistake made by some candidates included:

- Failure to calculate balancing charge on administration buildings.
- Most candidates failed to restrict disposal on the administration building to cost.

In part (b) candidates were asked to calculate the tax adjusted partnership profits for the partnership business for the year.

Common mistakes were as follows:

- Treating the excessive salary paid to a partner's son and staff refreshment expenses as allowable expenses
- Computing the disallowed portion on the gift of pens to customers wrongly.
- Deducting capital allowances on partners' private motor vehicles from the partnership profits instead of deducting them from the individual profits of each partner.
- Claiming loss relief for the partnership loss brought forward from the previous year against the tax adjusted partnership profit

In part (c) candidates were required to prepare a computation showing the allocation of the tax adjusted profits to each partner for the tax year.

Common mistakes were as follows:

- Failure to determine the correct periods (first 8 months' period before admission of new partner and second 4 months' period after admission of new partner)
- Failure to apportion the salaries to each partner correctly.
- Failure to apportion the balance of profits correctly to each partner.
- Failure to deduct capital allowances on each partner's private motor vehicle from each partner's individual profits.
- Failure to deduct motor car running expenses on each partner's private motor vehicle from each partner's individual profits.

In part (d) candidates were required to compute the final taxable profit for each partner for the tax year.

The most common challenges were as follows:

- Failure to apportion the partnership loss brought forward to each partner correctly.
- Failure to compute the loss relief available for each partner correctly by restricting the loss available for relief to 50% of each partner's final allocation of taxable profit for the year. ended
- Failure to compute the unrelieved loss carried forward as at end of the charge year 2026.

In part (e) candidates were required to compute the income tax payable by each partner for the charge year. This part of the question was generally answered well with the exception of a few candidates who used the company income tax rate to compute the tax arising.

QUESTION TWO

The general performance on this question was poor. Only 54 of the 137 candidates that attempted the question managed to obtain at least 10 marks out of a total of 20 available marks. A pass rate of 39.4% was recorded. The highest score was 20 out of 20 marks while the lowest was 0.
This question was on international aspects of income tax.

In part (a) candidates were required to explain with appropriate reasons whether two companies from the scenario were resident in Zambia for taxation purposes.

Most candidates failed to appreciate that the place of effective management of a company's business or affairs is key in determining the residency status of a company.

In part (b) candidates were required to explain two (2) other ways in which double taxation relief may be given other than by unilateral credit relief. Some candidates had insufficient knowledge on the subject and therefore could not bring out the correct responses.

In part (c) candidates were required to calculate the income tax payable a Zambian resident individual receiving income from foreign sources.

Common mistakes were as follows:

- Failure to correctly compute the double taxation relief on the dividend income from foreign sources.
- Failure to gross up the foreign dividends before adding them to taxable income.

QUESTION THREE

The general performance on this question was good. 86 of the 147 candidates that attempted the question managed to obtain at least 10 marks out of a total of 20 available marks. A pass rate of 58.5% was recorded. The highest score was 20 out of 20 marks while the lowest was 1.

This question was on taxation of incorporated businesses engaged in farming and manufacturing.

In part (a) candidates were required to compute the final taxable business profits from manufacturing after capital allowances for the year.

Common mistakes were as follows:

- Failure to apply the 10% test correctly when determining the classification of a showroom as either a commercial or industrial building for capital allowances purposes.
- Claiming initial and investment allowances on the cost of an old existing building.

In part (b) candidates were required to compute the final taxable profits after loss relief and capital allowances for the year.

Common mistakes were as follows:

- Using the wrong rate to compute capital allowances on qualifying farming expenditure
- Failure to restrict the loss relief to 50% of taxable profits.

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

Common mistakes were as follows:

- Not taxing manufacturing income separately at 30% and farming income at 10%
- Using the graduated tax bands for individuals to compute the amount of tax arising.

QUESTION FOUR

The general performance on this question was poor. Only 66 of the 162 candidates that attempted the question managed to obtain at least 10 marks out of a total of 20 available marks. A pass rate of 40.7% was recorded. The highest score was 17 out of 20 marks while the lowest was 0.
This question covered Administration of Direct Taxes and Ethical issues in tax practice. It had two requirements (a) and (b)

In part (a) candidates were required to compute the total amount of tax payable from the various activities in the scenario.

- The first activity involved taxation of rental income. Some candidates had challenges with applying the rental tax bands correctly when computing rental tax.
- The second activity involved turnover tax on a retail business. Most candidates made the mistake of deducting business expenses from revenue to derive the net profit and then computing Turnover tax using the resulting profit figure, while other used the normal income tax rates to compute the tax payable.

- The third activity involved presumptive taxes on passenger transportation. Some candidates had challenges due to lack of knowledge of how to use the presumptive tax tables provided in the question paper.

In part (b) candidates were required to explain the meaning of three fundamental principles of the IFAC code of ethics in the provision of tax services. These principles included confidentiality, professional behavior and professional competence and due care. Most candidates had no challenges on this part of the question.

QUESTION FIVE

The general performance on this question was poor. Only 26 of the 97 candidates that attempted the question managed to obtain at least 10 marks out of a total of 20 available marks. A pass rate of 26.8% was recorded. The highest score was 17 out of 20 marks while the lowest was 0.
This question covered customs duty and Value Added Tax.

In part (a) candidates were required to list any four documents which must be presented to customs for the clearance of any imported motor vehicle. Some candidates demonstrated a lack of knowledge of the required documents and therefore failed to provide the required answers.

In part (b) candidates were required to explain any two circumstances in which the customs division of the ZRA may revalue imported goods for the purpose of ascertaining import taxes. Some candidates demonstrated a lack of knowledge of the circumstances and therefore failed to provide the required answers.
Part (c) required an explanation of three benefits of regional agreements such as SADCC and COMESA treaties to the Zambian economy and was generally answered well.

Part (d) required an explanation of the VAT treatment of input VAT incurred by a trader in making both taxable and exempt supplies in Zambia. Most candidates had insufficient knowledge of the subject and therefore failed to provide the required answers.

Part (e) required a computation of VAT payable by a Limited company for the month of September.

The common mistakes included the following:

- Using credited sales value before trade discount for the purpose of computing output VAT.
- Using cash sales value after cash discount for the purpose of computing output VAT.
- Claiming 100% VAT on diesel instead of 90% input
- Using the 16/100 VAT fraction when computing input VAT on VAT inclusive expenses instead of using 4/29 (16/116) fraction.

Overall performance of candidates

Highest mark obtained in this paper:	90%
Lowest mark obtained in this paper:	0%
Overall pass rate in this paper:	35.3%

SUBJECT: CA 2.5 FINANCIAL MANAGEMENT

QUESTION ONE

The general performance on this question was very poor. 20 out of the 248 candidates that attempted the question achieved a pass (that is a score of at least 20 out of 40 marks), representing a pass rate on the question of 8.1%. The lowest score was 0, whilst the highest was 33 out of the available 40 marks.

The question was divided into parts (a) to (e). The following were the observations:

(a) The question required candidates to compute the current weighted average cost of capital and the following were the challenges:
- Candidates failed to convert the asset beta to equity beta when calculating cost of equity using capital asset pricing model.
- Candidates used the formula for irredeemable debt instead of internal rate of return to calculate the cost of redeemable debt.
- Candidates were using market values instead of book values as specified in the question.

(b) The question required candidates to evaluate the company's investment decision for the expansion programme if the projects are infinitely divisible and the challenges were as follows:
- Candidates didn't take into account the tax payable on the pre-tax cash flows.
- Candidates failed to calculate the profitability index for each project.
- Candidates failed to ration the capital available to the projects based on raking.

(c) The question required candidates to evaluate the company's investment decision for the expansion programme if the projects are not infinitely divisible.
- Candidates failed to come up with the correct possible combination of projects considering the amount of capital available.

(d) The question required candidates to evaluate which project should be selected for the expansion programme using the accounting rate of return. The challenges were as follows:
- Candidates failed to convert cash flows to accounting profits when calculating ARR
- Candidates failed to calculate depreciation to use to get the accounting profits.

(e) The question required candidates to determine how often the machine should be replaced.
- Candidates failed to use correct annuity factor to be used to calculate the equivalent annual cost.

QUESTION TWO

The general performance on this question was poor with only 44 of the 197 candidates that attempted the question managing to obtain at least 10 marks out of a total of 20 available marks. A pass rate of 22.3% was recorded. The highest score was 15 out of 20 marks while the lowest was 0.

This question required the candidates to use the present value of expected future earnings to estimate the value of Kapiri Retail Limited. The common mistakes included:

- Cash flow figures in year 1 to 5 were incorrectly calculated.
- Taxable profit was wrongly calculated because the cash flow was wrong.
- Some candidates did not add back Capital allowance to after- tax cash flow.
- Some candidates were calculating terminal value after five years incorrectly. The terminal value after five years should be added to the sum of PVs for first 5 years. The outcome or result will be the Firm Value.

(a) Required candidates to discuss the relative strengths and weakness of discounted cash flow and asset based valuation methods. Surprisingly candidates exhibited lack of knowledge and failed to distinguish the strengths and weaknesses of Discounted Cash flow from net asset approach.

QUESTION THREE

The general performance on this question was poor. Only 72 of the 214 candidates that attempted the question managed to obtain at least 10 marks out of a total of 20 available marks. A pass rate of 33.6% was recorded. The highest score was 15 out of 20 marks while the lowest was 0.

(a) This Part of the question required the candidates to determine the net savings or effect on the company's annual profits in the event that Nsingos Ltd uses Hams Financial Services, who is a factor company. For those candidates that used both 1 and 2 out of the 3 methods, they needed to calculate the current average trade receivables and the average receivables with the factor. Some of these candidates did not use the K2, 000,000 which was the annual credit sales provided in the question. This resulted into incorrect total savings on factors finance advance.

(b) Some candidates failed to calculate savings in bad debts and savings in administration costs. A wrong percentage of 4% was used instead of the 5% provided for in the question. The 4% was the collection fees of the credit sales.

QUESTION FOUR

The general performance on this question was fair. 122 of the 231 candidates that attempted the question managed to obtain at least 10 marks out of a total of 20 available marks. A pass rate of 52.8% was recorded. The highest score was 16 out of 20 marks while the lowest was 0.

This question required candidates to evaluate whether to buy the equipment using NPV method. The calculation of sales and variable costs were mostly incorrectly done because some candidates did not take into account inflation. The calculation of fixed costs should also have taken into account inflation. Capital allowance was based on reducing balance basis and not straight-line method.

QUESTION FIVE

The general performance on this question was poor. Only 12 of the 79 candidates that attempted the question managed to obtain at least 10 marks out of a total of 20 available marks. A pass rate of 15.2% was recorded. The highest score was 19 out of 20 marks while the lowest was 0.

(a) This question required the candidates to prepare the forecast `statement of profit or loss for the year ended 31st December, 2016 for each financial proposal of the Debt Finance and Equity Finance.
Some candidates in their responses just copied the current statement of profit or loss as given in the question. This was the statement which was supposed to have been used for the debt and equity proposals determination.
Some candidates did not calculate and adjust the interest payable on both the debt finance and equity finance. This resulted into wrong tax applied on the Profit Before Tax (PBT).

(b) Candidates were asked to evaluate the effect of the debt and equity financing on financial gearing, operational gearing, interest cover and earnings per share. Most of the candidates did not carry out the evaluation as required in the question.

Overall performance of candidates

Highest mark obtained in this paper: 68%
Lowest mark obtained in this paper: 0%
Overall pass rate in this paper: 9.2%

SUBJECT: CA2.6 STRATEGIC BUSINESS ANALYSIS

QUESTION ONE:

The general performance on this question was poor. Only 57 of the 195 candidates that attempted the question managed to obtain at least 10 marks out of a total of 20 available marks. A pass rate of 29.2% was recorded. The highest score was 36 out of 40 marks while the lowest was 0.

This question had four (4) parts; part (a) required candidates to show any six (6) characteristics of good and effective leadership suggested by Johnson et al (2005). This part of the question was poorly answered. Many candidates could not recall according to the specified suggestions of Johnson et al (2005). They instead gave very general ideas of leadership.

Part (b) required candidates to discuss four (4) developments that will be brought about by a successful change agent. Here many candidates equally failed to bring out the expected answers. However, consideration was made for those candidates who attempted to apply what Chasulwa Sichinga and the four managers undertook after the successful company management buyout transaction. Marks were awarded accordingly based on the relevance and appropriateness of the answer given.

Part (c) required candidates to describe six (6) steps that these new owners took in valuing this type III acquisition of the business. This part of the question was also poorly attempted by most candidates as they could not or probably did not understand the type III acquisition. However, marks were awarded to candidates who demonstrated an understanding of the steps undertaken by the management team as outline in the case. The candidates did not follow the steps outlined in type III acquisition but explained risk management including; financial, market and business risks.

Part (d) required candidates to suggest five (5) advantages of PLC to MBS management. This part of the question was poorly answered as most candidates expressed advantages of a corporation rather than a Public limited company. Others provided advantages of public sector organisation which was not the requirement.

QUESTION TWO

The general performance on this question was good. 112 of the 183 candidates that attempted the question managed to obtain at least 10 marks out of a total of 20 available marks. A pass rate of 61.2% was recorded. The highest score was 20 out of 20 marks while the lowest was 0.

This question was divided into five (5) parts. Part (a) candidates were asked to explain three (3) reasons why it is important to involve all managers in the strategic process. Many candidates managed to explain the reasons why managers should be involved in the strategic process and scored good marks.

Part (b) the candidates were required to list any five (5) general areas that would be regarded as strategic in nature. Candidates responded well to the question and cited correct areas that are strategic in nature.

Part (c) candidates were asked to give any three (3) reasons for the acquisition move by the company. The candidates who attempted this part of the question managed to give the three (3) correct reasons without difficulty.
Part (d) candidates were required to explain the importance of individual goal setting in strategy formulation. The candidates understood what was expected of them and did everything to address the question as expected.
Part (e) candidates were expected to identify any three (3) problems the company may face in acquisition. This part was equally well answered by most candidates.

QUESTION THREE
The general performance on this question was fair. 76 of the 161 candidates that attempted the question managed to obtain at least 10 marks out of a total of 20 available marks. A pass rate of 47.2% was recorded. The highest score was 20 out of 20 marks while the lowest was 0.

This question had two (2) parts; part (a) and part (b). Part (a) candidates were asked to discuss any four (4) ethical safeguards upcoming entrepreneurs should consider to avoid risks as prescribed by Chimumbwa. Identifying ethical safeguards was a challenge by most of the candidates. The performance was poor on this part of the question.

In part (b) candidates were required to use appropriate model to provide options for managing risks. Most candidates got this part of the question correct, but some candidates failed to identify the model (TARA) and for those who tried, could not clearly elaborate on the model matrix to explain the strategic options it provides.

QUESTION FOUR
The general performance on this question was fair. 46 of the 109 candidates that attempted the question managed to obtain at least 10 marks out of a total of 20 available marks. A pass rate of 42.2% was recorded. The highest score was 17 out of 20 marks while the lowest was 0.

This question had four (4) parts; part (a), (b), (c) and (d). In part (a) candidates were expected to define organisational knowledge as given by Johnson et al (2005). Many candidates gave general definitions of organisational knowledge NOT as given by Johnson et al (2005) and thus lost marks.

In part (b) candidates were required to state the aim of knowledge management. Many candidates managed to get this part of the question correct.
In part (c), candidates were required to describe how an organisation generate value from intellectual and knowledge-based assets. Many candidates failed this part of the question due

to understand the intellectual and knowledge-based assets. They could not therefore explain how anorganisation can use these assets to generate value.

In part (d), candidates were asked to discuss the five (5) benefits of diversity to the organisation according to the UK Report of 2003. Many candidates wrote about diversification as a strategy without making reference to the UK Report as required.

QUESTION FIVE

The general performance on this question was poor. 46 of the 109 candidates that attempted the question managed to obtain at least 10 marks out of a total of 20 available marks. A pass rate of 42.2% was recorded. The highest score was 17 out of 20 marks while the lowest was 0.

This question was divided into two (2) parts; part (a) and part (b). Part (a) required candidates to calculate and interpret the ratios as per balance sheet presented. Some candidates managed to calculate the ratios as requested but had challenges in interpretation. Many candidates failed completely to calculate.

In part (b), candidates were required to discuss five (5) ethical threats to compliance in production of financial statements according to the IESBA. Some candidates gave correct ethical threats while others failed and gave other suggestions outside what is provided for by the IESBA.

The observation by the markers is that there are seem to be a lack of adequate preparation for examinations by many candidates. Candidates had difficulties in calculating ratios which they do in Financial Accounting and Financial Reporting. This is source of concern each time there are computational questions in the paper, the performance is poor for most candidates. The tuition providers must emphasize the fact that one can’t do Strategic Business Analysis without understanding financials.

Overall performance of candidates

Highest mark obtained in this paper: 76%
Lowest mark obtained in this paper: 6%
Overall pass rate in this paper: 33.7%

SUBJECT: CA 3.1 ADVANCED FINANCIAL REPORTING

QUESTION ONE

The general performance on this question was poor. Only 102 out of the 259 candidates that attempted the question achieved a pass (that is a score of at least 20 out of 40 marks), representing a pass rate on the question of 39.4%. The lowest score was 0, whilst the highest was 40 out of the available 40 marks.

The question required candidates to prepare the group statement of financial position for the parent company (Mulundu Plc), its subsidiary (Kalundu Plc), and its sub-subsidiary (Chilundu Plc). The question tested technical areas such as a D-shaped (mixed) group structure, change in group structure (disposal of shares whilst retaining control), impairment review in respect of goodwill, deferred tax arising on fair value adjustments, IAS 19 – Employee Benefits, and IFRS 2 – Share – Based Payment Transactions.

The following are the common mistakes made by the candidates:

(i) Some candidates incorrectly measured the non-controlling interest (NCI) in Chilundu Plc using the fair value method (full goodwill method) instead of using the proportionate share of fair value of identifiable net assets at acquisition date (proportionate goodwill method), as specifically required by Note (2) of the question.

(ii) Many candidates demonstrated an improper treatment of fair value adjustments at the acquisition dates.

(iii) Failure to provide adequate workings. Some candidates merely presented consolidated figures for property, plant and equipment and other statement of financial position items without showing how those figures were derived. Marks were consequently lost, particularly where the final figures were incorrect.

(iv) Inclusion of the subsidiary's share capital in the consolidated statement of financial position. Candidates should note that only the parent company's share capital is presented in consolidated financial statements.

(v) Many candidates failed to perform an impairment review of the investments in Kalundu Plc and Chilundu Plc as Cash-Generating Units (CGUs) at 31 March 2025.

(vi) Despite consolidation being a fundamental topic, some candidates still demonstrated a lack of understanding of equity as a residual interest in the assets of an entity after deducting liabilities, as well as the basic principles of consolidation. Once assets and liabilities at acquisition have been recognised and pre-acquisition equity has been absorbed into goodwill, the subsidiary's pre-acquisition equity (share capital and pre-acquisition reserves) should not be recognised again. Some candidates continued to consolidate these pre-acquisition equity balances.

(vii) Some candidates failed to determine the holding percentage due to the nominal value of shares being K0.25 per share.

(viii) Several candidates did not correctly account for the partial disposal of shares where control was retained, resulting in incorrect adjustments to non-controlling interests and group reserves.

QUESTION TWO

The general performance on this question was poor. Only 11 of the 95 candidates that attempted the question managed to obtain at least 10 marks out of a total of 20 available marks. A pass rate of 11.6% was recorded. The highest score was 14 out of 20 marks while the lowest was 0.

The question was made up of three (3) parts. Part (a) tested candidates on the accounting treatment of investments in loan notes in accordance with IFRS 9 – Financial Instruments, part (b) tested candidates on the accounting treatment of CDF Loan from the Ministry of Local Government (which is also a financial instrument), and part (c) tested candidates on the accounting treatment of the financial liability.

The following are the common mistakes made by the candidates:

(i) A good number of candidates misclassification the loan notes in part (a) as financial liability instead of as a financial asset. This led to wrong accounting treatment of the investments.
(ii) Most candidates of those who correctly classified the loan notes as financial asset, wrongly classified them as financial asset held at amortised cost instead of fair value through other comprehensive income (FVTOCI).
(iii) Failure to calculate the fair value of the financial asset as of 31 March 2025, as result most candidates failed to calculate the correct fair value loss.
(iv) For part (b) many candidates wrongly classified the transaction as a government grant, and as a result accounted for it in accordance with IAS 20 – Government Grants and Assistance. Although the transaction had some aspects of grant, it was not the main area tested by the question.
(v) Several candidates failed to identify the main standard in the scenario which was IFRS 9 – Financial Instruments. This led to wrong measurement of the financial liability, and interest expense for the year.
(vi) Some candidates failed to classify the bonds in part (c) as a financial liability, and as a result the initial carrying amount of the bonds was wrongly calculated.
(vii) Many candidates failed to calculate the correct amounts of the carrying amount of the liability and finance costs for inclusion in the financial statements.

The entire question tested candidates on financial instruments. Candidates of future sittings are reminded to prepare adequately for the exam, especially on key accounting standards like IFRS 9. Many candidates avoided attempting this question.

QUESTION THREE

The general performance on this question was poor. Only 51 of the 197 candidates that attempted the question managed to obtain at least 10 marks out of a total of 20 available marks. A pass rate of 25.9% was recorded. The highest score was 18 out of 20 marks while the lowest was 0.

The question was made up of two parts testing candidates on IFRS 2 – Share Based Payment Transactions, and IAS 19 – Employee Benefits.

The following are the common mistakes made by the candidates:

In part (a)

(i) A significant number of candidates failed to correctly identify the transaction as a cash-settled share-based payment under IFRS 2 and instead treated it as an equity-settled arrangement by crediting equity, resulting in the loss of marks.

(ii) Some candidates incorrectly extended the vesting period beyond the two years specified in the question, demonstrating inadequate application of IFRS 2 requirements and overlooking clear information provided in the scenario.

(iii) Several candidates failed to apply the expected employee retention rate of 95% when measuring the liability. Consequently, the initial share-based payment liability and the related expenses were incorrectly calculated.

(iv) Candidates who supported their calculations with brief explanations and appropriate workings generally scored higher than those who presented figures without sufficient narrative or supporting analysis.

In part (b)

(i) Many candidates devoted excessive time to part (b) (i), providing lengthy explanations for a two-mark requirement. This inefficient use of examination time affected their ability to complete other questions adequately.

(ii) A common weakness was the omission of past service cost from the opening present value of the defined benefit obligation, leading to incorrect computation of the interest expense under IAS 19.

(iii) A notable number of candidates failed to present the defined benefit position as a single net liability or net asset, as required by IAS 19. Instead, they reported the closing balances of the plan assets and defined benefit obligation separately, resulting in the loss of straightforward marks.

QUESTION FOUR

The general performance on this question was poor. Only 32 of the 176 candidates that attempted the question managed to obtain at least 10 marks out of a total of 20 available marks. A pass rate of 18.2% was recorded. The highest score was 19 out of 20 marks while the lowest was 0.

This question was made up of two parts. Part (a) tested candidates on the accounting treatment of a sale and leaseback transaction in accordance with IFRS 16 – Leases, while part (b) tested candidates on IFRS 5 – Non-current Assets Held – For – Sale, IAS 16 – Property, plant and Equipment, and IAS 36 – Impairment of Assets.

The following are the common mistakes made by the candidates:

(i) Several candidates unnecessarily described the five-step revenue recognition model despite the question focusing on a sale and leaseback transaction. This reflected a failure to identify the key issues being examined and resulted in poor time management.
(ii) Some candidates incorrectly treated the disposal proceeds of the non-current asset as ordinary revenue. Candidates were expected to recognise only the appropriate gain or loss on disposal relating to the rights transferred after comparing the proceeds with the carrying amount of the asset and applying the restrictions applicable to sale and leaseback transactions.
(iii) Several candidates recalculated the present value of the lease payments despite the amount of K15.2 million being provided in question. This unnecessary computation suggested inadequate attention to the information presented.
(iv) A considerable number of candidates incorrectly depreciated the right-of-use asset. Candidates are reminded that, unless ownership transfers at the end of the lease, a right-of-use asset should ordinarily be depreciated over the shorter of the lease term and the asset's useful economic life.

In part (b)

(i) Failure to highlight the criteria to be met for classifying an asset as held for sale. Most candidates classified the asset as held for sale despite it failing to meet the criteria in accordance with IFRS 5.
(ii) Failure to calculate the correct carrying amount (depreciated value of the building), as a result some candidates charged impairment loss on the building, despite it not suffering any impairment.
(iii) Failure to calculate the correct revaluation gain in accordance with IAS 16. Most candidates treated the gain on revaluation as an impairment reversal and therefore charged it to profit or loss.

Generally, candidates demonstrated lack of knowledge on the International Financial Reporting Standards (IFRSs) examined in question. Candidates of future exam sittings are reminded to fully understand the IFRSs if they are to pass the CA 3.1 exams.

QUESTION FIVE

The general performance on this question was very good. 165 of the 243 candidates that attempted the question managed to obtain at least 10 marks out of a total of 20 available marks. A pass rate of 67.9% was recorded. The highest score was 20 out of 20 marks while the lowest was 0.

This question was on comparative financial performance analysis.

The common mistakes made by the candidates were:

(i) Some candidates failed to use a professional report format as it had no heading, introduction, main findings under sub-headings, and a conclusion/recommendation.
(ii) Some candidates did not separate workings, as an appendix, but included all the workings within the report, which made it very difficult for them to score good marks.

(iii) Failure to interpret the calculated ratios under each category and link together all the ratios calculated under that category.

(iv) Failure to correctly calculate ratios. Most candidates demonstrated lack of knowledge on ratios despite covering them in CA 2.1 syllabus. Wrong formulas were used to calculate the ratios, while others who used correct formulas used wrong amounts to calculate the ratios.

Candidates of future exams are reminded to adequately prepare for the exam. Financial analysis is a key topic in CA 3.1 and therefore often examined. Understanding this topic increases chances of passing the CA 3.1 exam.

Overall performance of candidates

Highest mark obtained in this paper:	81%
Lowest mark obtained in this paper:	1%
Overall pass rate in this paper:	29.4%

SUBJECT: CA 3.2 ADVANCED AUDIT AND ASSURANCE

QUESTION ONE

The general performance on this question was poor. Only 80 out of the 339 candidates that attempted the question achieved a pass (that is a score of at least 20 out of 40 marks), representing a pass rate on the question of 23.6%. The lowest score was 2, whilst the highest was 29 out of the available 40 marks.

Part (a)
Candidates were required to explain five business risks and the related risks of material misstatement. Many candidates:

- Explained fewer than five business risks.
- Failed to explain the related risks of material misstatement, losing five marks.
- Confused business risks with management/business effects rather than financial-statement misstatements.
- Discussed audit risks instead of business risks.
- Gave incorrect business risks or discussed auditors' ethical threats.

Part (b)
Candidates were required to explain five audit risks. Performance was poor because candidates:

- Provided audit responses when these were not required.
- Identified risks without explaining what could go wrong or the affected assertions.
- Simply stated that the financial statements could be misstated.
- Gave general risks without applying the scenario.
- Explained the three elements of audit risk instead of answering the question requirement.

Part (c)
Candidates had to suggest and justify an appropriate audit opinion where management refused to disclose a material uncertainty. Many:

- Gave a qualified or adverse opinion without justification.
- Incorrectly suggested a Material Uncertainty Related to Going Concern paragraph despite inadequate disclosure.
- Discussed going-concern indicators instead of the required opinion.
- Repeated the scenario without reaching a conclusion.

Part (d)
Candidates had to evaluate whether the audit engagement should continue. Many:

- Discussed business risks rather than continuance considerations.
- Used going concern alone as a reason for non-continuance.
- Gave conclusions without justification.
- Failed to consider ethical concerns and management integrity, particularly management's refusal to make the required disclosures.

Part (e)
Candidates had to suggest three substantive audit procedures for impairment of plant and equipment. Common problems included:

- Saying the auditor should perform an impairment review when management had already done so.
- Giving impairment indicators instead of audit procedures.
- Suggesting inappropriate procedures such as observing how impairment is performed.
- Describing methods of obtaining evidence without applying them as specific audit procedures.

Part (f)
Candidates had to suggest two audit procedures for corresponding figures. Many candidates:

- Did not understand what corresponding figures are.
- Audited receivables, inventory, and other unrelated matters.
- Discussed financial statement assertions instead of procedures.
- Failed to recognise that the 2024 figures are the corresponding figures alongside the 2025 figures.
- Failed to consider ISA 710, particularly consistency of accounting policies and agreement of corresponding figures with the prior-year audited financial statements.

QUESTION TWO

The general performance on this question was good. Only 143 of the 262 candidates that attempted the question managed to obtain at least 10 marks out of a total of 20 available marks. A pass rate of 54.6% was recorded. The highest score was 19 out of 20 marks while the lowest was 0.

The question was divided into parts (a) to (d). Part (a)(i) required candidates to discuss three matters to consider when auditing non-current assets held for sale under IFRS 5. The required matters included:

- Conditions for an asset to qualify as held for sale.
- Disclosure requirements.
- Stopping depreciation from the date of classification as held for sale.

Common mistakes included the following:

- Giving audit procedures instead of matters to consider.
- Focusing only on the classification requirements.
- Discussing fewer than the required three matters.

Part (a)(ii)
Candidates had to explain three pieces of audit evidence expected in the working papers relating to non-current assets held for sale.
Common problems:

- Giving audit procedures instead of describing evidence already contained in the working papers.
- Listing generic documents, such as invoices, without explaining their relevance to IFRS 5.

Part (b)
Candidates had to recommend four audit procedures for the government grant under IAS 20.
Common problems:

- Stating evidence-gathering methods such as "recalculate" without explaining the actual procedure.

- Giving vague procedures such as "confirm with staff" or "check bank records" without stating what is being checked and why.
- Failing to address the two different components of the grant identified in the scenario.
- Providing fewer than four procedures.

Part (c)(i)
Candidates had to explain the importance of communication with those charged with governance (TCWG) under ISA 260.
Common problems:
- Failing to explain that communication should be constructive and two-way.
- Focusing only on confirming compliance with rules.
- Missing the importance of developing an honest relationship, understanding the entity, and helping TCWG perform their financial oversight responsibilities.

Part (c)(ii)
Candidates had to discuss three matters from the scenario that should be communicated to TCWG.
Common problems:
- Not attempting the question or giving fewer than three matters.
- Focusing mainly on fraud and error instead of matters required by auditing standards, such as planned scope and timing of the audit, significant audit findings or modifications and auditor independence issues.

Part (d)
Candidates generally performed well and most achieved maximum marks when evaluating the draft advertisement.
The main weaknesses among lower-scoring candidates were:
- Incorrectly describing claims that the firm provides better services than competitors as an intimidation threat.
- Failing to identify such claims as violations of professional marketing requirements, particularly disparaging references or unsubstantiated comparisons with other firms.
- Recognizing that claims such as "guaranteed tax savings" or "most professional" were inappropriate but failing to link them explicitly to the IESBA Code of Ethics, especially.

QUESTION THREE

The general performance on this question was fair. 146 of the 284 candidates that attempted the question managed to obtain at least 10 marks out of a total of 20 available marks. A pass rate of 51.4% was recorded. The highest score was 18 out of 20 marks while the lowest was 0.

Part (a) — Professional negligence
Candidates had to discuss the matters that determine whether Gondwe & Associates would be liable for professional negligence.
For the 8 marks, candidates needed to cover the general requirements for negligence and apply them to the scenario. Key points included:
- The general requirements for successfully suing auditors for professional negligence.
- The auditors automatically owe a duty of care to the company.

- The company must prove that the auditors were negligent/breached their duty of care.
- The company must prove that it suffered a loss as a result of the breach.

Common problems:

- Incorrectly stating that auditors owe a duty of care to third parties, contrary to the Caparo case.
- Discussing audit planning and inspection of assets, which were irrelevant.
- Incorrectly stating that auditors are responsible for detecting all fraud and errors.
- Simply saying the auditors would or would not be liable without justification.

Part (b) — Going concern

Candidates had to suggest substantive audit procedures to assess whether Munkoyo Co is a going concern, applying ISA 570 (Revised).

Common problems:

- Giving going-concern indicators instead of audit procedures.
- Providing fewer procedures than required.
- Listing assertions without explaining the procedures.
- Stating evidence-gathering methods such as "inquiry" without explaining the specific audit procedure to be performed.

Part (c) — Financial asset investment

Candidates had to recommend matters to discuss with management regarding investments classified as financial assets.

Common problems:

- Defining financial assets instead of answering the question.
- Discussing ethical considerations before investing, which was irrelevant.
- Giving unrelated answers such as depreciation of non-current assets.
- Suggesting generic tests for the accuracy of financial assets without addressing the specific matters requiring discussion.

QUESTION FOUR

The general performance on this question was poor. Only 116 of the 276 candidates that attempted the question managed to obtain at least 10 marks out of a total of 20 available marks. A pass rate of 42% was recorded. The highest score was 20 out of 20 marks while the lowest was 0.

Part (a) of the question required candidates to evaluate the ethical & professional issues arising from the meeting of the audit team with the Audit Committee and to suggest suitable actions to be taken.

The following observations were made:

- Most of the candidates identified ethical matters but could not satisfactorily explain the threats to the independence of the auditors.
- A sizeable number of candidates did not suggest suitable safeguards to the ethical matters as required by the question and therefore lost marks allocated to doing so.

Part (b)

(i) This part of the question required candidates to explain the impact of a prior year modification of the opinion to the current year opinion considering the fact that the matter that caused the prior year modification had not been resolved.

Candidates should have observed that the incorrect inventory opening balances will affect the current year financial statements and considering that the correction could turn a profit into a loss is an important matter. The fact that management has declined the request that the financial statements should be corrected means that the effect of the wrong valuation of inventory is still relevant to the current year financial statements. Accordingly the financial statements for the current year are misstated considering the impact of the error on the financial statements. The current year opinion should still be modified on account of the prior year misstatement.

The following observations were made:

- Most candidates focused on discussing the adjustments to inventory without explaining how the current year opinion will be affected by the refusal by management to amend the financial statements.

(ii) This part of the question required candidates to explain the impact on the audit opinion if management of Hicks Co agreed to make the necessary prior year adjustment.

A majority of the candidates explained the impact of the adjustment of turning a profit into a loss without explaining the impact of such an adjustment on the current year opinion.

(iii) This part of the question on audit reporting required candidates to critically evaluate the draft audit report in the question. Being a draft report means that some of the information in a typical audit report may not have been included and candidates were expected to use the information in the scenario and the draft report in answering the question.
The performance in this question was poor with many candidates scoring less than half the available number of marks and a sizeable number of candidates discussing matters not contained in the draft report.

The following observations were made:

- Many candidates discussed information that should be contained in the elements of the audit report without making any effect on the information in the scenario. The question was clear in that it required an evaluation of the draft report suggesting that the information in the scenario. General answers did not attract maximum marks.
- A majority of candidates discussed matters that are not contained in the scenario such as the signature of the partner or the name of the audit firm. The question clearly states that the report in the question is an extract of the audit report and the extract contained sufficient matters to comment about.

- A few candidates redrafted the audit report which was not the question requirement.

QUESTION FIVE

The general performance on this question was poor. Only 29 of the 175 candidates that attempted the question managed to obtain at least 10 marks out of a total of 20 available marks. A pass rate of 16.6% was recorded. The highest score was 16 out of 20 marks while the lowest was 0.

Part (a)

(i) This part of the question required candidates to discuss the assertion by the Audit Senior that the audit team has no responsibilities with regards to matters that arise after the signing of the audit report. Candidates needed to know and understand the guidance given in ISA 560 *Subsequent events*. ISA 560.10 guides that the auditors have no obligation to perform any audit procedures regarding the financial statements after the date of the auditor's report. In this regard therefore the Audit Senior was correct to suggest so although the same standard provides that when matters are brought to the attention of the auditor that would have caused them issue a different opinion, they have responsibilities to perform.

The following observations were made:

- A majority of the candidates did not realize that the auditors have no obligations after signing the audit report. They also needed to conclude whether the assertion made by the Audit Senior was correct or not.
- Many candidates failed to distinguish between the auditor's active duty to search for subsequent events up to the date of the audit report and the passive duty after the date of signing the report and the date of issue of the financial statements.

(ii) This part of the question required candidates to discuss the action that should be taken regarding the bankruptcy of a major customer that comes to the attention of the audit firm. Full knowledge of the provisions of IAS 10 *Events after the reporting period* and the provisions of ISA 560 *Subsequent events* was required in order to correctly answer this part of the question.

The following observations were made:

- It was evident from the answers given by candidates that many did not understand the provisions of the related accounting standard and applicable auditing standard. Many candidates argued that the matter was not an adjusting event on account of the fact that it occurred after the reporting period. Both adjusting and non-adjusting events occur after the reporting period. The accounting standard gives examples of adjusting and non- adjusting events. The criteria that should be considered is whether or not the event gives evidence of conditions that existed at the period end.

The bankruptcy of a customer is one of the examples of an adjusting event and hence this should not be treated as a non-adjusting event.

- Many of the candidates simply stated whether or not the matter is an adjusting event without addressing the question requirement on the action that should be taken by the auditors which is to discuss with management and find out how it intends to deal with the matter. If contrary to the provisions of the relevant accounting standard request management to deal with the matter according to the relevant accounting standard and in this case as an adjusting event requiring an amendment to the receivables figure in the financial statements.

Part (b)

(i) This part of the question required candidates to discuss the impact of disclosure to the auditors of the non-compliance with laws and regulations by management of Luangwa Limited and how management would deal with this.

ISA 250 *Consideration of laws and regulations in an audit of financial statements* gives guidance in this area. A majority of the candidates implied that non disclosures with regards laws and regulations should be disclosed in the financial statements which is not the case. Non-compliance could impact the opinion of the auditors and the reason for modification will be explained in the basis for modification paragraph.

The following observations were made:

- A majority of the candidates discussed disclosure in the financial statements and yet the non-disclosure in the scenario is that of disclosing any non-compliance or suspected non-compliance to the auditors.
- Some candidates explained that the auditor should make the necessary disclosures and yet this is not the responsibility of the auditors but that of management.

(ii) This part of the question required candidates to explain the reliability of written representations from management considering the suspected non-compliance with laws and regulations which was not disclosed to the auditors by management.

A majority of the candidates scored maximum marks and observed that less reliance on the written representations will be made on account of the fact that the integrity of management is put into question.

(iii) This part of the question required candidates to discuss 4 legitimate ways that Zambezi Plc can apply in order to reduce the audit fee and use of information in the scenario was expected. General ways of reducing fees did not attract maximum marks and there was sufficient information in the scenario which should have been used by candidates in answering this part of the question.

The following observations were made:

- A majority of the candidates explained general ways in which the company could reduce fees with no reference to the information in the scenario and yet the scenario contained sufficient detail which could have been used to answer the question.
- A number of candidates considered the question from the point of view of the audit team rather than from the point of view of Zambezi Plc. It is the client company that needs to take action so that it can legitimately reduce the audit fees.
- There were answers that showed lack of understanding of the topic on how a company can reduce audit fees such as:
  - Through the use of less auditors which cannot result in a fee reduction.
  - Reducing the scope of work to be done without explaining which work. it is not management that determines the scope of the audit.

Overall performance of candidates

Highest mark obtained in this paper:	70%
Lowest mark obtained in this paper:	8%
Overall pass rate in this paper:	33.3%

SUBJECT: CA3.4 ADVANCED TAX

QUESTION ONE

The general performance on this question was very good. 112 of the 160 candidates that attempted the question managed to obtain at least 10 marks out of a total of 20 available marks. A pass rate of 70% was recorded. The highest score was 36 out of 40 marks while the lowest was 9 out of 40.

This question covered taxation of mining companies.

In part (a) (i) candidates were required to prepare a computation of capital allowances claimable by the mining company.

The common mistakes were as follows:

- Use of incorrect rates when computing wear and tear allowances. For example, on Toyota land cruiser some candidates were using 25% wear and tear allowance instead of 20%.
- Failure to index the capital allowances on mining equipment.

In part (b) candidates were required to calculate the tax adjusted mining profit for the company for the year.

The common mistakes were as follows:

- Failure to compute mineral royalty tax on copper
- Failure to disallow staff refreshments expenses in the statement of profit or loss.
- Failure to allow retirement benefits in the statement of Profit or loss.
- Failure to compute the disallowed interest.
- Use of 37.5% when computing the free accommodation benefit instead of 37%.

In part (c) candidates were required to prepare a computation of income tax payable by the mining company.

The common mistakes were as follows:

- Failure to deduct the withholding tax on interest paid from the income tax liability.
- Failure to separate mining profit from investment income when computing company income tax.

In part (d) candidates were required to advise the directors of the mining company of the income tax implications arising from two financing options under consideration.

The following are the challenges experienced by the candidates:

- Failure to recognize that the excess interest on borrowing above market value is disallowed.
- Failure to appreciate that capital allowances would be claimable under both options.

QUESTION TWO

The general performance on this question was excellent. 134 of the 151 candidates that attempted the question managed to obtain at least 10 marks out of a total of 20 available marks. A pass rate of 88.7% was recorded. The highest score was 20 out of 20 marks while the lowest was 1.

The question was on tax planning particularly the choice of remuneration packages.

In part (a) candidates were required to prepare a computation of income tax payable and net income and other relevant expenses arising from the first offer of employment

The following were the challenges experienced by most candidates:

- Failure to deduct income tax from the gross emolument when computing net income.
- Failure to deduct the employees NAPSA contribution from gross emoluments when computing net income.
- Failure to add utility expenses to the salary when computing gross emoluments.

In part (b) candidates were required to prepare a computation of income tax payable and net income and other relevant expenses arising from the second offer of employment.

The following are the challenges experienced by the candidates:

- Failure to add utility expenses to the salary when computing gross emoluments.
- Failure to deduct the employees NAPSA contribution from gross emoluments when computing net income.
- Failure to deduct income tax from the gross emolument when computing net income.

Part (c) asked candidates to advise on which offer of employment should be accepted based on the net income calculated in parts (a) and (b) of the question. This part of the question was generally answered well with the exception of few candidates who failed to provide the required advice as they did not compute the net income arising under each offer when answering parts (a) and (b).

QUESTION THREE

The general performance on this question was poor. Only 38 of the 99 candidates that attempted the question managed to obtain at least 10 marks out of a total of 20 available marks. A pass rate of 38.4% was recorded. The highest score was 19 out of 20 marks while the lowest was 1.

The question was on tax implications of loans to effective shareholders and international aspects of company income tax.

In part (a) candidates were required to explain the meaning of an effective shareholder and the nominee of an effective shareholder.

The following are the challenges experienced by the candidates:

- Providing guesswork responses.
- Assuming that an effective shareholder is one owns a lot of shares in the company.

In part (b) candidates were required to explain the tax implications of two transactions involving effective shareholders.

The following are the challenges experienced by the candidates:

- Failure to compute the tax payable by the company.
- Use of the fraction 37.5/62.5 instead of 37/63 when computing the tax payable by the company.

In part (c) candidates were required to calculate the final income tax payable by the company for the charge year.

The following are the challenges faced by candidates who attempted this part of the question:

- Failure to compute double taxation relief on foreign interest and foreign dividends.
- Inclusion of foreign rental income which is exempt from tax in the tax computation.

QUESTION FOUR

The general performance on this question was poor. Only 45 of the 124 candidates that attempted the question managed to obtain at least 10 marks out of a total of 20 available marks. A pass rate of 36.3% was recorded. The highest score was 15 out of 20 marks while the lowest was 0.

The question examined taxation of companies offering financial services, specifically the insurance services industry.
In part (a) candidates were required to compute the income tax payable by the insurance company.

The main challenges experienced by candidates were as follows:

- Failure to identify allowable and disallowable income and expenses respectively.
- Failure to deduct withholding tax on management fees from the company income tax payable.

- Using the wrong rates to compute capital allowances on the central administrative buildings. Most candidates claimed Industrial buildings allowance on the structure instead of using the wear and tear allowance rate for commercial buildings.

In part (b) candidates were required to advise directors of any five conditions that are required for an employee share option scheme to be approved for tax purposes.
The main challenge was failing to explain all the five required conditions.

QUESTION FIVE

The general performance on this question was poor. Only 22 of the 101 candidates that attempted the question managed to obtain at least 10 marks out of a total of 20 available marks. A pass rate of 21.8% was recorded. The highest score was 17 out of 20 marks while the lowest was 0.

The question covered the tax treatment of trusts, ethical issues and administration of taxes.

In part (a) candidates were required to advise on the tax treatment of trusts and to describe three types of trusts that may be set up for the benefit of children. The main challenge experienced by candidates was lack of knowledge on taxation of trust income. Most candidates had sufficient knowledge of the types of trusts.

In part (b) candidates were required to discuss ethical issues that could be faced when carrying out duties in the company from the scenario. Some candidates failed to identify and explain the relevant threats.

In part (c) candidates were required to advise on the company's exposure to penalties and interest on overdue taxes and on late submission of tax returns in respect of late payment of turnover tax and PAYE.

The main challenges experienced by candidates were as follows

- Lack of sufficient knowledge on the subject.
- Failure to compute the number of days that the payments were made late correctly.

Overall performance of candidates

Highest mark obtained in this paper: 83%
Lowest mark obtained in this paper: 19%
Overall pass rate in this paper: 66.9%

SUBJECT: CA3.5 ADVANCED MANAGEMENT ACCOUNTING.

QUESTION ONE

The general performance on this question was fair. 17 out of the 39 candidates that attempted the question achieved a pass (that is a score of at least 20 out of 40 marks), representing a pass rate on the question of 43.6%. The lowest score was 7, whilst the highest was 28 out of the available 40 marks.

This question was about strategic management and performance management in the context of a private healthcare provider (Health Plus - HP). It tested whether candidates could analyze an organization’s strategic position, evaluate performance, and recommend strategic improvements using well-known management tools.

It tested not only candidates' understanding of strategic management concepts but also their ability to apply them to a real-life healthcare organisation using numerical and narrative information, rather than merely recalling theory.

Part (a) required candidates to:
"Using a SWOT analysis approach, analyse the strategic position of Health Plus (HP)."

Candidates who attempted part (a) experienced the following challenges:

- Poor understanding of the SWOT framework, with many failing to distinguish between internal factors (strengths and weaknesses) and external factors (opportunities and threats).
- Misclassification of factors, for example, treating opportunities as strengths or threats as weaknesses.
- Listing generic SWOT points instead of identifying issues that were specific to the Health Plus case study.
- Failure to analyse the strategic position, with many candidates merely listing points without explaining their significance or impact on HP.
- Omission of important information from the scenario, such as the new CEO's strategic initiatives, rural expansion opportunities, high operating costs, competition, and regulatory challenges.
- Unbalanced answers, where candidates focused heavily on one or two SWOT elements while neglecting the others.

Part (b) required candidates to:
"Identify and explain two strategic gaps from the strategic position analysis of HP."

Candidates were expected to use the findings from their SWOT analysis in part (a) to identify the gaps between Health Plus's current strategic position ("where the organisation is now") and the new CEO's desired future position ("where the organisation wants to be").

Candidates who attempted part (b) faced the following challenges:

- Limited understanding of the concept of a strategic gap, with many confusing it with SWOT analysis or strategic objectives.
- Failure to compare the current position with the desired future position, instead describing only the current situation or repeating information from the case.
- Confusing strategic gaps with problems or weaknesses, without explaining the gap between "where HP is now" and "where it aims to be."
- Providing generic answers that were not linked to the Health Plus scenario or the new CEO's strategic goals.
- Weak explanations, where candidates identified a gap but did not explain its significance or how it affected the organisation's strategic direction.
- Repeating SWOT points from part (a) rather than identifying distinct strategic gaps based on the SWOT analysis.

Part (c) required candidates to:

"Recommend four change management measures that management should consider to facilitate the achievement of the desired strategic position." Candidates were expected to recommend practical change management actions that would help Health Plus (HP) successfully implement the new CEO's strategic plans, such as increasing revenue, reducing costs, improving patient satisfaction, expanding into rural areas, and enhancing operational efficiency.

Candidates who attempted part (c) experienced the following challenges:

- Poor understanding of change management principles, with many unable to recommend appropriate measures for implementing strategic change.

- Providing generic management advice instead of specific change management measures linked to the Health Plus case.
- Failure to apply recommendations to the scenario, with answers not addressing the CEO's strategic objectives such as rural expansion, cost reduction, operational efficiency, and improved patient satisfaction.

- Weak or no explanations, where candidates listed measures without explaining how they would facilitate the achievement of the desired strategic position.

- Confusing change management with strategic planning or operational activities, rather than focusing on managing the people and organisational aspects of change.

- Limited practical application, with many candidates relying on textbook definitions instead of recommending realistic actions that management could implement.

Part (d) required candidates to:
"Classify the strategic objectives into the appropriate Balanced Scorecard (BSC) perspectives and recommend one (1) Key Performance Indicator (KPI) for each objective."

Candidates were expected to use the strategic objectives outlined by the new CEO and:

- Classify each objective under the correct Balanced Scorecard perspective.
- Recommend one suitable KPI that could be used to measure progress towards achieving each objective.

Candidates who attempted part (d) faced the following challenges:

- Poor understanding of the Balanced Scorecard (BSC) framework, with many unable to distinguish between the four performance perspectives.
- Incorrect classification of strategic objectives, with objectives being placed under the wrong BSC perspective (e.g., customer objectives classified as financial or internal process objectives).
- Difficulty selecting appropriate Key Performance Indicators (KPIs), with many suggesting measures that were not relevant or measurable for the stated objectives.
- Failure to link KPIs to the strategic objectives, resulting in performance measures that did not effectively assess the achievement of the objectives.
- Providing generic textbook answers instead of applying the Balanced Scorecard to the Health Plus case study.
- Weak explanations, where candidates identified perspectives or KPIs without justifying why they were appropriate.

Part (e) required candidates to:
"Using the data provided in Appendix I, calculate and interpret the performance measures for the years 2023 and 2024."

Candidates who attempted part (e) experienced the following challenges:

- Incorrect calculation of performance measures, with many applying the wrong formulas or making arithmetic errors.
- Confusion between financial and non-financial KPIs, resulting in inappropriate calculations or interpretations.
- Failure to compare performance between 2023 and 2024, with candidates discussing only one year's results instead of analysing the trend.
- Poor application of the case study data, with some candidates failing to use the information in Appendix I correctly.
- Weak analytical skills, as many candidates described the figures rather than evaluating whether performance had improved or deteriorated and the implications for the organisation.

Part (f) required candidates discuss three potential risks to HP of expanding into rural areas and how each risk can be mitigated.

The following were the common mistakes noted:

- Failure to identify relevant risks. Most candidates provided general business risks as opposed to those related to the HP scenario.
- Where some risks were identified, there were no details in the explanations related to expansion into rural areas.
- Some candidates had challenges explaining the impact of the identified risks.

QUESTION TWO

The general performance on this question was fair. 16 of the 32 candidates that attempted the question managed to obtain at least 10 marks out of a total of 20 available marks. A pass rate of 50% was recorded. The highest score was 18 out of 20 marks while the lowest was 0.

This question required candidates to:

(a) Prepare brief notes for the CEO that outlines key elements on any of the five concepts that the management of Z plc has proposed.
(b) Calculate the average annual performance measures of Z Plc for customer growth rates, revenue growth rates, expenses growth rates, loan portfolio rates and net profit growth rates.
(c) Outline five courses of action that Z Plc may adopt to address the results in (b).

Common errors/mistakes observed included the following:

- Discussing the key points other than the five points the question required.
- Not knowing what to discuss under each of the five key points.
- Some candidates' comments were repetitive and failed to address management the requirements.

QUESTION THREE

The general performance on this question was good. 24 of the 37 candidates that attempted the question managed to obtain at least 10 marks out of a total of 20 available marks. A pass rate of 64.9% was recorded. The highest score was 18 out of 20 marks while the lowest was 1.

Question Three required candidates to:

(a) To evaluate the issues facing the industry and the factors that would influence (CTG Plc), when formulating a strategic plans to meet the new situation. Candidates were further requested to make use of the PESTEL model or other additional factors in their evaluation/analysis.
(b) Discuss what strategic responses are available to CTG Plc in the new environment
(c) Discuss what the management accountant's response should be regarding the current costing system.

How they should have answered the question:

- Part (a)Candidates were expected to state and briefly elaborate on factors such as the political environment, economic environment, technological environment, competitive environment and additional factors like product range, accounting systems and customer's reliance and interests.
- Part (b) They were also required to state and explain options available to CTG Plc such as finding new markets, developing new products, aggressive pricing, become more efficient via structural re-organisation, sell itself to a larger company.
- Part (c) To demonstrate the management accountant's response of assessing if cost data was accurate for the intended pricing, commenting on the inadequacy of current system and suggestion of ABC (activity-based-costing) system adoption or even marginal costing.

Common errors/mistakes

- Failure to clearly explain the strategic plan analysis with regards to factors likely to influence such plans both externally and internally.
- Some candidates were commenting anyhow and failed to pick points and hints from the scenario set and build on that.

QUESTION FOUR

The general performance on this question was poor. Only 1 of the 5 candidates that attempted the question managed to obtain at least 10 marks out of a total of 20 available marks. A pass rate of 20% was recorded. The highest score was 16 out of 20 marks while the lowest was 0.

Question Four required candidates to:

(a) Tabulate quantities to maximize divisional profits given certain conditions of transfer pricing.
(b) Prepare tabulations that indicate anticipated effect in divisional sale of products at certain prices and compute the contribution.
(c) Tabulation to show anticipated effect on division selling at listed prices and comment on results.
(d) Discuss changes one would advise and make regarding transfer pricing system, so as to motivate managers in decision making.

How they should have answered the question:

(a) Candidates were expected to show in columnar format the production units, selling price /unit, total sales revenues, total variable costs and total contribution for Division X. The highest contribution indicated the production units that Division X could transfer to Division Y.
(b) Candidates were expected to set up a similar tabulation as in part (a) but from Division Y' s viewpoint. The highest contribution indicated the production units that Division Y would sell on the open market to maximise his/her contribution.

(c) Changes to transfer pricing system to motivate managers in decision making. Candidates could have suggested changes such as introducing a dual transfer pricing system and two-part tariff transfer pricing system.

The few candidates that attempted the question had very little knowledge on transfer pricing and failed to complete the various sub-sections of the question.

QUESTION FIVE

The general performance on this question was good. 21 of the 34 candidates that attempted the question managed to obtain at least 10 marks out of a total of 20 available marks. A pass rate of 61.8% was recorded. The highest score was 18 out of 20 marks while the lowest was 3.

Question Five required candidates to write a report discussing each of the following statements.

- Life cycle costing to distinguish it from traditional costing.
- Activity based management and how it can be of value to (KP Plc)
- Value Chain analysis.
- Business Process re-engineering and how it can assist KP competitiveness.
- Kaizen costing.

How the candidates should have answered the question

- Candidates were expected draw up a formal report with heading and salutation, then proceed to define and explain each technique, namely, life cycle costing, activity-based management, value chain analysis, business process re-engineering and kaizen costing in relation to KP Plc operations.

Common errors/mistakes:

- Some candidates failed to write a report in the form: introduction and salutation, a communication skill expected from every student at this stage.
- The majority of the candidates did not discuss in the report how the modern techniques would enhance performance for the company in question.

Overall performance of candidates

Highest mark obtained in this paper: 74%
Lowest mark obtained in this paper: 25%
Overall pass rate in this paper: 46.2%

SUBJECT: CA 3.6 ADVANCED FINANCIAL MANAGEMENT

QUESTION ONE

The general performance on this question was poor. Only 4 out of the 34 candidates that attempted the question achieved a pass (that is a score of at least 20 out of 40 marks), representing a pass rate on the question of 11.8%. The lowest score was 3, whilst the highest was 25 out of the 40 available marks.

(a) (i) The question required candidates to compare the additional value which union commodities group believes can be generated from the sale of the CMP gains division based on the P/E ratio, with that of the projected present value of its future free cash flows. The challenges were as follows:

- Candidates failed to calculate the share of pre-tax profit which had an impact on the value of the business.
- Candidates failed to calculate the after-tax profit to be used to find the value using the P/E ratio method.

(ii) The question required candidates to calculate the weighted average cost of capital, and the challenges were as follows:

- Candidates failed to calculate the market values of debt and equity
- Candidates failed to calculate the combined asset beta
- Candidates failed to convert the combined asset beta to equity beta which affected the cost of equity and eventually the WACC.

(iii) The question required candidates to carry out an assessment of the strategic and financial value, strategic fit and synergies to the union commodities group of the acquisition, including a discussion of the estimations and assumptions made. Candidates:

- Failed to account for the increase in sales correctly.
- Failed to calculate additional capital investment.
- Failed to calculate the present value after year 4 in perpetuity.
- Failed to calculate the present value of the synergy.

(b) The question required candidates to discuss how factors such as availability and mix of finances, costs and cash flows will impact how the offer for metal markets plc will be financed, and hence the level of gearing which the union commodities group will achieve.

- Candidates failed to clearly explain how fall in share price can affect gearing if the gearing is calculated on market value basis.
- Candidates failed to explain clearly how the availability and mix of finances, cost and cash flow can impact the offer price.

QUESTION TWO

The general performance on this question was good. 15 out of the 26 candidates that attempted the question managed to obtain at least 10 marks out of a total of 20 available marks. A pass rate of 57.7% was recorded. The highest score was 16 out of 20 marks while the lowest was 0.

(a) The candidates were required to evaluate how the (i) Forward contracts (ii) Money market hedge management methods can be used by ENG Plc to hedge its exposure to foreign currency risk, and then recommend the most suitable one. This required the use of the spot rates quoted and using these to determine the Forward rate. Under part (ii), most candidates failed to use the amount of US$ 5 million due within 3 months' time in order to determine the amount to convert so as to come up with the amount to invest.

(b) Some of the candidates who attempted this part of the question which required them to discuss the considered main advantage of using foreign currency options to hedge against foreign currency risk. Most candidates failed to point out the advantages.

(c) The candidates that responded to this part of the question common mistakes was their inability to explain the reason exposure to economic risk as a result of exchange rate fluctuations is hard to quantify.

QUESTION THREE

The general performance on this question was poor. Only 6 out of the 23 candidates that attempted the question managed to obtain at least 10 marks out of a total of 20 available marks. A pass rate of 26.1% was recorded. The highest score was 13 out of 20 marks while the lowest was 1.

(a) Required the candidates to determine the market price of the convertible loan notes and advise whether the loan notes should be converted to shares. Majority of candidates failed to compute market price.
(b) Required candidates to use the P/E ratio method to compute the share price and discuss the demerits of using this method for the valuation of shares of the company. Candidates fairly attempted this questions.
(c) Required candidates to discuss two Islamic sources of finance which could consider as alternatives to a loan note issue. Most candidate exhibited lack of knowledge of Islamic finance.

QUESTION FOUR

The general performance on this question was poor. Only 3 out of the 16 candidates that attempted the question managed to obtain at least 10 marks out of a total of 20 available marks. A pass rate of 18.8% was recorded. The highest score was 10 out of 20 marks while the lowest was 1.

(a) Required candidates to discuss how the parent can assess the cash flow for the proposed overseas investment and the source of financing for the investment. Some candidates did not understand that relevant cash flows may vary between the view- points due to a number of factors.
(b) Required candidates to illustrate the outcome of the hedge if the loan is negotiated. Majority of candidates were unable to illustrate how to use the interest rate futures to hedge against interest rate risk. Candidates were unable to calculate Net payment.

(c) Required candidates to calculate the effective interest rate. Calculation of effective interest rate was equally not correctly done because figures were misplaced and transposed figures e.g. when calculating effective interest rate, some candidates used 8/12 instead of 12/8.

QUESTION FIVE

The general performance on this question was good. Only 20 out of the 33 candidates that attempted the question managed to obtain at least 10 marks out of a total of 20 available marks. A pass rate of 60.6% was recorded. The highest score was 14 out of 20 marks while the lowest was 4.

(a) Required candidates to assess the type of risks that multinational companies may be exposed to given the nature of their business operations. Candidates could not come up with specific types of Foreign Trade Risks: which included 1- Current Risks- Under such risks the candidate should state (i) Translations, Economic and Transaction risks. Other risks were Political risks, political, Physical Credit, Trade and Liquidity, Cultural risks.
(b) Required the candidates to explain how a multinational company might set up and manage its treasury function. There was fair attempt.
(c) Required candidates to discuss the nature of the basis risk a multinational company may be exposed to when using the futures contracts to manage risk. Candidates were not able to Explain Basis Risks. They also could not explain Futures Basis. This shows poor understanding of foreign exchange. Candidates should distinguish between the Basis risks and futures risks.

Overall performance of candidates

Highest mark obtained in this paper: 55%
Lowest mark obtained in this paper: 13%
Overall pass rate in this paper: 23.5%

SUBJECT: 3.7 PUBLIC SECTOR AUDITING AND ASSURANCE

QUESTION ONE

The general performance on this question was very good. 78 out of the 105 candidates that attempted the question achieved a pass (that is a score of at least 20 out of 40 marks), representing a pass rate on the question of 74.3%. The lowest score was 6, whilst the highest was 33 out of the available 40 marks.

Part (a)
This part of the question required candidates to discuss how financial accountability & transparency impact the implementation & sustainability of donor funded programs such as the one in the scenario. A majority of the candidates scored maximum marks in this question.

The following observations were made:

- Providing explanations that were off topic.
- Candidates explained the two terms without discussing how they impact the project in the question. At this level of the examinations, candidates are required to apply the theory to the scenario information in the question.
- There were candidates who discussed the importance of accountability and transparency without explaining how they will impact the program in question.

Part (b)
This part of the question required candidates to explain potential threats to the independence of the auditors in planned audit of the WASG Program.

Answering this question required use of information in the scenario. While a majority of the candidates scored more than half the available marks there was a minority that scored less marks.

The following observations were made:

- Most candidates who scored poorly explained ethical principles of integrity, professional behavior etc. which was not the question requirements and no marks were awarded for doing so.
- A number of candidates explained the threats to independence without making reference to the information in the scenario which was not the question requirement. Candidates should have explained the ethical issues clearly explaining the threat caused.
- There were candidates who explained independence and objectivity with no reference to the information in the scenario as expected.

Part (c)
This question required candidates to explain the audit procedures that needed to be done in response to the non-compliance with laws and regulations related to the disposal of waste

water. ISSAI 1250 provides guidance to the auditors regarding their responsibilities when there is non-compliance with laws and regulations.

The following observations were made:

- A number of those that scored low marks explained procedures that did not relate to non-compliance with environmental laws and regulations.
- There were candidates who explained the responsibilities for laws and regulations of yeh auditors and the management.

Part (d)
This part of the question required candidates to discuss four audit procedures for assessing financial risks and internal controls to help identify material misstatement, fraud risks and operational inefficiencies:

The following observations were made:
- There were candidates that defined financial risks and control risks which did not address the question requirements.
- There were candidates that explained internal controls which was not the question requirement.
- There were candidates who discussed weaknesses in the scenario rather than audit procedures as required and no marks were awarded for doing so.
- There were candidates that evaluated the information in the scenario against the financial risks and internal controls for the WASH program

Part (e)
This part of the question required candidates to discuss two procedures for evaluating the regulatory compliance within the program in the scenario to determine adherence to donor agreements, procurement regulations and financial management flaws.

A majority of the candidates were able to explain suitable compliance audit procedures and scored maximum marks.

The following observations were made:

- There were candidates who explained the procurement issues in the scenario rather than describe the compliance audit procedures.
- There were candidates that explained the donor agreement and its contents without suggesting the required audit procedures.

Part (f)
This part of the question required candidates to describe two audit techniques used for obtaining sufficient & relevant evidence in a compliance audit of the program under audit. This was a knowledge-based question in which a majority scored the maximum 4 marks available.

The following observation was made:

- There were candidates that discussed audit procedures rather than the techniques that can be used to obtain evidence which could then be used to design suitable audit procedures.

Part (g)
This part of the question required candidates to evaluate the extent to which the program has complied with the three value for money principles.

The following observations were made:

- There were candidates who explained the meaning of the three value for money principles without relating their answers to the information in the scenario as expected.
- There were candidates who discussed how the WASH program should have been conducted instead of evaluating the value for money principles against the information in the scenario.

Part (h)
This part of the question required candidates to describe three essential IT controls that should be put in place within the program under consideration to ensure data integrity, financial accountability and cyber security effectiveness.

Majority of the candidates scored half or more of the available marks.

The following observation was made:

- Some candidates discussed the use of Computer Assisted Audit Techniques in answering this question which was not the question requirement.

QUESTION TWO

The general performance on this question was poor. 31 of the 71 candidates that attempted the question managed to obtain at least 10 marks out of a total of 20 available marks. A pass rate of 43.7% was recorded. The highest score was 16 out of 20 marks while the lowest was 3.

The question was split into two parts as follows:

Part (a) was relating to ethical matters and application of information in the scenario against the provisions of ISSAI 12; Value and benefits of SAIs.

Part (b) related to reporting and audit opinions.
One candidate did not attempt to answer the compulsory question which carries maximum marks.

Part (a)

(i) This part of the question required candidates to evaluate three ethical matters of concern of the SAI and the SAI staff arising from the peer review. The question did not require suggestion of suitable safeguards and well prepared candidates should have score maximum marks.

The following observations were made:

- There were many candidates that discussed ethical values without evaluation the extent of compliance or non-compliance as per question required.
- There are candidates that simply repeated the information in the scenario without adequate explanation on why the matter is considered an ethical matter.
- There were candidates that explained matters supposed to have been explained in (ii) in this part of the question.

(ii) This part of the question required candidates to discuss the extent of compliance by the SAI with the provisions of ISSA 12: Value and benefits of SAIs. Use of information in the scenario was necessary and general answers on value and benefits with no reference to the information in the scenario did attract maximum marks.

Most of the candidates that attempted this question scored maximum marks and used the information in the scenario correctly in evaluation compliance with the provisions of ISSAI 12.

A few candidates lost easy marks and the following were observed:

- There were candidates that simply explained the principles of value and benefits with no evaluation of the information in the scenario. This did not attract any marks because it did not address the question requirement.
- There were candidates who explained the values of SAIs to the nation without any evaluation undertaken and no marks were awarded for doing so.

Part (b)

(i) This part of the question required candidates to suggest with justification an appropriate opinion using the information in the scenario. The majority of the candidates did not perform well in this part of the question.

The following observations were made:

- A majority of candidates suggested opinions with no justification as required and no marks were given for doing so.
- There were candidates who only considered inventory in the evaluation to suggest a suitable opinion to the exclusion of the going concern issue.
- There were candidates that suggested the correct opinion but with an incorrect justification suggesting lack of knowledge on reporting.

(ii) This part of the question required candidates to draft suitable extracts of the audit report including the opinion paragraph and other disclosures required in the audit report. Marks were awarded for correctly drafting the report even where the suggested opinion in (i) may have been incorrect.

The following observations were made:

- There were candidates who included elements of the audit report that were not necessary despite the guidance in the question with regards the expected elements to be included.
- There were candidates who recommended a modified opinion, qualified or adverse, but could not correctly use the headings of the relevant paragraphs while in some cases the suggested opinion and the wording in the paragraph did not math. For examples suggesting a qualified opinion but the wording used is that of an adverse opinion.

QUESTION THREE

The general performance on this question was poor. 10 of the 81 candidates that attempted the question managed to obtain at least 10 marks out of a total of 20 available marks. A pass rate of 12.3% was recorded. The highest score was 15 out of 20 marks while the lowest was 0.

Part (a)

(i) This part of the question required candidates to explain the need to assess the risk of fraud in planning the compliance audit of the resettlement program.

Most candidates failed to recognize and explain the fact that compliance audits are susceptible to fraud and that the subject matter information could be misstated in an effort to conceal the fraud. There were many candidates that explained the meaning of fraud without explaining the need for the public sector auditor to assess the risk of fraud.

(ii) This part of the question required candidates to explain the need for conducting a risk assessment in performing a financial audit. Candidates needed to explain that the need to conduct a risk assessment is to enable the public sector auditor to identify the risk that could cause material misstatements and enable the auditor to respond appropriately to the identified risks. A majority of the candidates scored the maximum 2 available marks in this question.

Part (b)

This part of the question required candidates to suggest a suitable approach that could be followed in the performance audit of the retirement program. For two marks candidates were expected to suggest one of the three possible approaches.

There were many candidates who simply explained all the three possible approaches to performance auditing without suggesting a suitable approach that should be followed. The question required candidates to suggest a suitable approach implying one of the three and explaining all the three possible methods avoided answering the question requirement.

Part (c)
This part of the question required candidates to explain two factors that should be considered in assessing the sufficiency of audit evidence that could be obtained in the compliance audit. Most candidates either did not attempt to answer this part of the question or gave incorrect matters that should be considered.

The following observations were made:

- Some candidates misunderstood the question. Instead of explaining factors affecting sufficiency of evidence such as materiality, audit risk & the quality of evidence obtained, candidates defined compliance audit types of regularity and propriety which was not the question requirement.
- A significant number of candidates did not attempt to answer this part of the question.

Part (d)
(i) This part of the question required candidates to suggest two criteria that should be used as benchmarks in the compliance audit of the resettlement program. The criteria should have been determined from the information in the scenario.
There were several candidates that identified correctly the specific rules that should be complied with but phrased these as general observations rather than formal compliance benchmarks.

(ii) This part of the question required candidates to describe four methods that the audit team can use to obtain evidence in the compliance audit of the resettlement program. This was a knowledge based question and well prepared candidates should have scored the maximum 8 available marks. The methods of obtaining evidence are the same as those used in private sector auditing and all candidates required to do is to any four methods.
Many candidates scored low marks and many explained audit procedures rather than explain the methods of designing suitable audit procedures.

QUESTION FOUR

The general performance on this question was poor. 21 of the 74 candidates that attempted the question managed to obtain at least 10 marks out of a total of 20 available marks. A pass rate of 28.4% was recorded. The highest score was 18 out of 20 marks while the lowest was 0.

Part (a)
This part of the question required candidates to explain principles of performance auditing and how they apply to ZWRA.

A majority of the candidates correctly explained the three value for money principles of economy, efficiency and effectiveness. A few candidates wrongly explained effectiveness as the effective use of resources which relates to efficiency.

Part (b)
This part of the question required candidates to describe the framework for performance auditing that could be used to assess the value for money principles. Most candidates scored less than half the available marks.

A majority of the candidates explained the value for money principles again which was not the focus of the question. Candidates should have explained the phases of performance auditing according to the framework for performance auditing of planning the performance auditing, the conduct of the fieldwork, analysis and the reporting phases.

Part (c)
This part of the question required candidates to derive three performance audit questions that could guide an audit of ZWRA's operational management with a focus on financial accountability and water resource sustainability.

The audit questions that candidates were expected to suggest relate to the three value for money principles of economy, efficiency and effectiveness. A majority of the candidates did not attempt to answer this part of the question. Many candidates did not suggest suitable questions and instead explained that it is possible to be efficient, economical and effective and this did not earn any marks.

Part (d)
This part of the question required candidates to discuss the potential challenges an auditor may face when conducting a performance audit of ZWRA regarding revenue collection and financial reporting. The bulk of the candidates did not answer this part of the question and others gave answers that were not related to the question requirement.

QUESTION FIVE

The general performance on this question was fair. 37 of the 81 candidates that attempted the question managed to obtain at least 10 marks out of a total of 20 available marks. A pass rate of 45.7% was recorded. The highest score was 18 out of 20 marks while the lowest was 0.

Part (a)
This part of the question required candidates to explain two objectives of the forensic audit on the fraudulent activities at Fair Telecom.

Many candidates could not explain the objectives of forensic audit but instead defined forensic audits which did not answer the question requirement and no marks were awarded for doing so.

Part (b) of the question required candidates to describe two key stages of a forensic investigation at Fair Telecom to address financial mismanagement and fraud. Candidates were free to describe any two key stages. A majority of the candidates showed lack of knowledge of the stages of forensic investigation resulting in some explaining the three value for money principles which did not address the question requirement.

Part (c) required candidates to discuss two procedures to secure & safeguard financial data during Fair Telecom's forensic investigation including preservation of records and maintaining the chain of custody.

Due to the lack of knowledge of the key stages of forensic audits many candidates could not suggest ways that the public sector auditors could use to safeguard financial data during the forensic audit. This was a knowledge based question and well prepared candidates should have scored maximum marks in this part of the question.

Part (d) of the question required candidates to explain two ways in which CAATs could assist the forensic investigation at Fair Telecoms. There was evidence of lack of knowledge of how CAATs could be used in a forensic investigation. Many candidates explained the meaning of CAATs with no reference on how they could be used to detect fraud and financial irregularities in a forensic audit.

Part (e) required candidates to explain two ways in which data analytics and mining could help uncover financial mismanagement and procurement fraud at Fair Telecom.

A sizeable number of candidates were able to explain ways in which data mining and data analytics could help uncover financial mismanagement but few explained how they could help uncover fraud at Fair Telecom as per question requirement. They lost the marks allocated to explaining the use of data analytics and mining to the detection of fraud.

Overall performance of candidates

Highest mark obtained in this paper: 76%
Lowest mark obtained in this paper: 11%
Overall pass rate in this paper: 45.3%

SUBJECT: CA 3.8 PUBLIC SECTOR FINANCIAL MANAGEMENT

QUESTION ONE

The general performance on this question was poor. Only 8 of the 22 candidates that attempted the question achieved a pass (that is a score of at least 20 out of 40 marks), representing a pass rate on the question of 36.4%. The lowest score was 7, whilst the highest was 25 out of the available 40 marks.

Part (a) of the question required the candidates to explain the key phases in public sector's annual budget cycle as applied by the various ministries. The responses from some of the candidates that answered this part of the question did not answer in the manner the phases are done. Most of them started with the fourth (4th) phase or even the last phase.

Part (b) of the question required that the candidates discuss the budget monitoring, feedback, and control mechanism that Ministries employ to safeguard efficiency and transparency. The common mistakes in responding to this part of the question was that some candidates inadequately discussed these. This mistake also applied to part (c), (d) and (e) of the question where candidates did not adequately explain a five (5) step risk management cycle in budgeting and assess the key budgetary risk categories with recommendation of the risk mitigation strategies as well as explain the critical dimensions of public financial management performance from the PEFA framework.

QUESTION TWO

The general performance on this question was very good. 12 out of the 17 candidates that attempted the question managed to obtain at least 10 marks out of a total of 20 available marks. A pass rate of 70.6% was recorded. The highest score was 15 out of 20 marks while the lowest was 6.

On part (a), candidates could not distinguish between Activity –Based Budgeting and Outcome-Based Budgeting clearly. A clear distinction is that Activity Based Budgeting meticulously ties financial resources to the specific actions needed to produce a defined output. It is a bottom-up approach meticulously assigning each step of a process. On the other hand, Out-come-based Budgeting directs resources towards measurable results focusing on what should be accomplished rather than how. It is a top-down approach prioritizing the desired impact.

The candidates who were unable to distinguish the difference between the two concepts ended up with incorrect advantages and disadvantages. It is important to understand the distinction first.

In relation to part (b), candidates exhibited limited knowledge of understanding revenue management control measures that are put in place to remedy revenue losses.

QUESTION THREE

The general performance on this question was excellent. 19 out of the 21 candidates that attempted the question managed to obtain at least 10 marks out of a total of 20 available marks. A pass rate of 90.5% was recorded. The highest score was 16 out of 20 marks while the lowest was 2.

Part (a) required candidates to explain the sources of public revenue and some candidates were unable to explain the Grants and Aid. Others could not explain the term Non –Tax Revenue and mineral Royalties. There is need for such candidates to do more reading.

In part (b), some candidates were unable to explain or demonstrate how Revenue Sources Impact Governance in Zambia

In part (c), some candidates were unable to explain Key Areas of Public Expenditure. They needed to give examples besides explaining them. Reference should be made to two areas namely Central Government and secondly Local Government.

QUESTION FOUR

The general performance on this question was poor. Only 4 out of the 13 candidates that attempted the question managed to obtain at least 10 marks out of a total of 20 available marks. A pass rate of 30.8% was recorded. The highest score was 17 out of 20 marks while the lowest was 2.

(a) The question required candidates to explain three (3) material systematic fiscal risks and control measures.
- Candidates failed to explain the key material systematic fiscal risks such as cost overrun, weak procurement, poor oversight, institutional capacity and unclear governance but they opted for business risk, financial risk, political risks etc.

(b) The question required candidates to explain how the use of structured PFM measurement frameworks, such as the PEFA framework, can assist in identifying and mitigating the risks discussed in part (a). The failure to explain the appropriate risks in part(a) resulted into wrong answers which also lacked application to the scenario.

(c) The question required candidates to explain the project approval process, performance management arrangements and the role of public- private partnerships. Candidates:
- Failed to list the process in order.
- Failed to explain the role of PPPs such as financing, expertise and efficiency.

QUESTION FIVE

The general performance on this question was very good. 9 out of the 14 candidates that attempted the question managed to obtain at least 10 marks out of a total of 20 available marks. A pass rate of 64.3% was recorded. The highest score was 16 out of 20 marks while the lowest was 1.

(a) The question required candidates to evaluate the financial viability of the project using Net Present Value. Candidates:
- Included the feasibility study which is not a relevant out flow when calculating the NPV.
- Failed to calculate the appropriate annuity factor to use to discount the cash flows.
- Failed to identify relevant cash flows to use to calculate the net present value.

(b) The question required candidates to explain how the use of structured PFM measurement frameworks, such as the PEFA framework, can assist in identifying and mitigating the risks discussed in part (a). The failure to explain the appropriate risks in part(a) resulted into wrong answers which also lacked application to the scenario.

(c) Required candidates to advise management how scenario building can be applied in the evaluation of the risks associated with proposed capital projects.

Overall performance of candidates

Highest mark obtained in this paper: 70%
Lowest mark obtained in this paper: 18%
Overall pass rate in this paper: 68.2%