SEPTEMBER 2026 EXAMINATIONS

CHIEF EXAMINERS REPORTS

DIPLOMA IN ACCOUNTANCY

SUBJECT: DA1 – FINANCIAL ACCOUNTING

QUESTION ONE

The general performance on the question was good. Of the 55 that attempted the question, only 33 managed to obtain at least 10 out of the available 20 marks. A pass rate of 60% was recorded. The highest score was 18 while the lowest was 2 out of 20.

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

QUESTION TWO

The general performance on the question was poor. Of the 30 that attempted the question, only 6 managed to obtain at least 10 out of the available 20 marks. A pass rate of 20% was recorded. The highest score was 15 while the lowest was 0 out of 20.

This was a theory question on public sector accounting with five parts. Candidates are encouraged to pay attention to the theory part of the syllabus.

QUESTION THREE

The general performance on the question was poor. Of the 48 that attempted the question, only 17 managed to obtain at least 10 out of the available 20 marks. A pass rate of 35.4% was recorded. The highest score was 18 while the lowest was 0 out of 20.

Part (a) required candidates to prepare a statement of profit or loss for the year ended 31st December 2025. Candidates failed to follow the question requirement on how depreciation expenses are to be allocated to cost of sales, administration and distribution costs.

Part (b) required candidates to prepare a statement of changes in equity. Candidates failed to adjust the opening retained earnings balance by prior year adjustment.

Part (c) required candidates to prepare a statement of financial position as at 31st December 2025. This part was answered well.

QUESTION FOUR

The general performance on the question was very poor. Of the 22 that attempted the question, only 2 managed to obtain at least 10 out of the available 20 marks. A pass rate of 9% was recorded. The highest score was 11 while the lowest was 0 out of 20.

Part (a) required candidates to prepare a statement of cash flows. Very poor answers were given. Candidates failed to establish profit before tax, failed to present the statement as recommended in the textbook format and entries were just listed.

Candidates are encouraged to study this part of the syllabus as it is likely to feature more in the next examinations.

Part (b) required candidates to explain briefly the accruals concept in accounting. Good answers were given.

QUESTION FIVE

The general performance on the question was excellent. Of the 55 that attempted the question, 47 managed to obtain at least 10 out of the available 20 marks. A pass rate of 85.5% was recorded. The highest score was 17 while the lowest was 4 out of 20.

Part (a) (i) Required candidates to prepare a statement of profit or loss for the year ended 31st December 2025. Good solutions were presented.

Part (a) (ii) Required candidates to prepare a statement of financial position. Good answers were given.

Part (b) Required candidates to list six (6) factors that have shaped the development of financial accounting. This part was avoided by candidates; theory questions are not popular with candidates.

QUESTION SIX

The general performance on the question was poor. Of the 50 that attempted the question, only 15 managed to obtain at least 10 out of the available 20 marks. A pass rate of 30% was recorded. The highest score was 20 while the lowest was 0 out of 20.

Part (a) Required candidates to write up ledger accounts clearly showing the closing balances. Candidates failed to obtain easy marks by failing to clearly show texts in ledger accounts.
Part (b) Required candidates to draw up a trial balance as at 31st January 2025. Very poor answers were given. This question was based on double entry system. Candidates attempting this examination at this level are expected to understand how the double entry bookkeeping system works.

OVERALL PERFORMANCE OF CANDIDATES

Highest mark obtained in this paper **75%**
Lowest mark obtained in this paper **15%**
Overall pass rate in this paper **29.1%**

SUBJECT: DA2 – QUANTITATIVE ANALYSIS

QUESTION ONE

The general performance on the question was poor. Of the 45 that attempted the question, 17 managed to obtain at least 10 out of the available 20 marks. A pass rate of 37.8% was recorded. The highest score was 18 while the lowest was 2 out of 20.

The questions in this section were multiple choices and covered the entire syllabus. The performance was not good on this section. The question covered the entire syllabus hence candidates had a wide range of questions to answer. In most cases, candidates lost marks for using wrong formulae when computing the required tasks.

QUESTION TWO

The general performance on the question was good. Of the 40 that attempted the question, 20 managed to obtain at least 10 out of the available 20 marks. A pass rate of 50% was recorded. The highest score was 18 while the lowest was 0 out of 20.

This question was divided into two parts. Part (a); candidates were required to use the given data to find the regression line and to estimate the value of y when x=30 . It was observed that the performance in this question was good, candidates had fewer challenges in solving the questions given. Those that lost marks on this part of the question made computational errors especially when computing the summations.

Part (b) of the question required candidates to find the seasonally adjusted unemployment value in the first quarter. The performance on this part of the question was very bad. Almost all the candidates did not know what to do. In fact, no candidate used the correct formula to compute the required task.

QUESTION THREE

The general performance on the question was poor. Of the 43 that attempted the question, 18 managed to obtain at least 10 out of the available 20 marks. A pass rate of 41.9% was recorded. The highest score was 20 while the lowest was 0 out of 20.

Part (a) of the question required candidates to find future values using the compound interest method. It was observed that most candidates didn't know the correct formulas to use and could not use correct conversions of rates using the given compounding method which was monthly and daily. The performance on this part of the question was poor.

Part (b) required candidates to calculate the median, the arithmetic mean, standard deviation and the coefficient of variation from a given scenario of ungrouped data. The first and third part of the question were solved without much struggle, but application of concepts emphasised in

the second part of the question was not well done. There was an observed lack of understanding of the question as most candidates could not find the correct standard deviation and the coefficient of variation despite using the correct mean.

QUESTION FOUR

The general performance on the question was very poor. Of the 29 that attempted the question, only 2 managed to obtain at least 10 out of the available 20 marks. A pass rate of 6.9% was recorded. The highest score was 16 while the lowest was 0 out of 20.

Part (a) required candidates to use the method of annuities to solve a problem involving simple interests. The general performance in this part of the question was poor because candidates were observed to be using wrong formulae. There is a need to emphasise differences between simple interest, compound interest and annuities to help candidates to choose the correct method when solving problems involving monetary investment and interest rates.

Part (b) required candidates to use the method of normal distribution to solve a given scenario. The performance on this problem was equally not good, there was an observed failure to correctly use the Z tables in finding probabilities.

QUESTION FIVE

The general performance on the question was very poor. Of the 33 that attempted the question, only 2 managed to obtain at least 10 out of the available 20 marks. A pass rate of 6.1% was recorded. The highest score was 18 while the lowest was 0 out of 20.

This question was divided into three parts. Part (a) of the question required candidates to simulate the demand for the first ten days of the month according to the given numbers. They were also required to find the average demand per day as well as the expected demand. The performance on this part of the question was very poor. Candidates showed serious lack of knowledge on the subject matter.

Part (b) was a question on grouped data requiring candidates to calculate the mean and variance. The majority of candidates were able to find the mean correctly but had challenges in finding the variance due to failure to substitute the correct values in the formula.

Part (c) of the question required candidates to calculate the regular payments necessary to amortize the debt in a given scenario. There was an observed serious lack of knowledge on the part of the candidates in this question. The performance on this part of the question was bad, candidates used wrong formulae.

QUESTION SIX

The general performance on the question was poor. Of the 32 that attempted the question, only 7 managed to obtain at least 10 out of the available 20 marks. A pass rate of 21.9% was recorded. The highest score was 16 while the lowest was 0 out of 20.
This question was divided into two parts. Part (a) of the question required candidates to draw an appropriate pie chart for the given data. Most candidates were able to compute the angles associated with the given categories and drew the required pie chart. Some candidates were observed to have calculated the percentages instead, which makes it difficult to determine the size of the angle associated with the category when drawing the chart.

Part (b) of the question required the candidates to set up a probability and cumulative distribution for the given variable. They were also required to establish random numbers, simulate 10 hours of the variable and compute the expected number of the variable. The performance on this part of the question was poor. Candidates lacked knowledge on the subject matter.

Overall performance of candidates

Highest mark obtained in this paper**:** **77%**
Lowest mark obtained in this paper: **9%**
Overall pass rate in this paper: **20%**

SUBJECT: DA3 – BUSINESS ECONOMICS

QUESTION ONE

The general performance on the question was good. Of the 44 that attempted the question, 27 managed to obtain at least 10 out of the available 20 marks. A pass rate of 61.4% was recorded. The highest score was 18 while the lowest was 4 out of 20.

This was a multiple choice compulsory question.

QUESTION TWO

The general performance on the question was poor. Of the 33 that attempted the question, 13 managed to obtain at least 10 out of the available 20 marks. A pass rate of 39.4% was recorded. The highest score was 15 while the lowest was 1 out of 20.

The question was divided into two (2) parts namely (a) and (b) as follows:

Part (a) involved the following:

(i) Define fixed cost using the given figures. This was well answered by the majority of the candidates. However, a few candidates defined fixed cost in general without giving the figure as required. These could not be awarded the full marks.

(ii) State the selling price for the product. This was fairly done too but some candidates merely defined the selling price instead of stating it as required.

(iii) Complete the table by calculating marginal cost and marginal revenue columns. This was largely poorly done. Candidates needed to use the formulae MC = $\Delta TC/\Delta Q$ and MR = $\Delta TR/\Delta Q$

(iv) Describe the behaviour of marginal cost curve. This was well answered by majority of the candidates. Some even drew the curves.

(v) Determine the quantity and maximum profit the firm can earn. This was well answered mainly by those who got (iii) correctly. The common mistake was that some candidates failed to pick the quantity. Further, others identified the quantity correctly but erroneously picked the profit.

Part (b) involved explaining the reason why a firm may still fail to maximise profit under perfect competition even though marginal revenue = marginal cost. This was poorly answered. The majority of the candidates presented characteristics of perfect competition such as free entry and exit, homogenous product, etc. as the reason. This was incorrect. The question required

candidates to appreciate the fact that for some firms there may be one or more quantities where MR = MC.

QUESTION THREE

The general performance on the question was very poor. Of the 28 that attempted the question, 5 managed to obtain at least 10 out of the available 20 marks. A pass rate of 17.9% was recorded. The highest score was 12 while the lowest was 0 out of 20.

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

(a) This question required candidates to explain using a well labelled graph, a firm under perfect competition:

(i) Earning economic profit
(ii) Earning normal profit

Overall, (i) and (ii) were poorly done. Some candidates drew the regular demand and supply curves, others monopoly curves while still others just drew horizontal curves. Candidates are reminded that to determine profit graphically, the correct MR, MC and ATC curves are needed. The graphs must be well labelled.

(b) Required candidates to outline any two (2) features of monopoly market structure. This was correctly answered by majority of the candidates.

(c) Required candidates to discuss whether or not monopoly market structure is efficient in the allocative sense (without using a graph). This was poorly done. The majority of the candidates stated that a monopoly market structure is efficient in the allocative sense which is contrary to established economic principle. Others who correctly stated that it is not efficient cited load-shedding as an example!

(d) Required candidates to distinguish between public sector and private sector types of organisations. This was also not well answered. Many candidates confused public sector and private sector with public limited companies and private limited companies and explained Stock exchange listing!

QUESTION FOUR

The general performance on the question was good. Of the 27 that attempted the question, 15 managed to obtain at least 10 out of the available 20 marks. A pass rate of 55.6% was recorded. The highest score was 18 while the lowest was 3 out of 20.

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

(a) This question required candidates to explain the concept of production possibilities curve. This part of the question was correctly answered by majority of the candidates.

(b) Required candidates to distinguish between a substitute in consumption and a substitute in production by giving examples of goods. Similarly, majority of the candidates got this one correct. However, the examples of goods given were poor to a large extent.

(c) This question was divided into three (3) parts namely (i), (ii) and (iii). It required candidates to explain the effect of each of the following events on the equilibrium price and equilibrium quantity of the named goods:

(i) Maize seed in July
(ii) Tomatoes at Soweto market following a bumper harvest
(iii) Bed-spaces in lodges during the Kuomboka ceremony in Mongu

Overall, the question was poorly answered. Some candidates drew indifference curves, others demand and supply curves without the needed shifts. Yet others drew the correct graphs but reversed the direction of the shift. Others drew the correct graphs but could not explain them hence could not be given the full marks allocated.

Candidates are strongly encouraged to ensure when dealing with questions of equilibrium, they must first draw the initial position where demand and supply intersect, next determine whether the event in question shifts the demand or supply curve and finally the direction of the shift.

QUESTION FIVE

The general performance on the question was very poor. Of the 21 that attempted the question, 2 managed to obtain at least 10 out of the available 20 marks. A pass rate of 9.5% was recorded. The highest score was 16 while the lowest was 2 out of 20.

The question was divided into two (2) parts namely (a) and (b) as follows:

Part (a) required candidates to outline any three (3) reasons why it is important for each country to compute its national income. Performance on this question was fair.

Part (b) was divided into four (4) parts (i) to (iv) and required candidates to use the given data to:

(i) Find the marginal propensity to consume. This was poorly done. Candidates failed to pick the MPC from the Consumption Function.

(ii) Determine the equilibrium national income. This was poorly done too. The majority of the candidates failed to come up with the identity AD let alone make the correct substitutions. Some who attempted to come up with the correct identity failed to complete the working as required but were awarded some credit.

(iii) Write the aggregate demand function. This was poorly done because the required solution was dependent on the working from (iii) above.

(iv) Evaluate the changes when investment has doubled. Similarly, the correct answer to this depended on previous workings with a mere change of the investment figure.

QUESTION SIX

The general performance on the question was poor. Of the 37 that attempted the question, only 10 managed to obtain at least 10 out of the available 20 marks. A pass rate of 27% was recorded. The highest score was 20 while the lowest was 0 out of 20.

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

Part (a) required candidates to distinguish between capital market and money market giving any two (2) examples of financial instruments traded in each market. This was poorly done. Explanations of capital market and money markets were very poor let alone the examples that were given. Some defined the capital market as money used to start a business while money market as exchange rate between the kwacha and the United States dollars! Candidates are strongly urged to study the entire syllabus.

Part (b) required candidates to outline any three (3) problems associated with unemployment. This was correctly answered by many candidates although some presented types of unemployment instead of the problems of unemployment.

Part (c) required candidates to explain how expansionary monetary policy can be used to control economic activity. This was poorly answered too. Many candidates mixed fiscal and monetary policy where explanations included taxation and government spending. Some candidates identified the correct monetary policy tools but could not relate them how they can be used correctly to expand the economy. They provided answers like increasing interest rates, reducing money supply, etc which are contractionary monetary policy measures.

QUESTION SEVEN

The general performance on the question was fair. Of the 29 that attempted the question, 15 managed to obtain at least 10 out of the available 20 marks. A pass rate of 51.7% was recorded. The highest score was 19 while the lowest was 4 out of 20.

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

Part (a) required candidates to outline any three (3) functions of financial intermediaries in Zambia. This was fairly well answered although some candidates outlined the functions of the Central bank such as issuance of currencies, controlling interest rates, etc and not necessarily financial intermediaries as required.

Part (b) required candidates to explain the meaning of trade embargo as a barrier to international trade. This was well answered.
Part (c) of the question was divided into three (3) parts (i), (ii) and (iii). It required candidates to explain the following exchange rate systems or regimes:

(i) Freely floating exchange rate system
(ii) Fixed exchange rate system
(iii) Managed float exchange rate system

The majority of the candidates got (i) and (ii) correctly. However, some candidates could not explain how the exchange rate is determined under each exchange rate system which is key. Particularly, the given answers for managed float were poor.

Overall performance of candidates

Highest mark obtained in this paper: **79%**
Lowest mark obtained in this paper: **22%**
Overall pass rate in this paper**:** **40.9%**

SUBJECT: DA4 – INFORMATION TECHNOLOGY AND COMMUNICATION

QUESTION ONE

The general performance on the question was very good. Of the 50 that attempted the question, 41 managed to obtain at least 10 out of the available 20 marks. A pass rate of 82% was recorded. The highest score was 20 while the lowest was 4 out of 20.

This question was multiple-choice and all candidates answered the question.

QUESTION TWO

The general performance on the question was very poor. Of the 22 that attempted the question, none managed to obtain at least 10 out of the available 20 marks. A pass rate of 0% was recorded. The highest score was 9 while the lowest was 0 out of 20.

The question was about writing formulas to calculate the total cost for each branch, finding the number of branches located in Kabwe District and to count quantity with value greater or equal to 200 using the correct formula. Outlining any five moral dimensions of the information age and explaining the difference between authentication and encryption in information security.

The comments were as follows:

(a) (i) Some candidates were calculating the total mineral cost for each district instead of for each branch.
(ii)Some candidates were not writing the correct formula for finding the number of branches located in Kabwe district
(iii) Some candidates were not writing the correct formula to count the quantity with value greater or equal to 200. Some were adding a condition of "true" or "false" which was not being asked in the question.

(b) The five moral dimensions of the information age were well answered

(c)) Some candidates were mixing up the difference between authentication and encryption in information security.

QUESTION THREE

The general performance on the question was poor. Of the 23 that attempted the question, 10 managed to obtain at least 10 out of the available 20 marks. A pass rate of 43.5% was recorded. The highest score was 20 while the lowest was 1 out of 20.

The question was about explaining the spreadsheet features commonly used, explaining to the staff on the effect of using the GMIS with a view to rapid technology changes, employment of

staff and computer crimes, stating two reasons management would choose batch processing and stating any three types of network topologies that can be used in a computer system.

The comments were as follows:

(1) Some candidates left the question blank.
(2) Some candidates answered this question poorly, which suggests that they did not understand the Government Management Information System and its use.
(3) Some candidates answered this question well.
(4) Some candidates were writing about types of networks like LAN, WAN instead of the type of network topology like Bus, Ring, Star. Some candidates were just listing the network topologies instead of writing something about them.

QUESTION FOUR

The general performance on the question was very poor. Of the 15 that attempted the question, only 2 managed to obtain at least 10 out of the available 20 marks. A pass rate of 13.3% was recorded. The highest score was 16 while the lowest was 0 out of 20.

The question was about explaining two factors that affect system performance, distinguishing between minimum system requirements and recommended system requirements for software, explaining the role of virtual memory in improving system performance when RAM is limited and explaining the four main types of technical control.

The comments were as follows:

(1) The question was not well answered; instead of explaining two factors that affect system performance, candidates gave recommendations for good system performance.
(2) Some candidates could not correctly explain the role of virtual memory in improving system performance when RAM is limited, and how it operates.
(3) Some candidates could not distinguish between minimum system requirements and recommended system requirements for software. The explanation was not coming out correctly.
(4) Some candidates were giving wrong types of technical controls.

QUESTION FIVE

The general performance on the question was poor. Of the 14 that attempted the question, only 4 managed to obtain at least 10 out of the available 20 marks. A pass rate of 28.6% was recorded. The highest score was 16 while the lowest was 1 out of 20.

The question was about outlining two purposes of different directions as official channels of communication, identifying four communication patterns that are created during the flow of communication in an organisation and explaining any four reasons informal communication may not be suitable for carrying out business transactions.

The comments were as follows:

(1) Most candidates defined the direction of communication, but the question required them to outline the purposes of the direction to communication.
(2) Answers were also not specified i.e. the purposes on the direction of communication were just generalised as 'communication' purposes only. For example, one purpose of downward communication is to assign tasks to junior employees. Unfortunately, some candidates presented one general purpose, "To communicate", without any brief explanation on what to communicate.
(3) Wrong diagrams were provided, which were not requested in the question
(4) Some candidates simply omitted this question and lost marks.
(5) Repetition of answers was also a common error on this question.
(6) Some candidates presented advantages of informal communication which were not the expected answers. In some cases, some candidates included advantages of oral communication. This led to low scores.

QUESTION SIX

The general performance on the question was excellent. Of the 13 that attempted the question, 12 managed to obtain at least 10 out of the available 20 marks. A pass rate of 92.3% was recorded. The highest score was 19 while the lowest was 0 out of 20.

The question was about identifying any three types of listening that Peter needs to use in different situations and writing a memorandum highlighting any four suggestions for successful listening.

The comments were as follows:

(1) Some candidates presented wrong content such as passive and active listening, which were too general and not the expected answers.
(2) Some candidates also presented guidelines to effective listening which was not supposed to be the case. This was supposed to be part of the content of the main body in the second part of the question only.

(3) Candidates only listed listening techniques without writing an actual memo as required by the question. In some cases, no subject line and other elements were included in the memos. This resulted in low scores.

QUESTION SEVEN

The general performance on the question was excellent. Of the 15 that attempted the question, 13 managed to obtain at least 10 out of the available 20 marks. A pass rate of 86.7% was recorded. The highest score was 18 while the lowest was 0 out of 20.

The question was about explaining any five ways of improving communication in order to avoid poor coordination and misunderstanding in the firm and explaining any five reasons why holding online meetings might improve communication in this situation.

The comments were as follows:

(1) Failure to provide enough content in the answers as expected.
(2) In some cases wrong content was provided which led to low scores.
(3) Some candidates presented specific barriers to communication which was not supposed to be the case.
(4) Repetition of answers.
(5) Inadequate answers.
(6) Failure to attempt questions in full.
(7) Some candidates included the importance of holding meetings in general regardless of whether they are held online or physically, which was not supposed to be the case.

Overall performance of candidates

Highest mark obtained in this paper: **72**%
Lowest mark obtained in this paper: **9%**
Overall pass rate in this paper: **50**%

SUBJECT: DA5 – COST ACCOUNTING

QUESTION ONE

The general performance on the question was good. Of the 37 that attempted the question, 21 managed to obtain at least 10 out of the available 20 marks. A pass rate of 56.8% was recorded. The highest score was 16 while the lowest was 2 out of 20.

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

QUESTION TWO

The general performance on the question was very good. Of the 36 that attempted the question, 27 managed to obtain at least 10 out of the available 20 marks. A pass rate of 75% was recorded. The highest score was 15 while the lowest was 4 out of 20.

This question required candidates to:

(a) prepare stores ledgers showing the cost of issues and closing inventory using the FIFO and AVCO methods
(b) using the results in (a), calculate and compare the gross profit under each valuation.

Part (a) was average: good answers and poor ones. But the performance in part (b) was very poor.

The most common mistakes made by the candidates included:

(1) making arithmetical errors in both the FIFO and AVCO methods.
(2) not re-calculating the issue price each time there is a receipt under the AVCO method.
(3) not showing the cost of issues and the closing inventory on the stores ledgers as required by the question.
(4) Only showing the last column of balances without showing the receipts and issues columns.
(5) in part (b), not getting the correct gross profit figures because of errors in part (a).

QUESTION THREE

The general performance on the question was very poor. Of the 19 that attempted the question, only 2 managed to obtain at least 10 out of the available 20 marks. A pass rate of 10.5% was recorded. The highest score was 13 while the lowest was 1 out of 20.

Performance was extremely poor. Question Three was the least popular question in Section B and it had the lowest pass rate.

Candidates were required to (a) prepare a process account; (b) the abnormal gain/loss account and (c) to explain the five (5) characteristics of process costing.

Common errors noted were as follows:

(1) failing to pass correct credit entries to the process account.
(2) failing to calculate the normal and abnormal loss units and/ or values.
(3) Not knowing how to apportion joint costs to the two products using the sales value method as required by the question. The net common cost was supposed to be calculated as process costs less the scrap value of the normal loss. The resulting figure was then divided by the expected output to get the cost per unit so that the abnormal loss could be valued.
(4) The net joint cost figure to be allocated to products Jax and Max was in the ratio of their sales values.
(5) In part (b) a number of candidates failed to prepare the Abnormal loss account. They just listed entries in it.
(6) In part (c), poor candidates gave entries to the account as characteristics or explained accounting treatments of the transactions.

QUESTION FOUR

The general performance on the question was fair. Of the 32 that attempted the question, 15 managed to obtain at least 10 out of the available 20 marks. A pass rate of 46.9% was recorded. The highest score was 19 while the lowest was 0 out of 20.

This question required candidates to:

Apportion the overheads to the departments on the most suitable basis and to re-apportion service departments costs to production departments in part (a) and calculate the selling price of the job in part (b).

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

The most common mistakes made by the candidates included:

(1) Not using the appropriate basis of apportionment, e.g. using number of employees to apportion rent and rates instead of floor area.
(2) Not knowing where to use which information. E.g. non-financial information like floor area also appeared in the overhead analysis sheet. Consequently, financial values were added to non-financial ones resulting into a meaningless "total kwacha" figure.
(3) Unnecessary adding up errors.
(4) Failing to do the re-apportionment of service department costs to production departments using the repeated distribution method. Future candidates should take note and study the solution
(5) The errors in part (a) partly affected the solution in part (b).

(6) Just adding up the product labour rates per hour and putting them under Job BMK38. There was need to multiply these rates by the labour hours per unit before taking them to the Job card.

(7) Failing to calculate the production overhead rates per hour. Instead, most of the candidates transferred the budgeted overheads from part (a) to the Job card
(8) Applying 20% profit margin directly to the total jobcard cost to arrive at the selling price of Job BMK38 as if 20% was a mark up.

QUESTION FIVE

The general performance on the question was good. Of the 26 that attempted the question, 13 managed to obtain at least 10 out of the available 20 marks. A pass rate of 50% was recorded. The highest score was 16 while the lowest was 1 out of 20.

This question required candidates to calculate the appropriate revenue and cost variances using the information related to GMC for the month of April.

This question was relatively popular amongst the candidates. A number of them performed very well though.

Common errors made by poorer candidates included:

(1) In calculating the fixed overhead expenditure variance, many candidates did not divide the budgeted annual fixed overheads by 12 to get the monthly figure. This is because the actual fixed overhead was a monthly one.
(2) Flexing the fixed overhead cost in the calculation of the fixed overhead expenditure variance. That is, some candidates calculated what the fixed overhead should have been for the actual activity of 9,000 units. This was wrong. The figure which should have been used was the monthly budgeted fixed overhead cost for the budgeted production volume of 10,000 units.

(3) Wrong calculation of sales volumes variance by multiplying by either the budgeted selling price of K88 per unit or the actual selling price of K90 per unit. Future candidates should know that the sales volume variance is valued at the standard contribution (as in this case) or at the standard profit. The standard contribution per unit was K20.

(4) Poor handwriting was exhibited by some candidates.

QUESTION SIX

The general performance on the question was poor. Of the 27 that attempted the question, only 6 managed to obtain at least 10 out of the available 20 marks. A pass rate of 22.2% was recorded. The highest score was 14 while the lowest was 3 out of 20.

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

In part (a), candidates were required to calculate the unit cost using the traditional method and in part (b) to calculate the unit cost using the Activity Based Costing method. In part (c), to state three functions of cost accounting.

Common errors/mistakes.

(1) In part(a), not knowing what to do with the "40% of labour cost" information.
(2) Not knowing what to do with the K540,000 total overheads figure.
(3) Converting the material costs and labour costs per unit to totals, thereby complicating the answer. There was no need because the answer required a product cost per unit or unit cost.
(4) Using data required for part (b) in part (a), e.g. activity drivers
(5) In part (b), not knowing what to do with the cost pools and activity drivers.
(6) Calculating the cost per driver and taking them to the solution as they are. The cost per driver was supposed to be multiplied by the activity per product before taking the figure to the solution
(7) Attempting to re-calculate the prime cost in part (b) and often ending up with wrong figures. Future candidates should note that the prime costs under the traditional absorption system and ABC are the same.
(8) Providing more functions of cost accounting in part (c) than the three functions which were asked for.

Overall performance of candidates

Highest mark obtained in this paper: **66%**
Lowest mark obtained in this paper: **19%**
Overall pass rate in this paper: **46%**

SUBJECT: DA6 – BUSINESS LAW

QUESTION ONE

The general performance on the question was good. Of the 50 that attempted the question, 28 managed to obtain at least 10 out of the available 20 marks. A pass rate of 56% was recorded. The highest score was 20 while the lowest was 2 out of 20.

This was a compulsory question which had multiple choice questions. This part of the question had questions derived from the various topics in the course.

QUESTION TWO

The general performance on the question was good. Of the 43 that attempted the question, 30 managed to obtain at least 10 out of the available 20 marks. A pass rate of 69.8% was recorded. The highest score was 20 while the lowest was 0 out of 20.

This question was divided into part (a) and part (b). Part (a) required candidates to advise the hospital on how to ascertain whether they were liable for wrongs of their employee on vicarious liability basis.

Part (b) required candidates to identify any fiduciary duties of an agent in his relationship with the principal. Candidates passed this question though most of them including those that failed the question completely could not apply the tests to determine whether one is engaged under the contract for services or contract of services. In future, candidates need to read widely.

QUESTION THREE

The general performance on the question was fair. Of the 43 that attempted the question, 20 managed to obtain at least 10 out of the available 20 marks. A pass rate of 46.5% was recorded. The highest score was 18 while the lowest was 0 out of 20.

This question was an optional question that required the candidate to explain the rules that govern offer, acceptance and revocation of an offer. Candidates who attempted this question were able to explain the concepts and give adequate examples.

QUESTION FOUR

The general performance on the question was fair. Of the 26 that attempted the question, only 12 managed to obtain at least 10 out of the available 20 marks. A pass rate of 46.2% was recorded. The highest score was 19 while the lowest was 0 out of 20.

This was an optional question that had two parts. Part (a) required the candidates to explain three rules that govern the interpretation of statutes in Zambia. Candidates who attempted this question listed three rules that govern interpretation of statutes in Zambia.

Part (b) required the candidate to list any five examples of invitations to treat. Most candidates answered this part of the question adequately. No inadequacies were observed.

QUESTION FIVE

The general performance on the question was excellent. Of the 46 that attempted the question, 45 managed to obtain at least 10 out of the available 20 marks. A pass rate of 97.8% was recorded. The highest score was 20 while the lowest was 9 out of 20.

This question was divided into parts (a) and part (b). Part (a) was further broken into part (i) and part (ii).

In part (i) candidates were asked to explain the differences between the transfer of property in the goods and transfer of risks in goods. Part (ii) required candidates to explain the differences between a company and a partnership

Part (b) required candidates to explain the content of a partnership agreement further and explain the benefits of registering a business as a partnership. Most of the problems were bordering on not answering adequately, which can be addressed by encouraging candidates to learn to respond according to the marks given per parts of a question.

QUESTION SIX

The general performance on the question was very good. Of the 38 that attempted the question, 32 managed to obtain at least 10 out of the available 20 marks. A pass rate of 84.2% was recorded. The highest score was 20 while the lowest was 5 out of 20.

This question was broken into part (a) and part (b).
Part (a) was a scenario based on the sale of goods and candidates were required to give legal advice on the prospects of succeeding in the matter.

Part (b) required candidates to provide differences between the law of contract and the law of tort. The major challenge was on the legal advice in Part (a), which was not well given by the candidates. In future, candidates should be able to understand the question for them to give proper advice.

Overall performance of candidates

Highest mark obtained in this paper: **83%**
Lowest mark obtained in this paper: **26%**
Overall pass rate in this paper: **78%**

SUBJECT: DA7 – PRINCIPLES OF MANAGEMENT

QUESTION ONE

The general performance on the question was excellent. Of the 27 that attempted the question, 24 managed to obtain at least 10 out of the available 20 marks. A pass rate of 88.9% was recorded. The highest score was 20 while the lowest was 6 out of 20.

This was a compulsory multiple-choice question which examined all the learning outcomes of the DA 7 Principles of Management syllabus.

QUESTION TWO

The general performance on the question was very good. Of the 24 that attempted the question, 19 managed to obtain at least 10 out of the available 20 marks. A pass rate of 79.2% was recorded. The highest score was 20 while the lowest was 0 out of 20.

This question was divided into three (3) parts; (a), (b) and (c).

Part (a) Most candidates managed to identify the reasons from the scenario that make employees resist change.

Part (b) This part of the question was well answered by many candidates; they cited training and support and improved communication as ways managers can use to manage change.

Part (c) The majority of the candidates answered this part of the question very well.

QUESTION THREE

The general performance on the question was good. Of the 23 that attempted the question, 14 managed to obtain at least 10 out of the available 20 marks. A pass rate of 60.9% was recorded. The highest score was 16 while the lowest was 0 out of 20.

The question had three (3) parts; part (a), (b) and (c).
Part (a) This part was well answered by many candidates except that some candidates just mentioned the categories of stakeholders without giving an example of each, i.e. Internal stakeholders, Connected stakeholders and External stakeholders.

Part (b) This part was not well answered by many, as they produced a functional structure instead of a matrix structure that combines features of both functional and project-based structures to improve flexibility, collaboration and efficient use of resources.

Part (c) was well answered by many candidates.

QUESTION FOUR

The general performance on the question was good. Of the 27 that attempted the question, 16 managed to obtain at least 10 out of the available 20 marks. A pass rate of 59.3% was recorded. The highest score was 16 while the lowest was 1 out of 20.

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

In part (a) Many candidates gave the correct description of the term leadership. The candidates answered this part very well.
Part (b) This part was also well answered by many candidates. They managed to list at least five (5) characteristics of a leader.

Part (c) was challenging for most candidates. They had difficulties identifying the leadership theories described in the passage. The correct theories are: Great man theory, Trait theory, Behavioural theory, Transformational theory, Transactional theory and Path Goal theory.

QUESTION FIVE

The general performance on the question was excellent. Of the 23 that attempted the question, 20 managed to obtain at least 10 out of the available 20 marks. A pass rate of 87% was recorded. The highest score was 20 while the lowest was 0 out of 20.

This question was divided into three (3) parts; part (a), (b) and (c).
Part (a) The responses on this part of the question were fairly good except some candidates lost marks because they could not differentiate between the public and private sector. They ended up mixing the characteristics and lost marks.

Part (b) Some candidates had challenges on this part of the question due to failure to understand the meaning of cultural change, and merger or acquisition. Candidates must understand the key terms used in the question for them to correctly evaluate any aspects of those terms. The key aspects expected in this question are: integration of different organisational cultures, change in leadership and decision-making styles and adjustment of employee roles and work practices.

Part (c) This part of the question was well answered by many candidates. They were able to state two (2) advantages of internal recruitment.

QUESTION SIX

The general performance on the question was very poor. Of the 10 that attempted the question, only 1 managed to obtain at least 10 out of the available 20 marks. A pass rate of 10% was recorded. The highest score was 11 while the lowest was 0 out of 20.

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

Part (a) Many candidates failed to describe the three competences suggested by Boyatzis which are: Behavioural/personal competences, Work-based/occupational competences and Generic competences. Candidates just described other general competences of managers.
Part (b) This part was also not answered well as many candidates failed to explain motivation through participation. Candidates were expected to mention the things managers should do; that is, involve employees in decision making, give feedback on important decisions as soon as possible, participation should be used for decisions of a certain degree of importance and that participation should be genuine.

Overall performance of candidates

Highest mark obtained in this paper: **86%**
Lowest mark obtained in this paper: **24%**
Overall pass rate in this paper: **77.8%**

SUBJECT: DA8 – FINANCIAL REPORTING

QUESTION ONE

The general performance on this question was good. 74 of the 100 candidates that attempted the question got 13 and above marks out of 25. A pass rate of 74% was recorded. The lowest mark recorded was 1 while the highest was 25.

The question required candidates to prepare the consolidated statement of financial position in accordance with IFRS 10 – Consolidated Financial Statements.

The following were the common mistakes observed:

(1) Failure to provide adequate supporting workings that are clear, logical and sufficiently detailed by some candidates. Some candidates presented consolidated figures for property, plant and equipment and other statements of financial position items without demonstrating how the amounts had been derived. As a result, where the final figures were incorrect, it was difficult to establish the candidate's underlying approach, and marks were consequently lost.
(2) Inclusion of the subsidiary's share capital in the consolidated statement of financial position. A few candidates incorrectly included the subsidiary's share capital in the Consolidated Statement of Financial Position. Candidates should be clear that, on consolidation, the subsidiary's share capital and other pre-acquisition equity balances are eliminated against the parent's investment in the subsidiary.
(3) Lack of understanding of pre-acquisition equity and the principles of consolidation. Although consolidation is a fundamental area of advanced financial reporting, some candidates continued to demonstrate weaknesses in their understanding of the treatment of pre-acquisition equity.
(4) With respect to goodwill computation, several inaccuracies were noted. Some candidates incorrectly calculated the value of the share exchange consideration.
(5) Incorrect treatment of fair value adjustments in the goodwill calculation. Some candidates incorrectly treated fair value adjustment (fair value uplift) in determining goodwill. This resulted in an incorrect calculation of the acquisition-date identifiable net assets and consequently an incorrect amount of goodwill.

(6) Additionally, there was evidence of limited understanding in the computation of Non-Controlling Interest (NCI) at acquisition date, and for inclusion in the consolidated statement of financial position.

(7) A good number of candidates could not correctly calculate unrealised profit on the sale of goods, with another few that correctly calculated but failed to calculate the unrealised profit on goods in transit.

QUESTION TWO

The general performance on this question was poor. Only 36 of the 98 candidates that attempted the question got 13 and above marks out of 25. A pass rate of 36.7% was recorded. The lowest mark recorded was 0 while the highest was 23.

The question required candidates to prepare single entity financial statements in accordance with IAS 1 – Presentation of Financial Statements. It was made up of parts (a) and (b).

In Part (a) candidates were required to prepare the corrected statement of profit or loss and other comprehensive income, while in Part (b) candidates were required to prepare the corrected statement of financial position, considering adjustments arising from application of various IFRSs.

The question had financial statements prepared without taking into account the accompanying notes on various International Financial Reporting Standards (IFRSs) that needed to be adjusted for.

The following are the common mistakes made by the candidates:

(1) Many candidates failed to properly account for the goods sold on credit that were returned by the customer.

(2) Failure to account for damaged goods in accordance with IAS 2 – Inventories. Many candidates demonstrated lack of knowledge on measurement of inventories.

(3) Failure to account for the development expenditure that failed to meet the capitalisation criteria in IAS 38 – Intangible Assets. Many candidates demonstrated lack of knowledge of accounting standards.

(4) Failure to account for the issue of equity shares. Many candidates could not split the issue price between share capital and share premium.

(5) Failure to account for the loan notes issued in accordance with IFRS 9 – Financial Instruments, and environmental provision in accordance with IAS 37 – Provisions, Contingent Liabilities and Contingent Assets.

(6) Candidates did not show all necessary workings by simply dropping compound figures in the statement of profit or loss without showing how these were derived.

(7) Candidates failing to properly classify items in the Statement of Financial position, e.g. classifying cash & bank under current liabilities.

Generally, most candidates failed to reproduce corrected financial statements instead copied the statements from the question. Candidates of future sittings are reminded to do more practice on single entity financial statements and application of IFRSs and IASs that normally come as accompanying notes, as this question is always in the exam.

QUESTION THREE

The general performance on this question was poor. Only 22 of the 81 candidates that attempted the question got 13 and above marks out of 25. A pass rate of 27.2% was recorded. The lowest mark recorded was 0 while the highest was 20.

The question was made up of two (2) parts. In part (a) candidates were required to prepare the statement of cash flows in accordance with IAS 7 – Statement of Cash Flows, while part (b) required candidates to explain 'non-current assets held for sale' in accordance with IFRS 5 – Non-current Assets Held for Sale and Discontinued Operations. The following are the common mistakes made by the candidates:

Common Mistakes

(1) Miscalculation of the amount of cash spent to acquire additional non-current assets because accounts prepared omitted the amount of revaluation gain of the asset.
(2) The calculation of cash flow from issue of equity shares was incorrect in all cases because the bonus issue entry was not considered.
(3) Most candidates failed to calculate the correct amount of dividends paid. The calculation of dividend paid was incorrect because the bonus issue amount was omitted from the retained earnings account.
(4) Candidates failed to calculate the correct amounts of cash flows arising from repayment of the lease liability, development costs and income tax.
(5) Some candidates demonstrated lack of knowledge on the presentation of the statement of cash flows, as they did not classify cash flows correctly.
(6) Most of the candidates did not attempt part (b) of the question. Candidates who attempted this question failed to correctly define non-current assets held for sale in accordance with IFRS 5.

Candidates of future exam sittings are encouraged to do more practice on statement of cash flows questions, understanding the impact of IFRSs/IASs on the cash flows of an entity. They should master the format of the statement of cash flows and the key amounts that need to be calculated when dealing with the statement of cash flows.

QUESTION FOUR

The general performance on this question was very poor. Only 5 of the 51 candidates that attempted the question got 13 and above marks out of 25. A pass rate of 9.8% was recorded. The lowest mark recorded was 0 while the highest was 18.

The question was made up of parts (a) (b) and (c). Part (a) (i) required candidates to explain three (3) indicators of impairment of the CGU from the given scenario in accordance with IAS 36 – Impairment of Assets, part (a) (ii) required candidates to describe 'recoverable amount' of the

CGU given in the scenario, part (a) (iii) required candidates to calculate the impairment loss of the CGU and allocate the impairment loss to individual assets, part (b) required candidates to define 'recoverable amount' and determine the recoverable amount of the above CGU, while part (c) required candidates to calculate the impairment loss of the above CGU (if any) and explain how it would be allocated to the assets in the CGU.

Common mistakes made when answering this question included:

(1) Failure to identify the indicators of impairment from the given scenario. Most candidates who attempted this question failed to apply the principles of IAS 36 – Impairment of Assets.
(2) Candidates failed to define recoverable amount according to IAS 36. They failed to make comparisons between fair value less costs to sell and the value-in-use demonstrating lack of knowledge of the accounting standard.
(3) Failure to calculate the impairment loss and allocating it to the individual assets of the cash generating unit in accordance with the principles of IAS 36.

Generally, the performance on this question was very poor. This indicates how candidates neglect to study key accounting standards, making it very difficult for them to pass Financial Reporting. Candidates of future sittings are advised to study thoroughly all the topics in order to be ready for the exam.

QUESTION FIVE

The general performance on this question was very poor. Only 6 of the 54 candidates that attempted the question got 13 and above marks out of 25. A pass rate of 11% was recorded. The lowest mark recorded was 0 while the highest was 16.

This question had two (2) parts. Part (a) required candidates to provide guidance on a number of issues raised by the Management Accountant in accordance with the conceptual framework and the applicable IFRSs/IASs, while part (b) required candidates to analyse and recommend which of the two (2) entities would be the best investment option, from the given ratios.

The following are the observations:

(1) Failure to provide guidance, as required, on the recognition criteria for assets in accordance with the 2018 revised IASB's Conceptual Framework for Financial Reporting.
(2) Failure to explain the meaning of substance over form in financial reporting and how it is applied to account for leases.
(3) Failure to explain the correct accounting treatment of revaluation gain and loss in the financial statements in accordance with IAS 16 – Property, Plant and Equipment.

(4) Failure to explain the correct accounting treatment of finance cost incurred on borrowings obtained for the purposes of financing the construction of an asset. Candidates failed to apply the requirements of IAS 23 – Borrowing Costs.

(5) Failure to explain why the land and building bought six (6) months ago was still carried at cost instead of fair value. The candidates failed to apply the requirements of the Conceptual Framework on measurement of assets, and IAS 16 – Property, Plant and Equipment.

(6) Failure to analyse the financial performance and position of the two (2) entities from the financial ratios provided in the question. Despite the ratios being provided in the question, most candidates recomputed ratios using the ratios provided demonstrating that most candidates lack knowledge on interpretation of financial statements.

Many candidates were not comfortable with theory questions, as they failed to bring out the theoretical principles of the Conceptual Framework and IFRSs/IASs. Candidates of future sittings are reminded that the theoretical part of the syllabus is equally important in financial reporting. Therefore, candidates should invest their time in studying key syllabus areas which include IFRSs.

Overall performance of candidates

Highest mark obtained in this paper: **76%**
Lowest mark obtained in this paper: **12%**
Overall pass rate in this paper: **38.2%**

SUBJECT: DA9 – MANAGEMENT ACCOUNTING

QUESTION ONE

The general performance on this question was very poor. Only 13 of the 77 candidates that attempted the question got 13 and above marks out of 25. A pass rate of 16.9% was recorded. The lowest mark recorded was 0 while the highest was 16.

This question required candidates to:

(a) Calculate the minimum contract price that the company could accept using relevant costing techniques.
(b) Calculate the following variances: fixed overhead total, the fixed overhead expenditure, fixed overhead volume, fixed overhead efficiency and fixed overhead capacity.

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

(1) Failing to give explanatory notes why a particular treatment of a cost is relevant or irrelevant. Marks were allocated for explanatory notes and without them, marks were lost.
(2) Hardly anyone calculated the relevant cost of material G correctly. This was made up of the replacement cost of K10,000 and the substitution cost of K10,500; which amounted to K20,500 in total.
(3) Treating department 1 cost of labour as relevant. It was irrelevant because the department was not busy.
(4) Nearly all the candidates could not calculate the relevant cost of department 2. There was need to consider the alternative of working overtime vs opportunity cost of diverting labour. The cheaper alternative was the relevant cost.
(5) Treating absorbed overheads as relevant. This was irrelevant because they were not incremental.
(6) In part (b), poor candidates could not correctly calculate the fixed overhead (FOH) expenditure, FOH capacity and FOH efficiency variances. Future candidates should note that the FOH expenditure variance is calculated by comparing the budgeted FOH with the actual FOH. Do not flex the FOH. For the FOH capacity variance, convert the budgeted and actual production units into hours and value the difference at the FOH Kwacha rate per hour.

QUESTION TWO

The general performance on this question was very poor. Only 10 of the 72 candidates that attempted the question got 13 and above marks out of 25. A pass rate of 13.9% was recorded. The lowest mark recorded was 2 while the highest was 19.

This question examined the calculation of throughput accounting ratio (a), the explanation of pricing strategies (b), the calculation of the optimal price using demand based data(c) and the calculation of prices using the full cost plus method(d).

In terms of performance, all the parts to this question (except part (d)) were very poorly attempted. The poor performance demonstrated that throughput accounting is not well understood by candidates as they equated this topic to the ordinary contribution theory. Similarly, most candidates did not have the faintest idea of own label pricing and premium pricing: theyhad no clue at all. In part (c), hardly any candidate could formulate the demand function P= a-bq.

The most common mistakes made by the candidates included:

(1) Calculating the contribution instead of throughput contribution. Throughput contribution = Selling price less direct material costs only.
(2) Failing to recognise which processing time out of pressing, stretching and rolling hours was a bottleneck resource. It was the pressing hours.
(3) Not knowing the formula for throughput per bottleneck resource. It is Throughput Contribution ÷ bottleneck hours.
(4) Not knowing the formula for Factory costs per bottleneck resource. It is Total Fixed costs ÷ total bottleneck hours.
(5) Not knowing the formula for Throughput Accounting Ratio.
It is Throughput per Bottleneck Hour ÷ Fixed Costs per hour
(6) In part (b), failure to explain 'own label' and 'premium pricing' strategies. Nearly all the candidates did not have a clue of own label pricing. Own label pricing is now very much used by big retailers in Zambia such as Shoprite, Pick n Pay and Choppies; in the UK by Sainsbury's, Tesco and ASDA; and in the USA by Walmart.

Some candidates equated premium pricing to 'high' pricing as if it is market skimming. A high price is just one aspect of premium pricing. Other important aspects include high quality, durability, warranties, heavy advertising, etc.

(7) In part (c), failure to formulate the price/demand equation. 'P', 'b' and 'q' were given in the question. Therefore, substitute them into the equation to get the value of 'a'.

It was also possible to use the tabular approach instead of the P=a-bq formula approach.

QUESTION THREE

The general performance on this question was poor. Only 14 of the 71 candidates that attempted the question got 13 and above marks out of 25. A pass rate of 19.7% was recorded. The lowest mark recorded was 2 while the highest was 22.

This question examined candidates on the preparation of three functional budgets in part (a); the explanation of five objectives of budgeting in part (b) and the explanation of incremental budgets and Zero-Based Budgets in part (c).

Part (a) which accounted for 15 marks was very badly attempted and contributed to the low pass rate on this question and ultimately to the whole DA9 paper. Parts (b) and (c) were generally well attempted.

The most common mistakes made by the candidates included:

(1) Failure to prepare the correct production budget. This question was not the usual question of adjusting the sales units by the closing and opening inventories to get the production budget. Candidates should have followed the instructions in the question about the production pattern, i.e. Production budget(quarterly) = 80% of current quarter's sales plus 20% of next quarter's sales.

(2) Material usage and materials purchases budgets were also wrong because they depended on the correct production budget in part (a) (i).

(3) The material purchases budget was not the usual and simple one. There was need to stagger the total material purchases of 315,000 kg to the three quarters according to the percentage distribution table (30%,50%,20%) given in the question.

(4) Avoiding part (a) and only attempting parts (b) and (c) which were worth 10 marks only.

QUESTION FOUR

The general performance on this question was very poor. Only 2 of the 48 candidates that attempted the question got 13 and above marks out of 25. A pass rate of 4.2% was recorded. The lowest mark recorded was 1 while the highest was 15.

This question required candidates to:

(a) calculate the break-even sales value

(b) prepare a financial evaluation of a proposal and to calculate the number of units S Ltd would sell at K90 each to earn a target profit of K800,000

(c) undertake a financial evaluation of a second proposal
(d) Explain the role of the Management Accountant in (i) planning and (ii) control.
(e) Explain, in relation to the role of management accountant, the usefulness of the planning and operational variances to a company.

The most common mistakes made by the candidates included:

(1) Some candidates failed to calculate the break-even point in sales value.
(2) Some candidates calculated the break-even point in sales units instead of sales value.

(3) Some candidates failed to account for all the fixed costs: factory, administration, selling and distribution. All fixed costs were required as the numerator in the Break - even point formula.
(4) Some candidates failed to account for all the variable costs: they left out the sales commission and the delivery costs.
(5) Part (b) The presentation was poor where figures were put in sequence line instead of the column presentation.
(6) Some candidates added extra zeros to the figures and thereby distorting the workings in the process.
(7) Some candidates gave correct variable and contribution without showing the figures or workings leading to those figures.
(8) The presentation was generally poor.

QUESTION FIVE

The general performance on this question was fair. 4 of the 9 candidates that attempted the question got 13 and above marks out of 25. A pass rate of 44.4% was recorded. The lowest mark recorded was 1 while the highest was 20.

This question required candidates to:

(a) calculate M Ltd's cash operating cycle.
(b) calculate the reorder level for the item of inventory
(c) explain the meaning of "economic order quantity"
(d) explain five reasons for holding inventory
(e) explain why there is need to consider qualitative factors before arriving at the final decision in a make or buy decision
(f) explain two causes of (i) material price, (ii) material usage and (iii) labour rate variances.

The most common mistakes made by the candidates in this part of the question included:

(1) Most candidates failed to calculate the cycle.
(2) Some candidates were adding the time taken by suppliers (2.5) and subtracting the average months to pay (1.5)
(3) Some candidates explained what the cash cycle is instead of calculating the cash operating cycle.
(4) Some candidates left out some parts of the question completely, thereby lost marks.
(5) Some candidates failed to calculate the reorder level and instead gave the formula for the Economic Order Quantity (EOQ).
(6) Some candidates used a wrong figure of 50,000 for maximum demand and multiplying with the correct figure for the maximum lead time, and getting a wrong answer of 100,000 in the process.
(7) Some candidates failed to give the meaning of the EOQ.

(8) Most of the candidates failed to give the correct reasons whilst others gave less than the required five reasons.

Overall performance of candidates

Highest mark obtained in this paper: **61%**
Lowest mark obtained in this paper: **6%**
Overall pass rate in this paper: **14.1%**

SUBJECT: DA10 – TAXATION

QUESTION ONE

The general performance on this question was good. 24 of the 36 candidates that attempted the question got 13 and above marks out of 25. A pass rate of 66.7% was recorded. The lowest mark recorded was 5 while the highest was 23.

Part (a) covered capital allowances on buildings, implements, plant and machinery.

Common mistakes noted.

(1) Failure to apply the 10% test on administration building to determine whether it should be classified as an industrial building
(2) Using the wrong rates to compute capital allowance rates on engineering drawing offices, staff canteen and factory
(3) Failure to restrict the disposal proceeds to the original cost when computing the balancing charge arising on the disposal of old furniture
(4) Using the wrong rates to compute capital allowances on Prado motor vehicle and delivery van

Part (b) covered computation of taxable business profits

Common mistakes noted.

(1) including allowable items as disallowable items such as accountancy and audit fees and legal fees in connection with defending title to the business premises
(2) failure to compute the disallowable amount on free accommodation
(3) deducting the allowable expenses from the profit before tax
(4) deducting the wrong amount of the allowance for employing persons living with disabilities in the computation of the taxable profits.

Part (c) examined computation of company income tax.

Common mistakes noted

(1) Failing to correctly gross up the Bank interest and Royalty income before including the income in the computation of taxable income
(2) Forgetting to deduct the discounts for listing shares on the LuSE and for offering at least one third of the shares to indigenous Zambians from the standard company income tax rate of 30% to arrive at the correct rate to use in computing the tax payable.

QUESTION TWO

The general performance on this question was good. Only 25 of the 36 candidates that attempted the question got 13 and above marks out of 25. A pass rate of 69.4% was recorded. The lowest mark recorded was 2 while the highest was 22.

This question had two (2) parts:

Part (a) covered the differences between employment and self-employment

Common mistakes noted:

(1) Failure to explain how the factor of work performance is used to distinguish employees from independent self-employed contractors.
(2) Failure to explain how the factor of place of work is used to distinguish employees from independent self- employed contractors.
(3) Failure to explain how the exclusivity test is used to distinguish employees from independent self-employed contractors.

Part (b) covered taxation of employment income.

Common mistakes noted:

(1) Failure to correctly apportion the salary to the seven (7) months the individual was in employment during the tax year.

(2) Failing to compute the correct amounts of the housing and entertainment allowances for the seven months.
(3) Failing to compute the correct amount of the transport allowance which was stated as percentage of the basic salary

(4) Failure to correctly gross up Royalties and Consultancy income when computing taxable income

(5) Failure to identify and state benefits which are not taxable.
(6) Computing WHT on Consultancy and Royalties using the net amounts instead of the gross amounts in each case.

(7) Using the wrong rates to compute the income tax payable.

QUESTION THREE

The general performance on this question was poor. Only 9 of the 32 candidates that attempted the question got 13 and above marks out of 25. A pass rate of 28.1% was recorded. The lowest mark recorded was 0 while the highest was 17.

Part (a) examined persons exempt from tax.

Common mistakes noted:

(1) duplicating persons who are exempt.
(2) including persons who are taxable on the list.

Part (b) (i) covered types of persons liable to turnover tax (TOT). The most common weakness was failure to state the relevant persons exempt from TOT due to lack of knowledge.

Part (b) (ii) covered the tax treatment of capital assets held by a business chargeable to TOT.

Common weaknesses noted:

(1) providing answers which did not address the question requirement.
(2) failure to explain the relevant tax treatment due to lack of knowledge.

Part (b) (iii) covered the tax treatment of losses for persons chargeable to TOT

Common weaknesses noted:

(3) providing answers which did not address the question requirement.
(4) failure to explain the relevant tax treatment due to lack of knowledge.

Part (c) (i) and (c) (ii) examined property transfer tax (PTT)

Common mistakes noted:

(1) Failure to explain the PTT treatment of a transfer of property to an immediate family member.
(2) Charging PTT on the transfer of a motor vehicle which is exempt.
(3) Failure to determine the correct realisable value on Chargeable disposals.
(4) Using the wrong rate of 5% to compute PTT arising on chargeable property instead of the correct rate of 8%.
(5) Treating a transfer to a nephew as a transfer to an immediate family member.
(6) Using the wrong rate of 8% to compute PTT on disposal of an artisanal mining license instead of the correct rate of 10%.

QUESTION FOUR

The general performance on this question was very poor. Only 1 of the 6 candidates that attempted the question got 13 and above marks out of 25. A pass rate of 16.7% was recorded. The lowest mark recorded was 4 while the highest was 14.
The question had two (2) parts (a) (i) and (ii), and (b). Part (a) (i) covered computation of capital allowances.

Common mistakes noted:

(1) failure to restrict the disposal proceeds for the delivery van to the original cost of when computing the balancing charge arising.
(2) Using the wrong rates to compute capital allowance rates on the office equipment and general plant.

Part (a) (ii) covered computation of taxable profits for a partnership.

Common mistakes noted:

(1) failure to compute the correct disallowable figure on gifts to customers.
(2) Failure to compute the correct amount of the premium allowance on the premium paid for a short lease
(3) Failure to identify other relevant disallowed expenses in the computation of taxable profits

Part (b) covered allocation of final taxable profit to each partner.

Common mistakes noted:

(1) failure to correctly compute the balance of profits to be shared between the two partners.

(2) failure to compute the correct amount of capital allowances claimable by each partner.
(3) failure to correctly compute the motor running expenses claimable by each partner.

(4) Failure to compute the correct income tax payable by each partner

QUESTION FIVE

The general performance on this question was very poor. Only 5 of the 34 candidates that attempted the question got 13 and above marks out of 25. A pass rate of 14.7% was recorded. The lowest mark recorded was 0 while the highest was 17.

The question had two parts. Part (a) (i) covered the calculation of Value for Duty purposes.

Common mistakes noted:

(i) including the transport cost incurred within Zambia in the computation of VDP.

(ii) Omission of freight charges up to the point of entry into Zambia in the computation of the VDP.

Part (a) (ii) examined the computation of total import taxes. Some mistakes noted included: using the wrong rates for customs and excise duty in the computation, as well as failing to compute the correct amount of import VAT.

Part (a) (iii) covered methods used to determine the VDP of goods that are locally manufactured in Zambia.

Common mistakes noted were as follows:

(1) Failure to explain the method due to lack of knowledge of the methods
(2) Duplication of explanations of the same methods.
(3) Failure to apportion standard rated supplies to 75% when computing output tax on sales.
(4) failure to apportion standard rated purchases to 88% when computing input tax on purchases.
(5) Claiming irrecoverable input VAT on expenses.

Overall performance of candidates

Highest mark obtained in this paper: **71%**
Lowest mark obtained in this paper: **11%**
Overall pass rate in this paper: **55.6%**

SUBJECT: DA11 – PRINCIPLES OF AUDITING

QUESTION ONE

The general performance on this question was very poor. Only 18 of the 95 candidates that attempted the question got 13 and above marks out of 25. A pass rate of 18.9% was recorded. The lowest mark recorded was 0 while the highest was 20.

Part (a) (i) of this question required candidates to explain the meaning of materiality in an audit of financial statements. A majority of the candidates lost the available marks for failing to explain the correct meaning of materiality.

The following observations were made:

(1) There was a significant level of incorrect explanation of the meaning of materiality showing that candidates do not understand this very important principle of auditing.
(2) There are candidates who explained materiality as the risks that are material.
(3) Some candidates related materiality to issues/matters that affect decisions of the auditors rather than the users of the financial statements.

Part (a) (ii) of this question required candidates to explain the meaning of sampling in auditing and again a majority of the candidates lost the available mark for not being able to explain the meaning of sampling.

The following observations were made:

(1) There were candidates who explained the different methods of sampling which was not the question requirement. Candidates simply needed to explain the meaning of sampling which is the testing of a sample of a population and using the results of the samples tested concluding on the whole population.
(2) There are many candidates who simply stated the various sampling methods and no marks were awarded for doing so.

Part (b) was a multi-requirement question requiring candidates to explain 5 audit risks in the scenario and to explain the related audit responses. Risk questions have been examined in a similar manner in the past and it was disappointing to note the extent of candidates failing to score the available marks. The extent of poor presentation of answers was noted and candidates are encouraged to use the columnar format in answering this type of question.

The following observations were made:

(1) A sizeable number of candidates did not address the second question requirement of explaining the audit responses on the audit risks identified thereby losing the available marks for doing so.
(2) A significant number of candidates explained management responses related to the audit risk which is not correct. Audit risk and the related responses are a concern of the auditors and the response should be from the point of view of the auditors.
(3) It was disappointing to note that a sizeable number of candidates explained ethical issues required in part (c) in answering this part of the question and no marks were awarded for doing so because this shows that they do not understand the difference between ethical issues and audit risk.

(4) There was a significant number of candidates who simply explained the elements of audit risk and those that are not elements of audit risk.

(5) There were candidates that did not relate the audit risks explained to the financial statement assertion as expected. Candidates are expected to explain the figures in the financial statements that will be impacted by the audit risk.
(6) It was surprising that a number of candidates simply repeated information in the scenario as answers to the explanation of audit risks.

Part (c) of this question required candidates to explain 4 ethical matters that will impact the independence of the auditors and to suggest appropriate responses for the ethical matters observed. The performance in this question was below expectation with a majority of the candidates scoring less than half the available marks.

The following observations were made:

(1) A minority of candidates explained audit risks in answering this part of the question and no marks were awarded for doing so.
(2) There were candidates who did not attempt to suggest suitable safeguards for the ethical issues explained as required by the question. Marks allocated to doing so were lost.
(3) There were candidates who explained audit procedures related to the ethical matters explained.

Part (d) (i) of this question required candidates to describe 2 substantive audit procedures other than third party confirmations to obtain sufficient appropriate evidence regarding the assertion of existence in the figure of trade receivables. The performance in this question was poor with many candidates not scoring any marks.

The following observations were made:

(1) Despite the express statement in the question that the audit procedures should not include third party confirmation, a significant number of candidates explained third party confirmation as one of the procedures and no marks were awarded.
(2) A significant number of candidates simply stated or explained the meaning of the methods of obtaining audit evidence such as recalculation without using these to describe the required audit procedures.
(3) There were candidates that gave audit procedures not related to the assertion of existence as required. Candidates should note that audit procedures are performed with assertions in mind and they should demonstrate understanding of this in answering questions such as this one.
(4) There were candidates who discussed assertions related to receivables which was not the question requirement and no marks were awarded for doing so.

Part (d) (ii) of this question required candidates to explain 3 substantive audit procedures other than third party confirmation to test the assertion of valuation of the receivable's balance. Again it was noted that candidates had challenges in providing the relevant procedures signifying the fact that a majority of candidates still face challenges in describing audit procedures in answering questions. Candidates are reminded that audit procedures are at the core of the subject and are likely to feature in future examinations. There were candidates who gave third party confirmation despite the fact that the question requirement expressly guided that the procedures suggested should not include third party confirmations.

QUESTION TWO

The general performance on this question was poor. Only 23 of the 94 candidates that attempted the question got 13 and above marks out of 25. A pass rate of 24.5% was recorded. The lowest mark recorded was 0 while the highest was 22.

Part (a) of this question had three distinct parts (i) to (iii) requiring candidates to explain deficiencies in the internal controls of Zambezi Leisure in part (i), to recommend improvements for each deficiency in part (ii) and to describe the test of control for each control activity in part (iii). A majority of the candidates scored well although it was observed that a majority lost marks for failing to suggest an appropriate test of control that should be performed.

The three parts should have been answered in columnar format as this saves on time and also ensures that all parts of the question are addressed. There were candidates that attempted each part separately without following the order in which the control weaknesses are in addressing parts (ii) and (iii).

The following observations were made regarding the answers to the three parts which are related:

(1) There were many instances of poor presentation of answers with some candidates answering parts (i) & (ii) together in columnar form and part (iii) answered separately and not in the same order as the first part of the answer.
(2) There were many instances where candidates did not attempt to answer part (iii) requiring an explanation of the tests of controls.
(3) There was clear evidence of lack of understanding of tests of controls with many candidates suggesting management's response/action to the deficiencies explained. Candidates are reminded that tests of controls are from the point of view of the auditor and are aimed at establishing whether or not the controls put in place are operating as expected. This is achieved by selecting a sample of the control activities and performing procedures to determine whether or not the controls are working as expected.
(4) Candidates struggled severely when developing tests of controls. Rather than stating procedures that test whether the internal control is operating effectively (e.g., Inspect a sample of corporate booking files for the Finance Director authorisation signatures or observe whether accounts clerks reconcile supplier statements monthly) candidates provided unrelated procedures such as analytical reviews, payroll tests or general inventory checks.

Part (b) of this question required candidates to describe 5 substantive procedures at the year-end in relation to plant and equipment. The performance in this part was poor with a majority of the candidates failing to suggest appropriate procedures. Candidates should have considered any assertion of their choice in describing the audit procedures.

The following observations were made:

(1) A significant number did not manage to suggest 5 substantive procedures as required.
(2) There was a significant number of candidates that explained financial statement assertions related to plant & equipment for which no marks were awarded.
(3) There were candidates who explained methods of obtaining evidence such as existence, inspection etc. without describing any substantive procedures as required.

Part (c) was a knowledge based question requiring candidates to explain the levels of assurance arising from an audit and review of the financial statements. Knowledge of both audits and reviews was necessary in answering this question. The auditors issue a reasonable assurance in an audit which is a high but not absolute level of assurance whereas a limited assurance is given in a review and this is a lower level of assurance compared to the reasonable assurance.

The following observations were made:

(1) Many candidates simply did not attempt to answer this part of the question losing all the available marks.

(2) There were candidates that explained one of the characteristics of each of reviews and audits without making reference to the levels of assurance as required by the question. For example candidates simply stated that for an audit a positive form of assurance is given and for a review a negative form is required making no reference to the levels of assurance.

Part (d) of this question was divided into two sections requiring candidates to explain tasks that can be performed at the interim audit stage and tasks at the final audit stage. To answer this question satisfactorily, candidates needed to know the meaning of interim and final audits. The performance was poor with many candidates failing to explain the tasks at each of these two stages of audits.

The following observations were made:

(1) There were many candidates that suggested tasks that can only be done at the final audit stage such as attending the inventory count at the interim audit date or seeking third party confirmation for receivables. Performing these tasks at this stage will not provide the necessary evidence to support the year-end figures.
(2) Many candidates provided vague, non-specific operational comments such as 'all booked entries to be updated' or 'all necessary documents to be provided' rather than stating specific audit tasks.

QUESTION THREE

The general performance on this question was very poor. Only 13 of the 73 candidates that attempted the question got 13 and above marks out of 25. A pass rate of 17.8% was recorded. The lowest mark recorded was 1 while the highest was 18.

Part (a) of this question required candidates to describe substantive audit procedures that should be performed during inventory count. Candidates should have considered the fact that the auditors have responsibilities before, during and after the inventory count and that these are distinct.

The following observations were made:

(1) There were many candidates that explained procedures either before or after the inventory count which did not address the question requirement.
(2) There were answers that were technically incorrect showing lack of understanding of the topic.

Part (b) of this question required candidates to suggest four potential indicators of going concern of Umoyo Care Ltd using the information in the scenario.

The following observations were made:

(1) A sizeable number of candidates explained going concern issues that were not related to the information in the question requirement. Candidates are reminded to use information in the scenario in answering examination questions.
(2) A sizeable number of candidates explained the meaning of going concern and also the need to prepare accounts on a break-up basis if it is not a going concern. This did not answer the question requirement on an explanation of going concern indicators using information in the scenario.

Part (c) of this question required candidates to describe five substantive audit procedures that should be performed in assessing whether or not Umoyo Care Ltd is a going concern. To answer this question satisfactorily, candidates needed to have an understanding of the provisions of ISA 570 *Going concern.*

The following observations were made:

(1) There were many candidates that explained the going concern indicators in this part instead of the procedures that the auditors require to perform to assess whether or not the company is a going concern.
(2) There were candidates that explained financial statement assertions in this part which were not relevant in answering this part of the question.
(3) There were candidates who simply listed methods of obtaining audit evidence (inquiry, observation, recalculation) in isolation rather than describing complete substantive steps.

Part (d) of this question required candidates to explain the responsibilities of management and the auditors with regard to fraud according to the provisions of ISA 240 *The auditor's responsibilities relating to fraud in an audit of financial statements.*

The following observations were made regarding candidates who scored low marks:

(1) The performance was poor arising from candidates failing to explain correctly the responsibilities of management and the auditors regarding fraud. A significant number of them confused the responsibilities of management and those of the auditors.

(2) There were many answers that were technically wrong showing candidate's lack of understanding of the responsibilities for fraud.

Part (e) of this question required candidates to explain the responsibilities of management and the auditors with regard to non-compliance with laws and regulations according to the provisions of ISA 250 *Consideration of laws and regulations in an audit of financial statements.*

The following observations were made:

(1) A sizeable number of candidates simply did not attempt to answer this part of the question losing all the available marks.
(2) Many candidates explained wrong auditor responsibilities showing lack of knowledge of the provisions of the relevant auditing standard.

QUESTION FOUR

The general performance on this question was poor. Only 27 of the 75 candidates that attempted the question got 13 and above marks out of 25. A pass rate of 36% was recorded. The lowest mark recorded was 1 while the highest was 21.

Part (a) (i) of this part of the question required candidates to explain how auditors are appointed by a company such as Zam-Phones Ltd. A good number of candidates ably explained who could appoint auditors and scored maximum marks.

The following observations were made:

(1) A majority of candidates simply explained one way in which auditors are appointed and that is by shareholders at the annual general meeting.
(2) Some candidates explained that auditors are appointed when the year has come to an end after the bidding process has commenced. This is technically incorrect because auditors are not appointed annually.
(3) Some candidates explained that auditors are expected to apply for audit work soon after they are qualified and members of the accounting profession which does not address the question requirement.

Part (a) (ii) of this question required candidates to explain the statutory rights of auditors. Candidates are reminded that these rights are contained in statute and therefore cannot include matters that are not in statute.

The following observations were made:

(1) A significant number of candidates scored poorly and gave rights of auditors that are not in statute.
(2) Many candidates did not realize that the rights of the auditors are those in statute and not some of the rights that were included in the answers including 'a right to issue an audit opinion' a 'right to complain' and 'a right to external confirmation' – no marks were awarded for such answers which are not part of statutory auditor rights.

Part (b) (i) of this question required candidates to explain reasons for maintaining audit documentation. This was a knowledge based question that did not require the use of information in the scenario. A majority of the candidates scored maximum marks in answering this part of the question.

The following observations were made:

(1) There were candidates who simply described audit documentation as working papers for the auditors without explaining reasons for maintaining of audit documentation as required by the question.
(2) There were answers that did not address the question requirement and showed lack of understanding of the reasons for audit documentation.

Part (b) (ii) of this question required candidates to explain the contents of the engagement letter. This too is a knowledge based question and the topic is fully covered in the study material for this paper.

(1) While the majority of the candidates who attempted this question scored maximum marks, a sizeable number lost marks for stating matters that were not relevant in answering this part of the question.
(2) There were candidates who gave wrong answers showing lack of knowledge of what information is contained in an engagement letter.

Part (c) of this question required candidates to explain the adequacy of management representations as a source of audit evidence. Candidates needed to remember the fact that on their own management representations are not sufficient and appropriate evidence as they are aimed at supporting other evidence obtained from management. A majority of candidates failed to clearly explain the adequacy of written representations and lost easy marks as a result.

The following observations were made:

(1) A sizeable number of candidates did not attempt to answer this part of the question.
(2) A few candidates explained the meaning of management's representations instead of explaining their adequacy & reliability as audit evidence.
(3) A significant number of candidates explained the difference between sufficiency and appropriate audit evidence which did not address the question requirement.

Part (d) of this question required candidates to explain the substantive audit procedures relating to payroll costs. The performance in answering this part was poor with many candidates scoring no marks. Candidates are once again reminded of the importance of the topic on substantive procedures. Questions on substantive procedures are likely to feature prominently in future examinations and candidates are encouraged to understand this topic fully.

The following observations were made:

(1) There were candidates that explained methods of obtaining evidence instead of using these to describe the relevant audit procedures for payroll.
(2) Many candidates stated and explained assertions related to payroll costs. The required substantive procedures are aimed at confirming whether or not the assertions are true.

Part (e) of this question required candidates to describe substantive procedures in relation to the audit of revenue. The performance was poor with many candidates failing to suggest the required number of audit procedures.

The following observations were made:

(1) Some candidates explained methods of obtaining audit evidence instead of explaining audit procedures as required.
(2) There were candidates who explained assertions related to revenue without describing the audit procedures that should be undertaken.
(3) There were many candidates that failed to explain the required number of audit procedures.

QUESTION FIVE

The general performance on this question was very poor. Only 1 of the 37 candidates that attempted the question got 13 and above marks out of 25. A pass rate of 2.7% was recorded. The lowest mark recorded was 1 while the highest was 14.

The question was on four main parts of the syllabus namely corporate governance, the use of internal audit, the use of CAATs and substantive procedures on warranty provision. Candidates are guided in selecting optional questions to ensure they leave out the most challenging question. Unless candidates had good knowledge of the topics under consideration, they should have avoided answering this question.

Part (a) (i) of this part of the question required candidates to explain the meanings of accountability and stewardship using the information on Kalima Minerals Plc. Candidates should have noted that these are two different terms which were required to be addressed separately in answering the question.

The following observations were made:

(1) A number of candidates only explained the meaning of accountability without also explaining the meaning of stewardship as per question requirement. The marks allocated to doing so were lost.

(2) Many candidates failed to correctly define accountability, incorrectly stating that it means 'providing authority to discharge functions' or merely 'providing information'. Accountability is the duty of management/directors to account for their stewardship or resources and answer to shareholders for company performance.
(3) There was a significant level of incorrect explanations of these terms.

Part (a) (ii) of this part of the question required an explanation of corporate governance weaknesses at Kalima Minerals Plc most of which were obvious and clearly explained in the scenario. Most candidates scored maximum marks; a minority scored poorly in this question.

Part (b) (i) of this part of the question required candidates to explain 2 matters that the external auditors should consider before deciding to use internal audit.

The following observations were made:

(1) There were candidates who explained the difference between internal and external auditors in answering this question.

(2) There were answers that showed a lack of understanding of these topics.

(3) Some candidates incorrectly stated that external auditors should consider the 'objective' and 'scope' of internal audit rather than evaluating the core ISA 610 criteria.

Part (b) (ii) of this part of the question required candidates to explain tasks for which external auditors are prohibited from seeking direct assistance from internal audit according to the relevant auditing standards. The question should have been answered in the context that the external auditors are responsible for obtaining sufficient appropriate evidence. Generally, in areas that are risky and require judgement, the auditing standards prohibit the external auditors from using the internal auditors under the arrangement of direct assistance of internal audit staff.

Part (b) (iii) of this part of the question required candidates to three (3) possible uses of audit software in the audit of the financial statements of Mubanga Plc. The performance was poor and the following observations were made:

(1) A significant number of candidates endeavoured to explain the meaning of audit software instead of explaining its uses in an audit.

(2) There were answers that showed lack of knowledge of audit software and its uses.
(3) There were many candidates who provided vague statements rather than specific software applications.

Part (b) (iv) of this part of the question required candidates to explain substantive audit procedures for the warranty provision in the financial statements of Mubanga Plc. The

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

The following observations were made:

(1) There were candidates that simply did not attempt to answer this question.
(2) There were candidates that explained methods of obtaining evidence rather than use these methods in describing audit procedures that should be undertaken.
(3) There were candidates who failed to give suitable audit procedures for provisions offering generic statements such as 'check provision'.
(4) Many candidates omitted required substantive procedures.

Overall performance of candidates

Highest mark obtained in this paper:	**62%**
Lowest mark obtained in this paper:	**9%**
Overall pass rate in this paper:	**22.1%**

SUBJECT: DA12 – GOVERNANCE AND CORPORATE LAW

QUESTION ONE

The general performance on this question was excellent. 28 of the 29 candidates that attempted the question got 13 and above marks out of 25. A pass rate of 96.6% was recorded. The lowest mark recorded was 12 while the highest was 24.

This question was divided into four parts (a), (b), (c) and (d):

Part (a) required candidates to identify four principles of corporate governance from the scenario that were not being followed by the company.
Part (b) required candidates to explain the role of the board in ensuring good corporate governance in Zambia.

Part (c) required candidates to advise the company in the given scenario on measures to improve good corporate governance.

Part (d) required candidates to state two consequences of poor corporate governance in a company for the Zambian economy.
The question was compulsory and attempted by all the candidates. The major problem observed was candidates failing to appreciate the question before answering it. In future, candidates will need to pay attention to detail so that questions are answered accordingly.

QUESTION TWO

The general performance on this question was good. 18 of the 29 candidates that attempted the question got 13 and above marks out of 25. A pass rate of 62.1% was recorded. The lowest mark recorded was 2 while the highest was 23.

This was a compulsory question. The question had 3 parts, Part (a) required the candidates to identify the liability of a promoter before incorporation of a company and how the liability can be avoided. 80% of the candidates correctly answered this part of the question.

Part (b) required the candidate to distinguish between share capital and loan capital of a company. Some candidates answered this part of the question adequately.
Part (c) required the candidate to illustrate two ways in which the corporate veil of a company can be lifted. Most of the candidates understood the procedure of lifting the corporate veil and answered this part of the question adequately.

QUESTION THREE

The general performance on this question was fair. 4 of the 8 candidates that attempted the question got 13 and above marks out of 25. A pass rate of 50% was recorded. The lowest mark recorded was 0 while the highest was 18.

This question was divided into four parts (a), (b), (c) and (d):

Part (a) required candidates to explain the different types of share capital a Zambian company can issue with their characteristics.
Part (b) required candidates to discuss the legal rules governing the issue of shares including pre-emptive rights of shareholders.

Part (c) required candidates to explain the differences between the floating and fixed charges and the legal implications in the event of insolvency.

Part (d) was connected to part (c) and required candidates to advise on the legality of declaring dividends and issuing bonus shares in relation to the circumstances in part (c).

The performance on this question was that most candidates did not understand fully the part on issuing bonus shares. In future, candidates should read the whole study manual in depth.

QUESTION FOUR

The general performance on this question was good. 18 of the 26 candidates that attempted the question got 13 and above marks out of 25. A pass rate of 69.2% was recorded. The lowest mark recorded was 6 while the highest was 21.

The question was on the roles of directors, powers and duties of directors. The question was well attended by candidates and no major challenges were observed. Candidates should keep studying the whole study manual to keep scoring highly.

QUESTION FIVE

The general performance on this question was fair. 12 of the 24 candidates that attempted the question got 13 and above marks out of 25. A pass rate of 50% was recorded. The lowest mark recorded was 1 while the highest was 20.

Question Five was divided into parts (a) and (b). Part (a) was further broken into parts (i), (ii) and (iii).

In part (a), Candidates were asked to explain the meaning of (i) winding up, (ii) voluntary winding up and (iii) compulsory winding up.

Part (b) required candidates to explain the procedure for dissolution by striking off the register.
For the most part, instead of the candidates explaining the procedure for dissolution by striking off the register, candidates discussed the reasons for dissolution. Some candidates that attempted this question passed and the rest performed poorly on this question. In future, candidates should take time to understand the question and respond accordingly.

Overall performance of candidates

Highest mark obtained in this paper: **75%**
Lowest mark obtained in this paper: **36%**
Overall pass rate in this paper: **82.8%**