



REPORT OF THE EXAMINERS

JUNE 2015 EXAMINATIONS

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PAPER T1: FINANCIAL REPORTING

QUESTION ONE

The question had ten (10) multiple choice questions and candidates were required to choose one answer out of four. Well prepared candidates scored high marks with a good number getting maximum marks available.

QUESTION TWO

This question was on departmental accounts and was split into three parts. The question was popular among the students and candidates scored high marks between 10 and 20 marks.

In part (a), although most students scored high marks, most candidates had a problem with the format of preparing the departmental income statement. The candidates wasted time in preparing three separate sets of income statement for Bakery, Groceries and Butchery instead of preparing one income statement and making divisions for the departments which could have assisted in saving time. Few students had problems in apportioning the expenses to the departments using the basis that was given.

Part (b) required candidates to calculate the gross profit margin and net profit margin ratios. Although, some candidates managed to calculate the correct percentages, some students had problems with giving the correct formula hence the answers were incorrect.

In part (c), some candidates failed to give the correct interpretations for the ratios that were calculated in part (b). For example, some students stated that Groceries and Bakery performance was good compared to Butchery department.

QUESTION THREE

The examiner wanted candidates in part (a) to calculate the cost of sales and gross profit. The question was well answered by most candidates. Only a few failed to identify that drawings in kind were supposed to be deducted from the purchases figure.

In part (b) most students failed to calculate the mark-up. They could not even give the following formula which was required:

$$\frac{\text{Gross profit}}{\text{Cost of sales}}$$

In part (c) (i) most candidates identified that there was a loss of K800 (2500 – 1700). However, they did not know that the inventory value was to be written down to K1700 in the books of Kakwete. No student pointed out that the loss was supposed to be absorbed in the cost of sales resulting in the cost of sales going up by K800.

In part (c) (ii) students failed to provide the relevant accounting standard. Most students brought out the provisions in IAS 16, PPE, IAS 37, but the required standard was IAS 2 on inventories.

In part (c) (iii) most students failed to define the net realizable value.

In part (c) (iv) most students identified the composition of cost of inventories.

(d) Most students failed to give the definition of matching concept and to recognize that closing inventory must be carried forward in the income statement to be matched with future revenues.

Generally part (b) and (c) were poorly answered. The candidates commented on depreciation which was not the requirement.

QUESTION FOUR

Question four was a theory question on IAS 1 which was divided into four parts. The first three parts (a), (b), and (c) were a typical recall questions while part (d) had transactions and asked candidates to apply the appropriate concepts applicable.

Part (a) was answered correctly by many candidates who attempted the question.

Part (b) was poorly attempted by many candidates. Many failed to explain the qualitative characteristics of financial statements of relevance and comparability.

Part (c) was misunderstood by most candidates because they took it for why International Accounting Standards have been developed, instead of explaining the advantages of the accounting standards.

Part (d) required candidates to relate the transactions to concepts. In part (d) (i) most candidates failed to calculate closing inventory and to take it forward to 2014 to add to production thereby aligning to the accrual concept.

In part (d) (ii) most candidates again did not recognize that it was an accrual concept. Depreciation is the matching of the cost of the non-current asset over its useful life.

In part (d) (iii) most students did not pick this question. They failed to explain that the reduction in scale of operations, laying off of most workers and disposing off of machinery at a price far below the net book value is a sign that business going concern concept is no longer applicable.

In part (d) (iv), most candidates recognized that the question was asking about irrecoverable debt or allowance for receivables hence the prudence concept.

QUESTION FIVE

Question five was on income and expenditure account of Kabwata Youth Empowerment Project (KYEP). This question was fairly popular among the candidates. The question was broken down into four parts.

Part (a) required candidates to prepare KYEP's accumulated funds. Although few students managed to compute the correct figure, a lot failed to do so. Students had problems on the format to use when calculating this figure. Students are advised to use the format of a journal to compute this figure as they would also save on time.

Part (b) required candidates to draw up a life membership account. This part was poorly answered by most candidates. A lot of students failed to input the correct entries in the account, while others debited the entries which needed to be credited and vice versa. It is recommended that students should know the double entry to avoid wrong entries in an account.

Part (c) asked candidates to prepare an income and expenditure account for KYEP. Although most candidates managed to enter the correct entries in the Income and expenditure account, most students had difficulties in making the correct adjustments to sales of tennis tables, annual subscription, sales of tennis balls and general expenses. There is need for students to learn how to make adjustments in the financial statements. One way is showing the adjustments right up in the income and expenditure account or opening separate accounts and then transferring the figure. The first method is quicker and saves on time. The other problem on this question was that some students opened up a statement of profit or loss account instead of an income and expenditure account. There is need for students to study the formats of the statements to avoid a mix up.

The last part, part (d) was on a statement of financial position. Most candidates managed to prepare the statement, however, few candidates managed to show the cost, depreciation and the NBV of the assets. The other problem was that only a few candidates acknowledged that life membership which remained was a non-current liability and that the cash balance of K82, 250 required some adjustments.

QUESTION SIX

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

In part (a) the following was noted; when writing up entries in the equipment account, most candidates were fond of writing up the amount in the amount column without a corresponding narration. This made candidates to lose marks as every entry should have a narration.

Some candidates were opening up individual equipment account (non-current accounts) and allowance for depreciation account when these are accumulative account (single account).

Other candidates were combining the equipment account and depreciation account. Most students performed badly on this question.

Part (b) was on correction of errors via the journal. A number of candidates were writing up the accounts instead of the journal proper. This made a lot of candidates lose marks which could otherwise have been avoided.

Paper T2: COST ACCOUNTING

QUESTION ONE

This was a multiple choice question consisting of ten sub questions. The set of questions were balanced and candidates scored well except for a few who clearly did not study.

QUESTION TWO

This was a very unpopular question with few candidates attempting it and those who attempted it scoring poorly. Clearly candidates failed to distinguish between absorption costing and activity based costing. They failed to calculate the unit cost as required in part (a) and (b) using both methods.

They further lacked understanding of the subject by not explaining reasons for under or over absorption. It showed lack of knowledge or class time, clearly learning is not taking place.

QUESTION THREE

Almost all students attempted the question. Some students did extremely well while others were just shooting widely. Many students think that they will always get good marks when they attempt a theory question. In answering these theory questions, the students tend to beat about the bush filling pages and pages with incorrect information. It was an indication that they did not understand most of the topics.

QUESTION FOUR

A very popular question and candidates who prepared performed well. This topic has been missing on the scene for some time and may have been a surprise question to many candidates and hence the poor performance. Candidates failed to define interlocking and integrated accounts with most of them mixing the two terms. The stores ledger cards were well done with a few scoring well while a number of the candidates did not know how to obtain purchase price of purchases and or issues, an error costing them huge marks. The AVCO method also proved troublesome to the majority of candidates with a clear lack of understanding on how to obtain average price for closing inventory. Candidates also failed to prepare the finished goods inventory control account, which should have been very easy. This shows that the candidates are ill prepared or they are not exposed to quality lectures.

This question was on methods of valuing inventory. Performance was extremely bad.

QUESTION FIVE

This question was mainly on Job Costing. Overhead absorption rates have also been asked. The general performance in the question was average.

QUESTION SIX

Students showed lack of understanding of process costing. Most students failed to calculate equivalent units and values. Abnormal loss and gain were also miscalculated. Generally performance was rather poor on this question.

PAPER: T3 BUSINESS MATHEMATICS AND STATISTICS

QUESTION ONE

This compulsory multiple choice question section was well done by three quarters of the candidates. However, about one quarter had difficulties in correctly computing the Binomial probability (i.e. question 1.8).

QUESTION TWO

Most students attempted question two, though the performance was not impressive. For most of them, the issue was on the use of the correct formula;

$$A = P \left[1 + \frac{r}{m} \right]^{mt} \text{ which they did not.}$$

For some, even with the correct formula written down, their computation was wrong, which perhaps may be attributed to the lack of know-how on how to use calculators.

QUESTION THREE

This question proved to be very popular with many candidates; however, the performance was generally poor.

In part (a),

- (i) Most candidates were able to compute the arithmetic mean correctly.
- (ii) Most candidates confused the concept of a modal class to the mode. The question did not require computing the mode.
- (iii) Most candidates used the wrong formula for computing the standard deviation. Candidates should be able to distinguish between the formulae to use for a sampling distribution of a sample mean and a population.

In part (b) there was a problem to do with probability theory, especially on independent events in part (ii).

QUESTION FOUR

Most of the students got part (a) correct.

Part (b), this question was on probability. However, it was poorly done. The candidates had the wrong value of the net present value, though they knew how to interpret the answer correctly. Most candidates could not use the correct formula for the internal rate of return (IRR), hence ended up with the wrong answer.

QUESTION FIVE

Summations for part (a) were well calculated including the substitutions into the formula for Pearson's correlation.

The problem with the majority of students was that they demonstrated lack of skills in using the scientific calculator, hence many of them getting wrong value of correlation.

Part (b) on indices was generally well answered.

QUESTION SIX

Most of the candidates attempted this question and only managed to get 9 out of 20. The major cause was their inability to correctly solve 6(a) which was a question on probability.

Part (b) was fairly attempted but part (v) also attracted attention as it did not state whether data was from a sample or population, hence candidates used the wrong formula for computing the standard deviation.

PAPER: T4 BUSINESS ECONOMICS

QUESTION ONE

- (a) The question was very popular and required candidates to briefly explain a number of economics concepts (i) shutdown rule (ii) economies of scale (iii) normal goods (iv) Externalities (v) elasticities of supply.

Most candidates answered the concepts correctly; however some could not give a satisfactory answer on shutdown rule and externalities. Some candidates associated shutdown rule to that of Indeni shutdown or computer shutdown. As for externalities they associated it to external trade.

- (b) This question on highlighting the 4 features of the free market economic system was satisfactorily answered.
- (c) The question required students to use the production possibility curve to:
- (i) Find the opportunity cost of country Z of producing 90 units of good B instead of 70 units. Most candidates failed to calculate the opportunity cost and were only ending up subtracting 70 units of good B from 90 units to give 20 units
 - (ii) Outline the implications for country Z to produce at T. Most candidates failed to outline the implications for country Z to produce at T. Most answers were not specifying the central issue of underutilization of resources when the country is operating at T.

QUESTION TWO

51% of candidates attempted this question

- (a) (i) This question required candidates to identify five (5) main features of oligopoly market structure. Most candidates answered correctly this question.
- (ii) This question required students to explain how oligopolistic firms can use restrictive trade practices to gain competitive advantage. The majorities of candidates were very clear on this question and gave examples of Organisation of Petroleum Exporting Countries (OPEC).
- (b) This question required candidates to outline two (2) outcomes of demand and supply when the prevailing price is not equal to the equilibrium price. This question though simple was poorly answered. Most candidates did not understand that this question was about excess demand and excess supply, the subject on disequilibrium on the market. The wording of the question (outcomes of demand and supply) might have misled the candidates.

(c) This question is a practical one on price elasticity of demand (PED).

- (i) The candidates needed to explain the resulting effect on the revenue from the product A. Most candidates gave a wrong interpretation of the resulting effect on revenue from product A when $PED = -2.5$ given that the price had been increased. The correct interpretation is that revenue obtainable should increase because the demand is elastic.
- (ii) The question required the identification of any 4 factors affecting price elasticity of demand for a good. Most candidates answered correctly this question.
- (iii) The question required candidates to find the equilibrium price. The majority of candidates knew how to equate $Q_d = Q_s$ and find equilibrium price and equilibrium quantity.

QUESTION THREE

- (a) This question was popular. The question required candidates to calculate and present in tabular format (i) Total Revenue (ii) Marginal Revenue (iii) Average Revenue. Most candidates managed to calculate and present correctly in tabular form the TR, MR and AR.
- (b) The question required to use information already given to explain the difference between marginal revenue and average revenue. Most candidates gave wrong answers. They could not explain the difference between MR and AR and should have referred to the formulas $MR = dTR/dQ$ and $AR = TR/Q$. Therefore, they could not explain that AR is price per unit of output whereas MR is change in TR for a unit change in output.
- (c) The candidates were required to explain what happens to price when an additional car is sold. Most candidates were able to point out that for each car sold, revenue falls but could not calculate the amount of K25,000.
- (d) The question required one to explain the type of market structure that Mwiinga was operating in. 40% of the candidates gave the answer of monopoly to mean imperfect market which is acceptable.
- (e) The candidates were required to define "Law of Diminishing Marginal Utility." Most candidates rushed into defining the law of diminishing marginal returns instead of explaining the law of diminishing marginal utility.
- (f) This question depended on (e) and required candidates to explain why this law is important in Economics. Again the majority of candidates got it wrong because in (e) they could not give a satisfactory answer.

QUESTION FOUR

46% of candidates attempted this question.

- (a)
- (i) The question required candidates to explain GDP at factor cost
 - (ii) The question required candidates to calculate GDP at market prices in relation to National Income Accounting.

Most candidates did not answer this question correctly. Most candidates who attempted this question wrongly used expenditure approach of calculating GDP at market price; in addition they could not use the adjustment concept to explain GDP at factor cost.

- (b) This question required candidates to explain activities that GDP does not measure. Most candidates answered this question correctly and were able to calculate.
- (c) (i) Most candidates were able to calculate the equilibrium level of output and were able to use $Y=C+I+G$.
- (ii) However, the majority could not calculate the size of the multiplier because they could not see that $MPC=0.45$ in the formula $m=1/(1-MPC)$

The question required candidates to explain the multiplier theory of investment. Most candidates failed to explain the multiplier theory as summarized in the formula $m=1/(1-MPC)$. The candidates endeavored to illustrate this as something which is multiplied without really showing that it is the ratio of final change in expenditure/initial change in injections.

- (d) The question required student outline 2 factors that influence the size of the multiplier. A good number of candidates failed to explain the 2 factors in relation to the stated formula. Most candidates mentioned other imagined factors other than MPC and withdrawals.

QUESTION FIVE

- (a) The candidates were required to distinguish the terms fiscal policy and monetary policy. This was a popular question. Most candidates answered it correctly and performed satisfactorily.
- (b) This question was a popular one. Candidates were required to state the 5 economic objectives that may be achieved by monetary policy if used. Most candidates performed satisfactorily.

- (c) The candidates were required to state any 5 benefits Zambia obtains by engaging in international trade. Most Candidates that attempted the question gave correct answers for the benefits of international trade.
- (d) The candidates were required to explain the trade embargo. Most candidates gave a correct answer. The candidates were able to define the trade embargo and fully explained time of imposition.
- (e) The candidates were supposed to explain any 2 arguments in favour of trade restriction. However, most candidates could not give a correct answer probably because they are used to the word protectionism instead of trade restrictions. Therefore, they failed to explain arguments in favour of trade restrictions.

QUESTION SIX

- (a) This question was not popular and only 27% attempted it. The question required candidates to define (i) spot rate (ii) Forward rate with respect to foreign exchange transaction. Invariably, the definitions candidates gave were not correct and unconvincing. The students gave vague answers which did not make sense. Some candidates failed to define the terms and talked about immediate settlement or future settlement in exchanges rates. Other unprepared candidates defined spot rates in relation to the sport of football.
- (b) The question required candidates to explain the 3 key objects of commercial banks. Candidates gave wrong answers on key objectives of commercial banks. Normally the students are used to being asked about the conflicting objectives. The candidates made reference to objectives such as customer care instead of profitability, liquidity and security as the objectives of a commercial bank. Therefore, the key objectives of commercial banks should have been understood to mean conflicting objectives of commercial banks.
- (c) The question required candidates to explain cheque truncation system. Most candidates did not have any idea about the cheque truncation system and referred to other computer systems. This is a clear indication that the candidates do not read or research widely.
- (d) This question was about discussing two (2) measures that a government can implement to improve the balance of trade in the short run. Most candidates did not understand this question and did not relate this question to a balance of trade deficit and that to improve the balance of trade the volume of imports should be reduced and that of exports should be increased. Therefore, their responses were incorrect.

QUESTION SEVEN

- (a) The question required candidates to explain any four macroeconomic policy objectives and their importance to an economy. Most students misunderstood the question and answered wrongly by referring to the fiscal and monetary policy, instead of listing down the government macrocosmic policies of (i) a reasonable economic growth rate (ii) a low rate of inflation (iii) a low rate of unemployment (iv) a balance of payment equilibrium (v) equality in the distribution of income and wealth.
- (b) The candidates were required to define economic growth. Most candidates gave vague and not convincing answers. Most candidates failed to define the economic growth and referred to economic growth in general terms. These candidates compared the growth to that of the growth a human being.
- (c) The question was on the 3 expansionary fiscal policy instruments. The expansionary refers to reducing taxes and increasing government spending but instead candidates gave the opposite. The answers of most candidates were confusing, where monetary instruments were used with contradicting effects like increasing interest rates instead of reducing the rates. Another common mistake candidates made was to answer in terms of monetary policy as opposed to discussing the fiscal policy.
- (d) The question required candidates to explain the effect of a rise of interest on investment and inflation rate. In general, the majority of the candidates again misunderstood the principles and gave contradicting answers, which were essentially the opposite to the correct one, i.e. they referred to investment increasing and inflation going up.

PAPER: T5 TAXATION

QUESTION ONE

The question had ten multiple choice questions and candidates were required to choose one answer out of four.

This question was fairly attempted by most of the candidates both for computational and descriptive questions. On average candidates managed to score twelve out of twenty marks which were available.

QUESTION TWO

This was a personal tax question having two parts, (a) and (b).

Part (a) of the question required candidates to explain the receipt basis which applies to employment emoluments and Part (b) of the question required candidates to calculate the final income tax payable by Chichi for the tax year 2015.

The total income for the tax payer included employment income which had a gratuity entitlement. The critical issues relating to the employment income was that the tax payer only worked for five months in the charge year and all taxable emoluments were to be accounted for on that basis. And also the gratuity had both qualifying and non-qualifying elements. The qualifying portion was to be taxed separately at 25% after allowing a tax free amount of K36 000. The non-qualifying portion was to be taxed with the other emoluments under PAYE basis.

This question was well attempted by most of the candidates with the exception of a few candidates who were unable to calculate the amount of gratuity applicable in 2015.

QUESTION THREE

This was a company tax question having three parts, (a), (b)(i) and b(ii) and (c) (i), c(ii), c(iii) and c(iv).

Part (a) of the question required candidates to state the various necessary procedures for the clearance of motor vehicles and Part (b) (i) of the question required candidates to explain the meaning of transaction value for customs duty purposes.

A complete customs clearance of a motor vehicle is only achieved if appropriate documents are presented, or any revaluation is done as necessary, payment of taxes is made and the processing of the declaration form CE 20 is done.

This part of the question was well attempted by most of the candidates with the exception of a few candidates who only restricted their explanation of the necessary procedures to that of providing various documents.

Part (b) (ii) of the question required candidates to describe any four methods that can be used to value imported goods.

The methods that can be used include transaction value of similar or identical goods, deductive value, computed value as well as fall-back method.

It was noted that most of the students were able to list the methods but a few candidates could hardly explain the methods.

Parts c(i), c(ii), c(iii) and c(iv) required candidates to calculate VDP, Customs duty, VAT and total cost respectively of the motor car which was imported by Juju.

The calculation of the VDP involves a translation of the foreign import costs up to a border of entry into Zambia at the ZRA approved exchange rate. The calculation of the duties is done in a specific order starting with customs duty followed by excise duty and lastly VAT at the prescribed rates.

This part of the question was not well attempted by most of the candidates in that they failed to realize that VAT could not successfully be calculated before excise duty computation although the excise duty was not specifically asked for in the question.

QUESTION FOUR

This was a general tax discussion question which was divided into five parts (a), (b), (c), (d) and (e).

Part (a) required candidates to define 'badges of trade'. Part (b) of the question required candidates to explain the subject matter of realization, tax payers intention, circumstances giving rise to realization, length of period of ownership and supplementary work and marketing as constituting some badges of trade. Part (c) of the question required candidates to state four powers of the Commissioner General of the Zambia Revenue Authority. Part (d) of the question required candidates to differentiate between capital tax and revenue tax. Part (e) of the question required candidates to list four Associations represented on the ZRA board.

Badges of trade are indicators of trade and would include intention to trade, circumstances that give rise to the sale, the time that the asset in question is held, the subject matter as well as supplementary work that is done after purchase. The Commissioner General of ZRA has powers which include powers to request returns as well as accounts, power to search and seize assets and powers to examine any person for the purpose of obtaining information. Capital tax is tax on capital receipts and revenue tax is tax on revenue receipts. And the associations which are represented on the ZRA board include ZICA, LAZ, BZA and ZACCI

This question was well attempted by most students with the exception of a few students who could not narrate the powers of the Commissioner General of ZRA as well as the associations which are represented on the ZRA board. And some students erroneously understood capital and revenue tax as tax on capital and revenue expenses instead of capital and revenue income.

QUESTION FIVE

This question required candidates to distinguish the given pairs of Value Added Tax terms which were in parts (a), (b), (c), (d) and (e) of the question. These distinctions were between VAT registration and VAT de-registration, recoverable and irrecoverable VAT cash accounting scheme and extended period scheme, basic tax point and changes to basic tax point and taxable supplies and exempt supplies.

VAT registration is a process of one being registered for VAT purposes which can either be voluntary or involuntary. On the other hand, deregistration is a case of the registration being cancelled. Recoverable VAT is VAT that can be claimed against input VAT whereas irrecoverable VAT is not claimable from ZRA. A cash accounting scheme of VAT is where VAT is only accounted for when the actual amounts relating to a credit transaction have been settled and an extended payment is a case where VAT registered Traders are allowed to account for VAT on an extended tax period of three months. The basic tax point is the time when goods are collected or delivered or made available. This basic tax period can be amended where a tax invoice or payment is made earlier or where a tax invoice is issued within a period of fourteen days after the basic tax point. Taxable supplies are those where VAT is charged and consist of standard rated and zero rated supplies. Exempt supplies are those where no value added tax is charged and are not taken into account in determining whether a trader is taxable person or not.

This question was well attempted by most students with the exception of a few students who could hardly explain the meanings of extended period and de-registration.

QUESTION SIX

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

Part (a) of the question required candidates to prepare a computation of the final amount of income tax payable by Malonda who was involved in both farming and non-farming businesses for the tax year 2015. Part (b) of the question had two sections (i) and (ii)

Part (b) (i) required candidates to calculate the provisional tax paid by Hi Tech plc for the tax year 2015 showing the due dates and the amounts payable on each of those dates.

Part (b) (ii) of the question required candidates to calculate the final amount of company income tax payable after deduction of tax already paid under the provisional tax regime.

It is common knowledge that farming and non-farming income is taxed at different rates and as such the two types of income are kept separate in the computation. It was noted that many students adhered to this and were able to score good marks.

The provision tax was well computed by most of the students although a small number of students failed to mention the due dates of 31/3/15, 30/6/15, 30/9/15 and 31/12/15.

CONCLUSIONS AND RECOMMENDATIONS

In this examination the theoretical questions were unpopular to many students although a good attempt was generally made on computational questions. This was a clear manifestation that most students have a tendency of concentrating more on tax computations with little concern on the arguments behind the computations. It was apparent from the calibre of the scripts marked that tax theoretical knowledge was scanty in most of the scripts. It is therefore recommended that more emphasis is given to tax theory.

PAPER: T6 MANAGEMENT

QUESTION ONE

48% of the 261 students who attempted this question passed.

Part (a)

The question required candidates to explain six change approach model developed by Kotter and Schlesinger that management can adopt in an organization to overcome resistance to change. Most students answered this question correctly. However, some confused it for the process of change, and would give answers of Freeze, Unfreeze, and Refreeze.

Part (b)

The question required students to explain any four factors that influence the culture of the organization. Most students were using their common knowledge of what culture is, rather than the content in the syllabus. However, Marks were given for answers that made sense.

Part (c)

Required students to state any five (5) ways in which employees could exhibit the culture of the organization. Most students got this one correct without problems.

QUESTION TWO

41% of the 472 students who attempted this question passed.

Part (a)

The question required students to explain the theory of motivation coined by Abraham Maslow and to briefly explain three (3) of the theory's criticisms. Most of the students answered this question well and appeared to have full knowledge of the theory.

Part (b)

The question required students to state any two (2) arguments for and against the ownership of Zamtel by the state. However, on this question, most students who presented arguments for still thought that Zamtel was owned by Lapgreen and were praising government for privatizing Zamtel. Students need to read widely and thus update themselves with latest events in the country.

Part (c)

The question required students to give three (3) examples, explaining how the change in technology may influence business plans. This question was well answered.

QUESTION THREE

25% of the 425 students who attempted this question passed.

Part (a)

The question required students to explain any five (5) characteristics of career development program. This question was poorly answered. Most students mistook characteristics of career development for benefits of career development program.

Part (b)

The question required students to list and four (4) features of strategic decisions. This part was also poorly answered. The majority of students answered in terms of the qualities of good strategic objectives (that is, they must be S.M.A.R.T – specific, measurable, attainable, realistic and time-bound), and components of strategic planning, which does not relate to strategic decision.

Part (c)

The question required students to define training and identify any five (5) benefits of training to an organization. Most of the students got this question correct as it appeared to be a well understood topic.

QUESTION FOUR

36% of the 482 students who attempted this question passed.

Part (a)

The question required students to explain the Hawthorne experiments in line with Management theory. Most students seemingly could not recall the Hawthorne experiments and what Elton Mayo achieved. Students wrote on motivation theories in a general sense and cited wrong theories like Herzberg and gave answers relating to motivational factors. Student must therefore have full understanding of the principles in specific theories.

Part (b) required students to list the main characteristics of the following:

- i. Limited company
- ii. Partnership
- iii. Cooperatives

Most students got part (b) correct, although some struggled to differentiate between a Private Limited Company and a Public Listed Company.

QUESTION FIVE

57% of 381 students who attempted this question passed.

Part (a)

The question required students to explain any four roles of Human Resources Management (HRM). Most students answered this question correctly; however, some confused this question for the role of a manager in an organization, and went on to discuss Planning, Organizing, Leading and controlling and so forth.

Part (b)

The question required students to define ethics and explain any four (4) unethical practices by employees and management in an organization. Most students had a challenge to define 'Ethics' and made assumptions. On unethical behavior, most students were giving general examples of misconduct, such as late coming, absenteeism and fighting at work, instead of focusing on unethical behavior like falsifying records, conflict of interest etc.

Part (c)

The question required students to explain any five (5) objectives associated with Public Sector Organizations. Most students answered this question correctly; however, some confused this question and instead listed the objectives of a Public Listed Company.

PAPER: T7 INFORMATION TECHNOLOGY & COMMUNICATION

Section A (Information Technology)

QUESTION ONE

- a) Candidates were required to describe the two (2) layers of IT infrastructure. The correct answer for IT Platform in a) (i) should have included a phrase similar to the following; an IT platform is a software framework for programs to run. On IT Services in part (ii), a good response was supposed to be: IT Services include people using infrastructure and technology to ensure IT resources are aligned with business requirements.
- b) Here candidates were supposed to explain a Service desk. Candidates were expected to write that a service desk is a place where people, processes and technology blend to deliver a business service.
- c) Most candidates had an idea of how the sum button Σ works in part (i). The correct answer would be that the symbol is the mathematical expression in Spread sheets for 'the sum of'. In part (ii) of the question, candidates were required to explain the 'IF statement'. The correct response would be that the if statement is a conditional formula that follows the syntax: =if(logical_test,"valueIfTrue","valueIfFalse").
- d) This question was about the advantages of Spread. The best answer should have included any three (3) of:
- Easy to learn
 - Quicker to manipulate data
 - Enables sharing of information
 - Summaries can be shown in charts, etc.

QUESTION TWO

- a) Candidates were asked to explain six (6) hardware devices for a small office. Most candidates did not understand this question and instead outlined some computer components. A good response was supposed to include hardware devices like; computers, local area network cabling, large storage server, printers, telephone equipment, photocopiers, video-conferencing equipment, etc.
- b) This question was on advantages of centralised systems. This was well answered by most students. A correct response would include issues of having only one set of files, therefore less duplication, better security because of central location, easy to control by head office, it may be much easier for the organisation to procure one large computer for use as a server, economies of scale, etc.
- c) The question on a file Server was not so bad with students as a good number got it right. The ideal answer should include the fact that this type of server keeps the organisational files (data) as well as the software on a shared platform.

QUESTION THREE

- a) Most candidates who attempted this question understood the operations of a client/server network.

A correct answer should include the fact that a client/server network has two (2) parts to it; the server which provides service to other machines and client computers which send requests to the server.

- b) This was a question on computer security. The candidate was asked to explain, a Trojan horse, worm, and eavesdropping.

This was well answered by most candidates. A typical answer would be; a Trojan horse is a software that masquerades as a legitimate program but instead is malicious, a Worm is a program that has ability to replicate but cannot attach itself to other programs and eavesdropping is an act of intercepting data that is in transmission.

- c) This question on tasks of an operating system was well answered by candidates.

A good response would include the following; initial setup of a computer, checking that hardware is functioning, opening and closing files, maintenance of directories, controlling input and output, handling interruptions, etc.

- d) Candidates were asked to explain four (4) qualities of good information. This was well attempted as well. A good answer is explaining the following qualities; accurate, complete, within cost, user-targeted, relevant, authoritative, timely and easy to use.

QUESTION FOUR

- a) The question required the candidate to explain the following input methods: MICR, Scanner, EFTPOS and OMR.

The best answer for each of them would be;

- MICR (Magnetic Ink Character Recognition) uses special ink for special printed characters which would be recognised by special recognition equipment. This is mainly used in banks.
- Scanner is an input device that converts paper documents from its paper form to computer sensitive form using a photocopier. The digital form of the document can now be manipulated by special software.
- EFTPOS (Electronic Fund Transfer Point of Sale) is an online transactions handling system mainly used in retail business. Here the buyer uses their electronic card for identity and transfer of money from the bank to the store electronically.
- OMR (Optical Mark Reader) is a pre-printed document where the user puts special marks in predefined positions on a document. The reader scans to see those marks in their positions. Commonly used in education.

- b) Candidates were asked to explain the meaning of the term GIGO.

A correct response would include the unwrapping of the acronym as Garbage In Garbage Out. This is the relationship between data in that if poor quality data is input, then poor quality information will be output.

- c) In this question candidates were required to explain data warehousing and data mining. A good answer will include the words central repository of integrated

data for warehousing and would include knowledge discovery, analysis to discover relationships, patterns, associations, trends, etc. from data in data mining

Section B: T7 B - Communication

QUESTION 5

Question five required candidates to explain the communications cycle, draw a diagram to illustrate the cycle and state any factors that affect the choice of medium.

This question was the most popular one among candidates. However the performance was not good. There was a 40 % pass rate on this question. Candidates who performed well were able to provide correct answers. The communication cycle was well explained, neat and well-illustrated diagram of the communication cycle. It was observed that 60% of candidates failed this question for the following reasons:

- Failure to draw an appropriate diagram illustrating the communication cycle
- Wrong content in the answer.
- A mix up of factors that affect the choice of medium and the barriers to communication.
- Poor grammar.
- Inadequate answers.
- Failure to attempt all parts of the question.

QUESTION SIX

This question required candidates write a Schematic report from a scenario that was provided in the question. About 50% of the candidates attempted this question. There was 60 % pass rate on this question. This was attributed to the ability to be creative from the information that was provided in the scenario given in the question and exhibited correct report writing skills. This included the correct layout, content and any other correct aspects of the answer that was required. Candidates with poor performance in this question provided unacceptable answers for the following reasons:

- Inappropriate title of the report
- Failure to state correct terms of reference /introduction
- Omission of certain parts of the report such as the procedures, conclusion and recommendations.
- Findings were not logically presented.
- In most cases candidates reproduced the table from the question which was not supposed to be the case.
- Wrong format /layout of the report. In some cases letters or memos were written yet the question did not ask candidates to write letters or memos.

QUESTION SEVEN

Question Seven was also one of the popular questions among candidates. This question required candidates to identify and provide a suitable title for a chart that was given in the question. Candidates were also required to identify towns with the highest and lowest number of accountants and also to find the average. The last part required candidates to explain purposes of using charts in organisations. This question must have been perceived as very easy among candidates, yet most candidates who attempted this question actually did not perform well. The pass rate was 35%. Candidates who performed well in this question were able to include the following in their answers:

- Identified the correct chart as a simple bar chart
- Provided the suitable title for the diagram that was presented in the question.
- Identified the correct towns and indicated the highest and lowest number of trained accountants in the answer.
- Managed to find the correct average of trained accountants including all calculations.
- Provided correct answers on purposes of using reports in an organization.

Candidates who did not performed well failed to write correct answers and that resulted in low grades.

LICENTIATE PROGRAMME

PAPER: L1 FINANCIAL REPORTING

QUESTION ONE

This question covered consolidated financial statements. Part (a) required candidates to prepare a consolidated statement of profit or loss and other comprehensive income. Part (b) was on calculation of goodwill using proportion of net assets method.

General Performance

Most candidates attempted this question. The highest mark was 27 out of 30 while the lowest was zero (0). About 45% of those who attempted this question got above 15 marks.

Common Mistakes

The following mistakes were made by most candidates:

Part (a)

- Used wrong fraction of the year when computing Dota Plc's post acquisition figures
- Failed to calculate correct unwinding of interest on deferred consideration
- Could not remove intra group dividends in other income figure

Part (b)

- Adding instead of subtracting 3/12 of the loss for the year when calculating pre – acquisition retained earnings

QUESTION TWO

The question required candidates to prepare published accounts for a single company. Part (a) was on statement of profit or loss and other comprehensive income. Part (b) was on statement of financial position.

General Performance

Most candidates attempted this question. The highest mark was 25 out of 30 while the lowest was zero (0). About 53% of those who attempted this question got above 15 marks.

Common Mistakes

Most candidates made the following errors:

Part (a)

- Could not calculate and treat correctly revaluation deficit
- Failed to compute inventory adjustment
- Poor presentation

Part (b)

- Poor presentation
- Did not include corporation tax under current liability

QUESTION THREE

This question had three parts. Part (a) required candidates to distinguish between adjusting and non-adjusting events and to account for a transaction under IAS 10. Part (b) was on calculation and allocation of impairment loss to a cash generating unit. Part (c) covered accounting for a construction contract.

General Performance

Most candidates avoided this question. The highest mark was 11 out of 20 while the lowest was zero (0). About 7% of those who attempted this question got above 10 marks.

Common Mistakes

The following mistakes were noted.

Part (a)

- Did not know the difference between adjusting and non-adjusting events
- Failed to calculate inventory adjustment

Part (b)

- Could not apply the correct order of allocating impairment loss to assets in the cash generating unit.

Part (c)

- Could not calculate correctly amount to be recognized in the statement of financial position
- Failed to compute correct figures to be recognized in the statement of profit or loss.

QUESTION FOUR

Part (a) of this question required candidates to calculate the ratios. Part (b) was on commenting on the company's performance based on ratios calculated in part (a). Part (c) required candidates to calculate income tax paid and cash paid to acquire property, plant and equipment.

General Performance

Most candidates did attempt this question. The highest mark was 16 out of 20 while the lowest was zero (0). About 22% of those who attempted this question got above 10 marks.

Common Mistakes

Some candidates made the following errors:

Part (a)

- Failed to calculate correct total capital gearing ratio. They instead calculated debt to equity ratio

Part (b)

- Failed to comment correctly on the performance of the company based on calculated ratios. It seems most candidates do not understand the meaning of most ratios

Part (c)

- Ignored deferred tax when calculating tax paid for the period
- Debited items to be credited and credited items to be debited when computing tax paid and cash paid to acquire property, plant and equipment.

QUESTION FIVE

This question had three parts. Part (a) was on accounting treatment of unrealized profits in respect of branch closing inventory and goods in transit. Part (b) asked candidates to explain why the given lease was not an operating lease. Part (c) covered explanation fundamental qualitative characteristics of financial information; relevance and faithful presentation. Part (d) was on disadvantages of statement of cash flow.

General Performance

Most candidates did attempt this question. The highest mark was 16 out of 20 while the lowest was zero (0). About 19% of those who attempted this question got above 10 marks.

Common Mistakes

- Some candidates made the following errors:

Part (a)

- Did not know the accounting treatment of unrealized profits

Part (b)

- Failed to explain satisfactorily the two characteristics, relevance and faithful presentation.

Part (c)

- Showed ignorance of the disadvantages of the statement of cash flow.

PAPER: L2 MANAGEMENT ACCOUNTING

QUESTION ONE

The question on backward variance analysis was miserably answered by candidates and below is a detailed analysis on each question segment.

Part (a) The general performance was very dismal and a handful of candidates got it right, as the majority could not even attempt the question while few courageous ones attempted but wrongly answered it.

It is in the interest of the students that they understand the techniques for working-backwards on variances as such questions may be a predominant feature in the future ZICA exams. At the Licentiate level candidates should stop fantasizing on straight forward variance analysis as such type of variances are well handled at technician level.

Part(b) This part of the question required candidates to clearly explain and state the suitability of performance standards. The majority of the candidates reasonably answered the question well while some generated way wide answers such as stating the liquidity ratios.

Question Two

This Question was very popular. Part (a) (i) was generally poorly attempted and some candidates left it unanswered. Confirming which resource- kg of materials or labour hours- was a limiting factor should have been done and then allocate the confirmed scarce resource according to contribution per scarce resource. Good candidates were able to do this.

Parts (a) (ii), (b) and (c) were well attempted. Poorer candidates mentioned the 4p's (marketing mix) in (b).

QUESTION THREE

Part (a)

Many candidates failed to compare and contrast the traditional and modern manufacturing philosophy, instead candidates focused on differentiating between traditional costing methods such as absorption verses marginal costing. Students lost vital marks for not answering the question asked. Candidates are urged to take time to read the question requirement before attempting any question. From the answers provided on the scripts, it was very clear that candidates did not understand the topic fully.

Part (b)

Candidates were able to explain the principles of a **JIT** system but could not elaborate further on how it works. This resulted in many candidates scoring poor marks.

Part (c)

Few candidates were able to explain the concept of value added cost but again the majority showed lack of knowledge in this area and scored low marks.

Part (d)

Overall, this whole question was poorly answered by many candidates though it was attempted by 90% of candidates who sat for the exams.

QUESTION FOUR

This question was not popular and was poorly answered by the candidates that attempted it. Candidates are advised to read questions carefully and understand the question asked before answering.

This question tested candidates' ability to analyse data provided to determine the best course of action for a limited company, taking into consideration cost behaviour and the use of the high low method to split semi variable costs.

It was surprising to find that many candidates were not able to apply the 'high – low' technique to calculate the total variable cost per activity. This is one of the most basic, but important, tools that should be in the armoury of all management accounting students. The High-low technique should have been knowledge brought forward from the Technician stage.

In part (a) most candidates were not able to differentiate between increase by and increase to. The question specifically mentioned '....sales will increase by 75% of the normal capacity' as normal capacity was currently 50%, the increased level of activity should have been 87.5% ($50\% \times 1.75$).

Common mistakes were:

- Failure to recognise that percentage represented activity levels, and therefore the high low method could be used to split semi variable costs.
- Failure to identify production overheads, administration overheads and selling and distribution overheads as semi variable costs using cost behaviour.
- Failure to realise that the closure decision was temporal due to the re-commissioning costs of K2,000,000 that would be incurred in this option.
- Failure to recognise that fixed costs would reduce to K5,500,000 and not by K5,500,000 as many candidates thought, therefore the relevant cost should have been the change from the current level of fixed costs of K9,500,000 to the new level of fixed costs of K5,500,000 which is K4,000,000.
- Failure to recognise that the revenue at the increased level of capacity of 87.5% was K45,000,000

In part (b) the question had two components, distinguishing feed forward from feedback and giving two examples of feed forward and feedback controls. It is

important that students at this level are able to address verbs such as distinguish and answer the question required. Many candidates were able to give examples of feedback controls but failed to distinguish it from feed forward and to give examples of the same.

QUESTION FIVE

This question was generally attempted by most students.

Part (a) It required candidates to prepare a cost schedule clearly showing relevant costs. Most candidates failed to identify the relevant costs. Most of the notes attached did not explain the figures for each relevant cost value. The examiner noted that candidates in future exams should be well equipped on explaining the non-relevant values which are excluded in the schedule.

Part (b) and (c) most of the candidates failed to discuss the requirements instead ended up just giving definition of profit and description qualitative factors. This showed lack of understanding of the topic. In future, candidates are encouraged to read widely.

PAPER: L3 INTEGRATED TAXATION

QUESTION ONE

Most candidates scored poor marks in this question which covered the interaction of taxes and aspects of tax planning.

In part (a) a good number of candidates faced challenges in explaining how various basic VAT matters would be applied to the business in the question. In particular, candidates failed to use the information in the question to show when the company would be required to register for VAT and explain whether the business would be able to recover any pre-registration input VAT, as well as explaining how the tax point for the business was to be determined. Candidates, in most cases, also failed to compute the VAT position of the company.

Part (b) (i) which required a computation of the NAPSA contributions, income tax and withholding tax payable by the company assuming that emoluments were drawn by the tax payers, was generally poorly answered. Whilst a good number of candidates were able to compute the NAPSA contributions payable by the company, a vast majority of the candidates failed to compute the income tax payable by the company, as they were unable to compute the taxable profit for the company. Surprisingly, some candidates used personal income tax rates instead of the company tax rate of 35% to compute the company income tax payable.

Part (b) (ii) was fairly well answered with the exception that some candidates omitted to include the fuel allowances receivable by the individuals, when computing their income tax payable.

In part (c) (i) and (ii) candidates scored poor marks as they failed to provide appropriate computations of the NAPSA contributions and income taxes payable by both the company and the individuals on the assumption that dividends were drawn by each individual.

QUESTION TWO

The overall performance of candidates in this question was generally poor.

Part (a) was relatively straight forward requiring candidates to explain the tax incentives available to enterprises operating in priority sectors declared under the ZDA Act. Surprisingly, the question was poorly answered by most candidates who lost an opportunity to score some easy marks as they failed to provide the required answers.

Part (b) (i) required an explanation of the VAT implications and income tax implications associated with a proposed business venture. This part was fairly well answered by most candidates.

Part (b) (ii) required candidates to discuss the VAT and property tax implications of the disposal of business assets on the cessation of a manufacturing business. Most candidates failed to explain the VAT implications and it was disappointing to note that a good number of candidates failed to make very basic VAT computations to determine the VAT payable from the VAT inclusive values which were given. Candidates also failed to explain the property tax implications and made the mistake of stating that property transfer would arise on the disposal of all the assets. Property Transfer Tax does not arise on disposal of chattels, and would therefore, only have arisen on the disposal of the factory building.

Candidates further failed to apply the cessation rules to determine the amount of profits to be assessed in each of the two tax years given in the question. They also faced challenges in determining the amount of capital allowances available for relief in each of the two tax years. Common mistakes included using the wrong rates for capital allowances on the manufacturing equipment and the factory building which was quite disappointing given that these rates are always provided in tax table at the beginning of the question paper.

QUESTION THREE

Question covered tax planning involving Value Added Tax for groups and was generally poorly answered.

In part (a), candidates faced challenges in identifying and explaining the companies qualifying to register as a group for VAT purposes. Most candidates did not understand the question and instead identified and explained the companies qualifying to register individually for VAT.

Part (b) which required candidates to explain with appropriate calculations the VAT position of each company was equally poorly answered.

Part (c) required candidates to show what the VAT position would have been, if the companies were registered for VAT as a group and was generally poorly answered as candidates failed to provide the relevant computations.

In part (c) candidates provided explanations of the consequences of companies registering for VAT as a group instead of explaining the benefits of group VAT registration as required by the question and therefore lost marks.

QUESTION FOUR

This question covered overseas aspect of income taxation had comprised three parts.

Part (a) required candidates to apply their knowledge about how the residence of companies is determined to explain why the companies specified in the question were regarded to be resident overseas and was generally well answered.

In Part (b) (i) candidates were asked to compute the company income tax payable. Most candidates failed to compute the final taxable income of the company, as they did not know how to treat the dividends received by the company from foreign sources. Candidates also failed to compute the company income tax paid because they failed to compute the amount of double taxation relief to be given in respect of the dividends received from foreign sources. A good number of candidates used personal income tax rates to compute the tax payable instead of using the company income tax rate of 35%.

Part (b) (ii) was fairly well done although a good number of candidates did not know how to treat the additional pension contribution made by the tax payer into the employer's approved pension fund when computing the tax payable. Candidates also failed to compute the amount of double taxation relief available to the tax payer in relation to the income received from foreign sources

Candidates scored poor marks in part (c) which required an explanation of tax implications of the group charging a higher than the market price on the imported products.

QUESTION FIVE

This was a fairly straight forward, knowledge based question covering financial planning in form of financial protection products and Tax audits and investigations. The question was fairly well answered by majority of the candidates. However, very few candidates managed to present their solutions in form of a letter as required by the question and therefore lost an opportunity to earn some easy marks for presentation, format and structure of their solutions.

Part (a) required candidates to define and explain the purpose of a tax audit and to distinguish it from a tax investigation and was generally well answered.

Similarly, candidates provided satisfactory answers in part (b) which required an explanation of the differences between a desk audit and a field audit.

However, in part (c) some candidates failed to distinguish savings products from protection products.

Well prepared candidates scored full marks in part (d) as they were able to describe the nature of whole of life insurance, permanent health insurance and critical health insurance, as well as discuss the taxation implications associated with each of these types of insurance cover.

PAPER: L4 AUDITING

QUESTION ONE:

Overall most candidates obtained more than 50% of the 30 marks available for this question.

Part (a)

Was a knowledge based question requiring candidates to explain the elements of internal control as per IAS 315. Candidates were expected to briefly explain control environment, the entity's risk assessment process, the information system relevant to financial reporting, control activities and the monitoring of controls. A sizeable number of candidates mistook the fundamental principles of professional ethics to the element of internal control thus losing all the easy 10 marks available.

Part (b)

This question was divided into six sub parts requiring candidates to answer question based on information given in the scenario. Presentation of answers to parts (i) (ii) and (iii) was important as the three are clearly related. Poor presentation of answers was observed and in some cases no clear link was established in the answers given.

- (i) Most candidates obtained maximum marks in this part as there were sufficient deficiencies in the scenario for candidates to choose from.
- (ii) Although candidates were able to state the deficiencies as required under part (i) a majority of candidates could not explain the deficiencies showing clear lack of understanding of a typical sales systems and the relevant controls.
- (iii) Marks were lost for not making recommendations to deficiencies observed and explained in parts (i) and (ii). Some candidates discussed corporate governance which clearly was not necessary in answering this question.
- (iv) The majority of candidates lost all marks available and it was clear that candidates do not know what audit procedures are. Some mistook audit objectives for audit procedures. The importance of understanding audit procedures cannot be overemphasized. This is the actual audit work that the auditors undertake in specific audit areas.
- (v) Although the majority of candidates scored maximum marks in this section a sizeable number of candidates lost marks as they gave benefits of internal controls instead of reasons why internal controls cannot guarantee that nothing will go wrong. Unless candidates fully understand what internal controls are, they cannot know the limitations of the internal controls. These are set by management and they may be overridden by management and also in the event that there is conniving amongst staff then internal controls may fail.
- (vi) The majority of the candidates were able to apply relevant ethical principles to the question and scored most of the available marks.

QUESTION TWO:

Part (a)

This part of the question required candidates to state the responsibilities of the auditors and management with regard to specific areas including the preparation of financial statements, fraud and error, and going concern.

This was a knowledge based question and the majority of the candidates scored maximum marks on offer and answers were of good standard.

Part (b)

This part of the question required candidates to show their understanding of going concern matters and how they impact the audit report under four different circumstances.

It was observed that the majority of the candidates who attempted this question showed little knowledge of this important topic. There are guidelines that should be followed when the auditors have concerns about the going concern assumption of the company and depending on what action management takes this will impact the auditor's report in some way.

In the case of client one, management has clearly explained the uncertainty and the auditor is satisfied with the going concern assumption made by management. In this case the auditor will issue an unmodified audit report and he may wish to comment on this in the emphasis of matter paragraph.

In the case of client two, the assumption made by management is appropriate, but there is a material uncertainty which has not been disclosed by management. In this case the auditor may consider modifying the opinion depending on the seriousness of the matter of concern. He may consider issuing a qualified or adverse opinion.

In the case of client three, the going concern assumption is not appropriate and unless this matter is resolved with management, the auditor will issue an adverse audit opinion.

In the case of client four, management has not made an assessment that the company is a going concern for a period of twelve months as required. Since management is not willing to extend the assessment the auditor will have no option but to modify the audit opinion.

Part (c)

The question was divided into two sub sections of four and ten marks respectively.

- (i) This section required candidate to explain the meaning of unmodified audit opinion in accordance with ISA 700. The majority of candidates could not explain clearly and correctly the meaning of an unmodified audit opinion. This has been examined in the same way in the past and lack of clear

understanding resulted in most candidates losing most of the easy available marks.

Basically an unmodified audit opinion is one where the auditor is happy and satisfied that the financial statements show a true and fair view. He does not have any matters of concern that would cause him to issue a modified audit opinion.

- (ii) This part of the question required candidates to critique a draft audit report in the question. Candidates were not expected to redraft the report but simply state the errors in the draft report and there were sufficient obvious errors that candidates should have explained and get all the available marks.

The majority of the candidates failed to highlight the errors let alone suggesting amendments that should be made. Five identified and explained errors should have earned candidates maximum marks and the following errors were obvious:

- The draft report was wrongly addressed to the management of Gold Plc instead of to the shareholders.
- The introductory paragraph was missing.
- The management and auditor responsibilities were swapped.
- Management responsibility paragraph should among other matters state management's responsibility to prepare the financial statements and also put in place suitable controls to protect the assets of the company.
- The auditor responsibility paragraph stated that the audit was conducted in accordance with International Accounting Standards instead of International Standards on Auditing (ISAs)
- Under the auditor responsibility paragraph reliance on the work of internal auditors and the expert was not correct. The auditors are responsible for the audit opinion.
- The emphasis of matter paragraph should come below the opinion paragraph and not above it.
- The opinion does not appear to be appropriate in view of the matter expressed in the emphasis of matter paragraph. If there is an accounting estimate that is clearly understated, it may be reasonable enough to issue a modified audit opinion unless management amends the financial statements.

QUESTION THREE:

Part (a)

Was on receivables and divided into three sub parts as follows:

- (i) Required candidates to explain the difference between positive and negative circularization. A good number of candidates lost the available marks because they could not clearly explain the two. Some candidates brought in the issue of audit reports and went on to contrast 'qualified' and 'unqualified' opinions which were not asked for.

This question has been examined before in the same format and this showed that candidates do not go through past examination questions in addition to not clearly understanding the subject matter.

- (ii) The performance in this part was also poor with most of the candidates who failed to answer part (a) also failing to give advantages and disadvantages of positive and negative circularization.
- (iii) This part required candidates to state the reconciling items between the customer balances and the client balances. Candidates were simply expected to bring to bear their accounting knowledge on receivables. A large majority of the candidates instead listed the receivables that should be included in the sample for circularization such as those with nil balances, those with credit balances etc and clearly lost the available marks. The reconciling amounts include cash in transit from the receivable to the client, goods in transit or goods returned for which credit notes have not yet been raised and posted.

Part (b)

The majority of candidates lost all the marks available in this part. From the answers given it is clear that most candidates do not understand the meaning of financial statement assertions and the related risks. The risk is basically what could go wrong and the impact thereof on the financial statements. Simply explaining the assertions without explaining the risk did not earn the full marks. For example rights and obligation is the assertion that the receivable rightly belong to the audit client. The risk was that included in the receivables figure were receivables not rightly belonging to the client and hence should be excluded.

Part (c)

This part was divided into two sub sections requiring candidates to describe the audit procedures for accounts receivable and bad debt balances. As observed in past examinations, candidates could not explain the audit procedures that should be undertaken to test the carious assertion contained in the two balances. Majority of candidates went to great length explaining financial statement assertions instead of describing the audit procedures that should be undertaken.

Audit procedures will continue to feature in future examinations and candidates should ensure that they understand this topic fully and they are reminded to use their accounting knowledge in answering such questions.

QUESTION FOUR:

Part (a)

This part was divided into two subparts as follows:

- (i) Required candidates to distinguish between the audit strategy and the audit plan. This is a knowledge based question and the majority of candidates failed to distinguish the two thereby losing the available marks.
- (ii) This was a follow up to the question in part (i) requiring candidates to give two examples each of the matters that are contained in the audit strategy and the audit plan. The majority of candidates failed to give the examples and lost all the available marks.

Part (b)

- (i) Required candidates to define audit risk and the majority of the candidates score maximum marks available.
- (ii) Required an identification and explanation of risks in a given scenario. The majority of the candidates who attempted this question performed well in this section.
- (iii) Most candidates scored well in this part of the question which required candidates to explain the importance of risk assessment to the audit firm.

QUESTION FIVE:

Part (a)

- (i) Required candidates to explain why external audits are beneficial even to institutions where it is not mandatory to have external audits conducted. The majority of candidates scored high marks and there was a small minority of candidates who did not know what nongovernmental organizations are and thought of them as being the non-statutory organizations such as sole traders.
- (ii) Generally candidates performed well in this part. There were candidates who simply explained the fundamental principles of accountants without applying them to the question resulting in loss of marks.

Part (b)

- (i) The question required candidates to list four examples of accounting estimates. It was surprising that only a few candidates who attempted this question were able to give the required number of examples. This clearly shows that candidates did not fully understand what accounting estimates are

and also they failed to apply their knowledge of accounting in answering this part of the question.

Accounting estimates are any figures where judgment is used by the preparers of financial statements including:

- Allowances for receivables.
- Warranty obligations.
- Outcome of litigation at the period end etc

- (ii) This part of the question required candidates to state the audit procedures that should be undertaken in the audit of accounting estimates. Most candidates obtained low marks and it was again clear that candidates do not fully understand audit procedures.

Audit procedures are the work that the auditor performs in the process of testing the financial statement assertions contained in the figures in the financial statements. It is on the basis of the results of the audit procedures that the auditors conclude on the outcome of the audit.

PAPER: L5 DECISION MAKING TECHNIQUES

QUESTION ONE

This question involved regression analysis techniques which most students demonstrated good understanding and scored an average of 10 out of 20 marks. The candidates had a perfect understanding of scatter diagram but struggled with interpretation.

QUESTION TWO

Most candidates made a mistake in part (b). They used chi-squared instead of analysis of variance. Note that the question required finding the difference between the weight gains of the three diets. They were required to deal with columns only. The question was to determine if there were any differences between the groups.

QUESTION THREE

Part (a) poorly done as most students exhibited absence of knowledge on probability.

Part (b) was on Network diagrams; the general problem was that arrows to show flow of activities were not shown on the diagram by the majority of the candidates.

QUESTION FOUR

Part (a) on simplex method was very unpopular. Candidates, who tried it, got it wrong.

Part (b) on inventory control was also a problem to most candidates as they could not get the correct value of holding cost and finally Total average cost.

QUESTION FIVE

A very popular question, however, part (a) which required the use of the Bayesian's theorem was very poorly done.

Questions on probability proved to be very challenging to most candidates.

Part (b) (i) should have read 'maximin' criteria. By asking for the 'maximum' criteria this brought in about some confusion. The candidates who attempted this part were not penalized in any way.

QUESTION SIX

The question on linear programming was well answered by half of the candidates who attempted this question. The problem was to shade the correct region.

QUESTION SEVEN

Commonly chosen question by students, though the performance was bad. Most students could only go as far as presenting the demand column only. This implied that they left 12 marks not attempted hence the poor performance.

PAPER: L6 CORPORATE FINANCIAL MANAGEMENT

QUESTION ONE

The question tested candidates on investment appraisal involving lease or buy decision and financing. Candidates had a fair attempt on part (a) and (c) of this question. Part (b) was poorly answered which required candidates to prepare an amortization schedule.

Common mistakes included:

- (i) Failure to determine the correct timing of cash flows
- (ii) Using the pre-tax cost of capital instead of after tax cost of capital.
- (iii) Wrong computation of balancing allowance on capital allowances
- (iv) Including capital allowances in the leasing option
- (v) Failure to compute the loan instalments using the annuity factor and later prepare the amortization schedule.

QUESTION TWO

The question tested candidates on the working capital management skills. Candidates fairly attempted this question except for part (a) of the question which required candidates to determine whether factoring of Bwalya enterprises' accounts receivable ledger would be valuable.

Common mistakes included:

- (i) Failure to compute the cost of finance, service charge and lost contribution.
- (ii) Using 80% as an advance on sales invoices instead of 75% and failure to recognizing that only 95% of the invoices would be collected.

QUESTION THREE

The question tested candidates on investment appraisal techniques which included ROCE and Payback period. The question was poorly attempted and it was very disappointing to note that most candidates could not calculate the ROCE correctly. Most candidates knew how to calculate payback period but were using profits instead of converting profits into cash flow.

Common mistakes included:

- (i) Discounting the profits at a cost of capital to arrive at NPV
- (ii) Unable to differentiate the advantages of payback period from those of ROCE
- (iii) Additions errors
- (iv) Failure to make an appropriate decision on which plant could be selected based on either method.

QUESTION FOUR

The question required candidates to calculate the conversion premium, estimate the likely market price on the conversion day and explain the role of financial intermediaries. The question was poorly attempted and candidates demonstrated very little knowledge of the computations that were required. However, most candidates were very familiar with the roles of financial intermediaries.

QUESTION FIVE

The question tested candidates on foreign exchange risk management, Purchase power parity (PPP) and interest rate parity (IRP). The question was poorly attempted.

Common mistakes included:

- (i) Candidates mistook foreign exchange risk for credit risk when explaining ways of managing credit risk arising from foreign customers.
- (ii) Candidates wasted a lot of valuable time defining inflation and interest rate instead of explaining the relationships.
- (iii) Failure by candidate to identify that the question was asking about PPP and IRP.
- (iv) Use of incorrect terminologies such as "low kwacha" when describing how an increase in interest rates or inflation results in an adverse movement or depreciation of the kwacha.
- (v) Using wrong exchange rates when converting amounts from dollar to kwacha and vice versa.

RECOMMENDATIONS

Candidates should be advised to learn the entire syllabus in order for them to pass this paper. Candidates should try at all cost to attempt the required number of questions in order to increase their chances of passing the paper. Tutors/Lecturers should ensure that candidates are subjected to assignments and class exercises so as to reinforce the students' understanding of concepts. They should also improve on time management, presentation of work, correct numbering of questions answered, handwriting, written English and taking time to understand the question requirements.

PAPER: L7-BUSINESS AND CORPORATE LAW

SECTION A

QUESTION ONE

Was the most attempted question by students in this section. However, the performance was not according to the expected level of performance owing to the reasons below, each part of the question will be tackled separately.

(a) Most candidates were not able to answer this part of the question correctly despite it being a restricted response scenario question. This could be due to the fact that under normal circumstances students are left to identify legal issues on their own as opposed to restricting them to comment on few issues such as offer, acceptance, withdraw of acceptance and method of communication. Therefore, students were supposed to identify the features of a contract with reference to the scenario that was given instead of answering on what the features are only.

If this type of a question is asked in the future or similar to it, students must first of all understand the scenario then give their advice while referring to the scenario given.

(b) The performance under this part indicated a slight improvement from the first. Although it was observed that most candidates are not familiar with the ways through which an agency relationship can be created. At least a good number of students managed to score satisfactory marks with a considerable number scoring very high marks.

(c) The performance under this part was good; which indicates that students are familiar with this provision of the Sale of Goods Act of 1983.

QUESTION TWO

This question was second in terms of the number of candidates who attempted it.

(a) There was generally failure to distinguish between executed, executory and past consideration. This may be due to the fact that candidates may not have been well prepared for the examinations. Candidates intending to answer such a question in the future should take cognizance of what amounts to consideration and what types falls from consideration. This has been well explained in the student's module.

(b) The performance under this part was extremely poor and below average, in that none of the candidates answered the question according to the way it should have been answered. Students were only using their general knowledge on causation and not from the point of law.

Students were supposed to describe causation from the tort of law and show how the principle in remoteness of damage comes in. Students must note that the topic of causation is always attached with remoteness of the damage caused.

(c) Candidates failed to explain the meaning of constitutional supremacy, despite it being one of the must know topics of the course. It must be appreciated that at least three quarters of the candidates answered the question well.

In future, where such a question is asked, students must know the sources of law in Zambia and note that the Constitution is the most supreme as per earlier topics in the student manual.

Students must further acquaint themselves with the student's manual especially the first topics as they lay the foundation to the L7 course.

QUESTION THREE

This was the least attempted question. From those who attempted it, only about half of the number of candidates managed to answer this question well. Students showed lack of knowledge in this area. This could be due to the fact that this topic was not adequately covered by the candidates. The students concentrated on the second limb of the question which was talking about whether Mukelabai can be compensated. A lot of them did not use the principles of exclusion clauses to answer if Mukelebai can be compensated.

In the future, students wishing to answer such a question should first of all explain what exclusion clauses are and there after use that knowledge to advice if Mukelebai can be compensated.

SECTION B

QUESTION FOUR

Question four was attempted by most candidates, but they were unable to identify the elements of a partnership, and reproduced all that they knew about partnerships. Candidates are advised to stick to the legal style and techniques of answering law questions. Elements of a partnership are those components that make up a partnership, namely:

- There must be more than one person but less than 20
- The persons must have a common agenda
- The venture must be a business and therefore profitable.

But most candidates answered ordinarily what they knew about partnerships, and their answers looked sensible but did not meet the requirements of a legal question.

Thus, candidates wishing to answer a similar question in the future should first of all explain their understanding of a partnership with reference from the Partnership Act 1890. Thereafter, students must then explain the elements of a partnership in accordance to the Partnership Act.

In Question 4 (b) and (c), it was observed that those who attempted this question lacked the right answer or used material unrelated to company law and was therefore unsuitable.

Students must read wide and must look for additional materials on all the topics in the student module to use as a supplement. The module should be used as a priority but additional material is always good.

QUESTION FIVE

Question 5 (a) dealt with the rules of capital maintenance, and sadly, failure to discern this was the downfall of many candidates. Candidates also run into the temptation of writing whatever they could think of as being included in the Director's Report. Candidates are constantly reminded to religiously follow the Companies Act chapter 388 of the Laws of Zambia as the main reference source.

In future, students intending to rights this course must accustom themselves fully with the Companies Act Chapter 388 of the Laws of Zambia

QUESTION SIX

Most candidates who attempted this question did not do very well. Question Six (b) for example bordered on the Companies Act Chapter 388, where students were supposed to understand and submit the types of meetings under the Act. The candidates failed to do so as they showed less knowledge on the Act.

Thus, students wishing to sit for this course should adequately read the Companies Act and adequately address such areas of the examination.

It is also advisable, that students should have a copy of the Companies Act and thoroughly read it for purposes of section B.

For example when asked in Q. 6 (c) to differentiate between the usual partnerships and the Limited Liability Partnerships, candidates explained what each of those partnerships are.

Students should note that where a question asks them to explain how a limited liability partnership differs from a usual partnership, candidates must have a comparison answer where they state what one means and immediately explains how it differs from the other.

Candidates are reminded that unless they answer as asked, they risk getting no marks in law.

PAPER: L8 RISK AND MANAGEMENT CONTROL SYSTEMS

QUESTION ONE:

This was a question largely on corporate governance and was divided into three parts.

Part (a)

It required candidates to describe the benefits of voluntary disclosure of corporate social responsibility.

The majority of the candidates who attempted this question obtained less than half the available marks. This was largely due to candidates writing low level answers for the 9 available marks. Candidates are reminded to use the mark allocation as a determinant factor on the length of answers expected.

Part (b)

Most candidates obtained more than 50% of the available marks. It was noted that a minority of candidates did not use the information given in the scenario to answer the question thereby losing marks.

Part (c)

The majority of the candidates scored high marks in this part. The candidates who answered in general terms and not used the information given got less marks.

QUESTION TWO:

Part (a)

This question required candidates to distinguish between strategic and operational risks. Candidates lost marks because of not giving suitable examples of each as required in the question.

Part (b)

The question required an explanation of competitor risk and the majority of the candidates scored maximum marks.

Part (c)

The majority of candidates could not relate internal controls to risks identified. Risk assessment and management is a process that is carried out in most organizations and arising from this suitable internal controls are put in place in order to mitigate the risks identified.

Part (d)

Candidates were required to explain two long term financial risks and suggest how they could be managed. Candidates lost marks for not addressing the second aspect of the question requiring an explanation of how the risks identified could be managed.

QUESTION THREE:

This question contained aspects of internal control and outsourcing. This was a popular question with a large majority of candidates attempting it. Most candidates obtained more than half the available marks.

QUESTION FOUR

The question was a combination of internal control and information systems. It was divided into two main parts as follows:

Part (a)

- i. Candidates were required to state four benefits that IT provides to internal controls. Most candidates gave less than the required four benefits and so lost easy marks.
- ii. Candidates were required to list 6 risks that IT systems would pose to an entity's internal control. Most of the answers were general in nature and were not specific on how they would affect internal controls. Most candidates obtained low marks as a result.

Part (b)

- i. Required candidates to state 4 advantages of Executive Information Systems (EIS). It was disappointing to note that most candidates failed to give the required number of advantages resulting in the loss of easy marks.
- ii. Required candidates to state 3 disadvantages of EIS and as in (i) the majority of the candidates failed to give any disadvantages. This is indicative of lack of knowledge showing that candidates did not know what Executive Information Systems are in the first place.
- iii. The question required candidates to explain the importance of a strong control environment. The majority of the candidates ended up in defining a strong control environment without dealing with its importance which was the requirement of the question. This resulted in loss of marks by candidates.
- iv. This part of the question which required candidates to state three elements of a strong control environment was well answered with most candidates getting all the available marks.
- v. This part required candidates to describe two control procedures and this question was well answered by the majority of the candidates.

QUESTION FIVE:

This question was relating to risks and controls in an organization. Candidates were required to write brief notes on the following:

- i. Natural threats- most candidates scored high marks and ably explained natural threats to an organization.
- ii. Hacking – candidates lost marks in this part because their answers were shallow in relation to the marks available.
- iii. Viruses – The majority of the candidates scored maximum marks in answering this question.

- iv. Contingency Planning – candidates could not express themselves clearly to explain what contingency planning is. Most obtained less than 50% of the available marks.
- v. Business Continuity Planning – As in (d) above the majority of the candidates failed to clearly explain this and therefore lost easy marks.

PROFESSIONAL PROGRAMME

PAPER: P1 ADVANCED FINANCIAL REPORTING

QUESTION ONE

This question required candidates to prepare consolidated statement of financial position. The question involved one parent company and two subsidiaries. Further, knowledge of how to account for an associated company was tested in additional information to the question.

Candidates were also required to demonstrate their knowledge on intra group transactions; disposal of shareholding without loss of control and IAS19 'Employee Benefits'.

General Performance

Most candidates attempted this question. The highest mark was 38 out of 40 while the lowest was three (3). About 74% of those who attempted this question got above 20 marks.

Common Mistakes

Some candidates made the following errors;

- Added negative goodwill to positive goodwill
- Did not show the workings for property, plant and equipment, current assets, non-current liabilities and current liabilities. They did their additions on a calculator
- Added parent entity's share capital to subsidiaries' share capital
- Consolidated group share of net assets of subsidiaries instead of 100% consolidation
- Failed to compute movement on equity resulting from disposal of shareholding without loss in control
- Split pension plan into plan assets and plan liabilities. This was not required by the question.

QUESTION TWO

This question had three transactions. Transaction one required candidates to discuss the information given in the scenario on leases and recommend the appropriate accounting treatment. While transaction two required candidates to explain any four characteristics of the economic environment of a country which indicate the existence of hyperinflation in accordance with IAS 29. The third transaction was on IASs 10, 16 and 37.

General Performance

Most candidates who attempted this question performed poorly. The highest mark was 16 out of 20 while the lowest was three (3). About 6% of those who attempted this question got above 10 marks.

Common Mistakes

Some candidates made the following errors;

Transaction One

- Candidates failed to discuss the accounting treatment of this transaction.
- They failed to compute the present value of minimum lease payments
- Failed to correctly spread lease payment covering a period of two years paid at the inception of the lease
- Concluded wrongly that the lease was a finance lease instead of an operating lease.

Transaction Two

Most candidates showed ignorance of IAS 29. They failed to bring out the characteristics asked for.

Transaction Three

Most candidates failed to compute the following figures:

- Gain on derecognition of the stolen motor vehicle
- Receivable from the insurance company to be recognised

QUESTION THREE

The question had two parts, (a) and (b). Part (a) required application of recognition criteria and measurement relating to provisions in accordance with IAS 37. Part (b) on the other hand, asked candidates to account for a machine purchased in foreign currency, revalued upwards and suffered impairment loss.

General Performance

Most candidates who attempted this question performed poorly. The highest mark was 17 out of 20 while the lowest was zero (0). About 16% of those who attempted this question got above 10 marks.

Common Mistakes

Candidates made the following errors:

Part (a)

- Could not explain the recognition criteria for a provision in general
- Failed to apply the said recognition criteria to the scenario
- Failed to quantify the provision

Part (b)

- Failed to translate the cost in Rands into Kwacha. They divided the exchange rate instead of multiplying.
- Could not calculate and recognize correctly revaluation gain and impairment loss on a previously revalued upward asset

QUESTION FOUR

The question required candidates to recalculate Return on capital employed (ROCE) and Earnings per share (EPS) for each of the three transactions. Transaction One involved the effect of depreciation charge, revaluation surplus and deferred tax on

the said ratios. While transaction two was on the effects of depreciation and impairment loss on the two ratios. Transaction Three involved impact on the two ratios of accounting for acquired building paid for by issuing equity shares.

General Performance

Most candidates avoided this question. The highest mark was 13 out of 20 while the lowest was zero (0). About 4% of those who attempted this question got above 10 marks.

Common Mistakes

Most candidates made the following mistakes:

Transaction One

- Failed to calculate and account for deferred tax correctly
- Could not calculate and account for correctly revaluation surplus

Transaction Two

- Failed to compute and treat impairment loss correctly

Transaction Three

- Recognized the building based on the par value of shares instead of their market value
- Failed to correctly calculate the weighted average number of shares

QUESTION FIVE

The question had two parts. Part (a) required candidates to write a report explaining the contents of a sustainability report. Part (b) asked candidates to examine the factors to be considered to determine an entity's functional currency.

General Performance

Most candidates attempted this question. The highest mark was 17 out of 20 while the lowest was one (1). About 42% of those who attempted this question got above 10 marks.

Common Mistakes

The following mistakes were made by most candidates:

Part (a)

- Poor presentation
- Did not know the contents of a sustainability report in accordance with GRI guidelines

Part (b)

- Showed ignorance of the factors considered to determine functional currency of an entity.

PAPER: P2 ADVANCED MANAGEMENT ACCOUNTING

QUESTION ONE

Candidates sitting this paper must be ready to deal with a diverse number of learning outcomes tested in the compulsory question worth 40 marks.

Part (a)

This question was poorly attempted by many candidates and this contributed to the low pass rate of the exam.

Candidates must realise the higher level of testing in this paper, for example, the scenario mentioned that divisional Y manager was of the idea that the transfer price be set at divisional X's cost plus a reasonable mark up, the question {a(iii)} explicitly emphasised to comment accordingly. This required candidates to use judgement and make reasoned assumption. The students should have realised that the external demand for division X was 100,000 units while the maximum capacity for the plant was 130,000 units, therefore supplying 25,000 units to division Y would not cause any opportunity cost to X. This implies that the minimum price division X can charge is K30, the variable cost. The full cost for division X absorbing fixed costs on the basis of 125,000 units would be K38 per unit, therefore a reasonable mark-up would be 26.66% on the full cost based on the recovery of fixed costs ($K8/K30 \times 100$) on the internal sales of 25,000 units. The transfer price would therefore be K48.13. For this part of the question, candidates were award marks on the basis of their judgement and appropriate reasons.

Part (b)

This part of the question had a total of 12 marks.

Part b (i) worth 4 marks required the calculation of the expected time for the 32nd batch. This was a basic learning curve calculation where the 32nd batch time is equal to the total time for 32 batches minus total time for 31 batches.

Part b (ii) required application and identification of the fact that the learning stopped at 32 batches (6,400 units) and therefore the remaining 68 batches would take the same labour time as the 32nd batch. The application was to calculate the total costs for the entire production over the life cycle for materials, labour, other variable costs and fixed costs which were already given. To this total life cycle cost, the target profit of K250,000 should have been added and the known revenue for the first 18,000 units at a price of K150 per unit is deducted to arrive at the total revenue for the remaining 2,000 units.

QUESTION TWO

This question was least attempted by many candidates but those who attempted it scored above average marks.

Part (a)

This part requested candidates to calculate the target cost gap and part b (i) recommendations on how to modify the target cost gap and part b (ii) the implications for Taonga Ltd if the modifications recommended were not implemented.

Part (a) candidates were capable of calculating the target cost gap that existed in Taonga business and many scored well above average.

Part b (i) only a few candidates were able to comment on how the target costing should be modified and those who did scored below average.

Part b (ii) required candidates to assess the likely adverse implications, of Taonga business unit if the modifications recommended were not implemented.

This part of the question was poorly attempted and those who attempted it scored poorly. It looks like the candidate misunderstood the question requirement and therefore could not produce valid points.

Overall, question two brought out the competencies required at the Professional level but looked challenging to the candidates.

QUESTION THREE

This question was generally answered by students

Part (a) required candidates to prepare a cost schedule clearly showing minimum price Mwando Ltd would charge for the contract.

The candidates fairly identified the relevant costs and most of them managed to explain each relevant cost value. The examiner noted that candidates in future exams should be well equipped on explaining the non-relevant values which are excluded in the schedule.

Part (b) the candidates were caught off guard on this part of question three. They demonstrated lack of knowledge on computing the optimal selling price. It should be noted that this topic is also dealt with at the licentiate level of the qualification.

The question wasn't well synchronized as the solution generated a negative optimal production which in normal business activity would be illogical; therefore, the examiners were more interested in the appreciation of the technique rather than the business logic.

Most candidates could not use the Marginal revenue (MR) = Marginal cost (MC) equation to find the optimal production which in turn would have helped them to compute the optimal selling price.

It was also noted that a number of candidates literally failed to use the high – low method in filtering out the variable costs (MC) and fixed cost.

QUESTION FOUR

The question tested candidates' knowledge on mix variances, yield variances, planning variances and operating variances in parts (a) and (b). Parts (c) and (d) were on non-financial performance indicators and part (e) on activity based costing calculations.

This question was very popular because nearly all the candidates attempted it.

There was mixed performance on this question. Some candidates concentrated on parts (c) and (d).

It is important for candidates to know the layout for mix variances and formulae for planning and operational variances.

Some candidates got the same variances for mix and usage variances. Poorer candidates did not attempt part (b) because they did not know the formulae. Future candidates should note that planning variances compare original standards with revised standards whilst operational variances compare revised standards with actual results. Parts (c) and (d) were very well attempted and a number of scripts started with these parts.

Despite that the ABC topic is in the Technician paper T2, many candidates lacked ABC knowledge. A good number of candidates did not attempt part (e).

QUESTION FIVE

- (a) (i) Required candidates to state which of the options was most economic i.e. purchase machine A, machine B and rent A. This was a popular question. Unfortunately many candidates took maintenance costs as cash inflows and the purchase of machines as cash outflows. Both machine purchase and maintenance costs were supposed to be treated as cash outflows. A few candidates also failed to use the correct annuity factor especially for years 6-10 and 11-15 years. This resulted in many scoring poor marks.
- (ii) This part required candidates to, make a decision on which of the decision was most economic if it was for 5 years. This was poorly answered as a result of the above mistakes made by candidates in a (i). However, candidates were still awarded marks on the follow through principle.
- (b) Required candidates to bring out the non-financial factors that might have been relevant to decision making in the case. It was reasonably attempted and few candidates scored the maximum marks available.
- (c) It required candidates to explain the potential disadvantages to Mwiza Ltd if it were to involve the senior staff in the budget preparation process.

This part was well answered by many candidates and maximum marks were obtained by many who attempted it. The candidates demonstrated knowledge on the behavioral aspects of budgeting.

PAPER: P3 STRATEGIC FINANCIAL MANAGEMENT

QUESTION ONE

The question tested candidates on Investment appraisal using APV technique and international trade. The performance on this question was above average and most candidates managed to score 100% on part (b) which was on international trade.

However, common mistakes included:

- (i) Some candidates computed tax on the cash flows despite the fact that the cash flows given in the question were after tax.
- (ii) Some candidates erroneously used the amortization schedule to determine the interest cost of the bank term loan and subsequently calculated the Present Value of tax shield.
- (iii) Instead of discussing the merit and demerit of APV, most candidates were just outlining.
- (iv) After tax loan issue costs, were grossed up by some candidates resulting in a wrong PV of after tax loan issue costs.
- (v) Some candidates computed the WACC which they used to compute the base case NPV.

QUESTION TWO

The question tested candidates on topical issue of transfer pricing and central treasury function. The performance was fair as most candidates managed to obtain a pass mark on this question.

Common mistakes included:

- (i) Failure to use 3 month mid-rate as required by the question.
- (ii) Failure to state the number of transactions that will result from the multilateral netting.

QUESTION THREE

The question tested candidates on mezzanine finance and valuation using the Black-Scholes model. The performance was poor especially on part (a) and part (c) of the question which tested on mezzanine finance and estimating the coupon rate.

Common mistakes included:

- (i) Lack of knowledge of mezzanine finance which is a hybrid form of capital.
- (ii) Failure to identify share price and exercise price in the Black-Scholes model formula.
- (iii) Computation errors

QUESTION FOUR

The question tested candidates risk management using interest rate futures and modified duration. The performance was very poor.

Common mistakes included:

- (i) Confusing interest rate futures for options.
- (ii) Failure to explain how the company could set up futures hedge using the scenario given
- (iii) Wrong computations
- (iv) Failure to explain whether it was a perfect hedge or not.
- (v) Failure to compute modified duration
- (vi) Mistaking modified duration for modified internal rate of return.

QUESTION FIVE

The question tested candidates on Global issues and risk management using currency futures. The performance was average.

Common mistakes included:

- (i) Failure to relate the discussion on the effects of IMF policies on multinationals to the scenario given. Candidates were generalizing their answers.
- (ii) Failure to justify how the policies would affect the multinational in their operations.
- (iii) Lack of knowledge of the pre-conditions of IMF
- (iv) Failure to conclusively show the outcome of the hedge

PAPER: P4 AUDIT AND ASSURANCE SERVICES

QUESTION ONE

Part (a)

- (i) Required candidates to state the work of auditors with regard to opening balances in the audit of financial statements. The performance was poor with most candidates showing that they did not know the opening balances and could not relate a financial reporting matter to the audit of financial statements.
- (ii) Required candidates to explain the duty of auditors with regard to other information contained in the financial statements. Again most of the answers were of a low standard. Candidates are reminded that this higher level auditing paper includes matters learnt and tested at the lower L4 level.

Part (b)

This was a question on ethics and candidates were expected to discuss the ethical and professional matters in the scenario. Generally most candidates obtained high marks and were able to identify and explain the ethical matters in the question.

Part (c)

The majority of the candidates scored high marks in identifying and discussing the risks that should be considered in the audit of the financial statements of Nyumba Real Estates Ltd.

There were marks for the presentation and use of information relevant to the question. Those candidates who did not use the report format and also did not specifically use the information in the scenario lost these easy marks.

QUESTION TWO

This question was divided into three parts which could be answered independently.

Part (a)

- (i) The question required candidates to discuss the lease in the question and establish what kind of a lease it was.
Most candidates obtained low marks because they failed to justify their answer in accordance with IAS 17. A majority of the candidates spent time writing general matters on leases and not use the information in the question few discussed the financial statement implications on wrong classification of leases. It should be note that accounting knowledge was required to adequately answer this part of the question and also part (ii).
- (ii) Few candidates scored highly in this part which required candidates to state the audit procedures that should be undertaken by the auditor to audit lease finance cost on the financial statements. Candidates must bring to bear their

accounting knowledge if they are to answer questions on audit procedures adequately.

- (iii) This part of the question required candidates to critique a draft audit report. Answers candidates wrote are indicative of the fact that most candidates do not understand this important topic adequately. Candidates are expected to know the elements of the audit report and the format that it takes. It is unlikely that candidates will be required to draft an audit report and this form of questioning will be used in future. To be able to tackle such questions candidates must know the guidelines per relevant ISAs on audit reports and be able to identify any departures from the guidelines.

Part (b)

The question required candidates to state the type of evidence that can be available on environmental matters and also stating two audit procedures to verify such evidence.

Most candidates obtained the marks on the first part of the question. A majority of the candidates either ignored the second aspect which required the audit procedures or simply gave wrong audit procedures.

Part (c)

Most candidates got low marks in this part which required audit procedures on contract profits or losses. This is indicative of the lack of accounting knowledge on the topic. Candidates are reminded that audit procedures of specific financial statement assertions will be examined in detail in future. This is the core of the subject matter and so candidates are encouraged to go through their financial reporting areas where they only have scanty knowledge.

QUESTION THREE

Part (a)

Most candidates lost easy marks in this part of the question which required candidates to advise the bank in the question and Jim on the intended litigation. This is one of the topics not in the lower L4 syllabus and candidates are expected to understand the rules regarding who can and who cannot take legal action against the auditor.

The two short scenarios in the question related to two situations on who can and cannot sue. Candidates were simply expected to apply the theoretical knowledge to the case at hand and advise accordingly. Quoting relevant case law earned marks as there is precedence which should be followed.

Part (b)

- (i) This part of the question required candidates to comment on written representations from the financial accountant who was new in the company and held a low position in the client company. The question was clear enough for a well prepared candidate to observe that the reliability of representation

from the financial account can be brought into question due to the fact that he is new and may not really know what has been going on.

- (ii) This part of the question required candidates to apply their knowledge on subsequent events to the question and advise appropriately. Most candidates scored high marks and were able to give appropriate advice and also effect of the events on the audit report.

QUESTION FOUR

Part (a)

- (i) Required candidates to comment on valuation report issued by experts and how it will impact the audit opinion. The majority of the candidates observed correctly that the auditor is responsible for the audit opinion and cannot blame a third party.
- (ii) The question required candidates to state the matters that the firm will consider before relying on the work of experts. Most of the candidates scored high marks but there were candidates who went on to explain ethical matters instead of addressing the matter in the question and state what factors the firm will consider.

Part (b)

- (i) Candidates were required to compare principle based codes and rule based regulations. Poor answers were observed in trying to explain principle based regulations but most candidates were able to explain rule based regulations.
- (ii) Candidates were required to state why most jurisdictions prefer principle based rather than rule based regulations. Most candidates answered this part well and obtained maximum marks.
- (iii) Most candidates simply did not know the OECD principles and lost the available marks. Some candidates confused these with the fundamental principles of professional ethics and this did not earn any marks.

QUESTION FIVE

Part (a)

For three marks candidates were required to state three indicators of going concern problems that the firm may consider. Some candidates failed to give any indicators and since the question was not specific, any three indicators, financial, operating or other indicators attracted marks.

Part (b)

Candidates were required to state three objectives of public sector audits. Most candidates were able to state the objectives and got more than half the available marks.

Part (c)

The question required candidates to explain four arguments for the setting up of an audit committee in an organization. Most candidates scored high marks in this knowledge based question.

Part (d)

This question required candidates to explain the audit procedures to obtain evidence on prospective financial information. This is a topic that has not been examined for some time and candidates should have considered their knowledge levels before attempting this question because half the marks in the question were on this topic.

In the absence of any financial information in the question most candidates did not simply know what audit procedures to state. The majority of those who attempted this question scored low marks of less than half the available marks.

Part (e)

Candidates score low marks in this part of the question and could not describe the benefits of agreed upon procedures over substantive procedures carried out by the auditor.

PAPER: P5 STRATEGIC MANAGEMENT

QUESTION ONE

This was a compulsory question. It was a Case study on "Smart Attire Enterprises" with two parts of twenty (20) marks each. 75% of the 182 students who attempted this question passed.

Part (a)

The question required candidates to describe the competitive forces that obtained in the clothing industry. Most students understood the Porters' Five competitive forces model. They brought out the diagram and explained the points well. However, some students failed to relate the model to the case at hand. Students lost marks for simply narrating the theory of the model than relating it to the case at hand. Student must apply the theories to the relevant case study.

Part (b)

The question required candidates to evaluate the extent to which the nature of the competition had affected the strategic position of Smart Attire Enterprises (SAE). This is where most students got marks as they were able to bring the strategies that SAE employed, from porters generic strategies. However, some students were giving answers of SWOT and PESTEL analysis which was not required in this question. Students need to take time and reflect on the question to recall the exact theory or context that that is been asked.

QUESTION TWO

88% of the 139 students who attempted this question passed.

The question required candidates to explain with illustrations, the four (4) types of ratios often used by financial analysts.

Most students answered this question very well, perhaps because it did not specify which particular ratios students should illustrate. Therefore, students gave a wide range of ratios, and as long as they were able to demonstrate knowledge, formulas and how to interpret the ratios, marks were awarded. However, students lost marks for failing to explain the use of the ratios they presented. Accounting students must be able to use their knowledge learnt in financial management and financial accounting to fully interpret ratios in relation to the company's performance.

QUESTION THREE

55% of the 100 students who attempted this question passed.

Part (a)

The question required candidates to evaluate the five (5) factors that are necessary for an effective strategy implementation. Most students did not seem to understand this question. There was lack of knowledge of the elements for organizational culture such as norms and practices of the company, competencies and skills. Most students explained in relation to environmental audit analysis such as political, economic or stakeholder analysis.

Part (b)

The question required candidates to describe any five (5) strategic advantages of the Matrix type of organizational structure. Most students got this question right. They were able to pick up the advantages and disadvantages of this type of culture

QUESTION FOUR

64% of the 159 students who attempted this question passed.

Part (a)

The question required candidates to describe and evaluate Porter's three generic competitive strategies and to give instances of the three generic competitive strategies in Zambia. Most students got this question right, and were able to refer to the Zambian situations.

Part (b)

The question required candidates to analyse the significance of a backward integration to a butcher who was swamped with complaints from his customers. The majority of the students failed to understand the meaning of backward integration and paraphrased the word integration throughout their explanation.

QUESTION FIVE

54% of the 139 students who attempted this question passed.

Part (a)

The question required candidates to discuss four (4) lessons that should be learned from the use of E-commerce and its impact on business activities. Most students got this question correct. However, most students only focused on the positive aspects of what e-commerce had brought about, but failed to explain the lessons learnt from the negative impact of e-commerce, such as hacking and the exposure of a company to the competitors and the general public.

Part (b)

The question required candidates to discuss the strategic requirements of each of the four (4) corporate parenting roles. Most students were drawing and explaining the Ash ridge model instead of stating and explaining the roles of corporate parenting as guided by the syllabus.

CERTIFICATE IN TAXATION

PAPER: C1- BUSINESS MANAGEMENT

GENERAL COMMENTS

The total number of scripts marked for June 2015 examination was only one (1). The candidate passed the exam with 76%.

The paper had a total of five questions each carrying twenty (20) marks; and the candidates were expected to answer all the questions.

The quality of answers was generally very good. The student demonstrated knowledge and applied himself/herself to the relevant concepts

QUESTION ONE

Part (a)

- (i) The question required candidates to give reasons why organisations may opt to recruit internally. The candidate answered the question well. The student demonstrated knowledge on the subject.
- (ii) The question required candidates to contrast between Democratic and Authoritarian Style. The candidate answered the question well. The student demonstrated knowledge on the subject.

Part (b)

The question required candidates to explain Porter's five competitive forces. The candidate answered the question well. The student demonstrated knowledge on the subject.

QUESTION TWO

Part (a)

- (i) The question required candidates to give a definition and example of data and information. The candidate answered the question well. The student demonstrated knowledge on the subject.
- (ii) The question required candidates to illustrate the surety dangers of using the internet. The candidate did not tackle this question. There is need for an accounting student to appreciate the dangers of using the internet. Students must be guided by literature provided in the syllabus.

Part (b)

The question required candidates to explain the four (4) types of Marketing Orientation strategies. The candidate did not tackle this one question. There is need for an accounting student to appreciate the dangers of using the internet. Students must be guided by literature provided in the syllabus. Marketing orientation strategies form the basis of the marketing we know today.

QUESTION THREE

Part (a)

The question required candidates to give examples and explain workforce diversity. The candidate answered the question well. The student demonstrated knowledge on the subject.

Part (b)

The question required candidates to explain the characteristics of effective business communication. The candidate answered the question well. The student demonstrated knowledge on the subject.

QUESTION FOUR

Part (a)

- (i) The question required candidates to describe a team. The candidate answered the question well. The student demonstrated knowledge on the subject.
- (ii) The question required candidates to describe each stage of group formation. The candidate answered the question well. The student demonstrated knowledge on the subject.

Part (b)

The question required candidates to describe a bureaucratic or functional structure. The candidate answered the question well. The student demonstrated knowledge on the subject.

QUESTION FIVE

Part (a)

The question required candidates to describe SWOT analysis. The candidate answered the question well. The student demonstrated knowledge on the subject.

Part (b)

The question required candidates to describe the interpersonal roles of a manager. The candidate answered the question well. The student demonstrated knowledge on the subject.

PAPER: C2 ECONOMICS AND FINANCIAL MATHEMATICS

SECTION A

QUESTION ONE

2 candidates passed out of 13.

In Q1 (a) Most candidates failed to justify why trade is possible between countries A and B.

- (a) This question on international trade using concepts of absolute and comparative advantage is practical. The, the question required candidates to explain why it is justifiable for country B to trade with country A.
Only 15% of the 13 candidates who attempted this question passed. Most candidates gave a wrong answer, and failed to use opportunity cost concept to justify the possibility of trade between country A and country B.
- (b) This question required candidates to explain the functions of the foreign exchange market in Zambia. Most candidates gave wrong answers, other than transfer of purchasing power, provision of credit and minimization of forex risks.
- (c) This question required candidate to give three (3) reasons why the balance of payments is important. Most candidates could not give a satisfactory answers and convincing answers. Most candidates failed to answer this question correctly.

Common mistakes:

Most candidates failed to use the concept of opportunity cost to justify possibility of trade between the two countries.

QUESTION TWO

9 candidates passed out of 13.

Most candidates failed to identify measures that the government would take for the appreciation of the Kwacha.

A seemingly popular question and most candidates answered favourably, 70% passed this question.

- (a) This question required candidates to explain the functions of taxation.
The majority of candidates answered correctly this question
- (b) This question required candidates to identify three (3) measures that a government should take for the Kwacha appreciation.
The majority of candidates were able to identify the measures.
- (c) This question requires candidates to define terms (i) opportunity cost (ii) fiscal policy (iii) monetary policy (iv) secondary capital market
Most candidates were able to define the terms, though a few struggled to define secondary capital markets.

Common mistakes:

Those who attempted this question failed to identify measures that government can take for the appreciation of the kwacha.

SECTION B

QUESTION THREE

Part (a) many candidates failed to define "coupon rate" and "yield to maturity" correctly.

Part (b) on 'face value' most students used wrong formula for face value while other did not know the right numerical values to insert into the formula.

Part (c) on amortization schedule was well answered by many students.

QUESTION FOUR

Part (a) Poisson probability was good and many candidates performed well. However some could not compute the coefficient of determination. While for those who had the correct value, they could not make the correct interpretation.

QUESTION FIVE

IRR was poorly done due to the wrong formula they used.

PAPER: C3 ACCOUNTING FOR TAX PRACTITIONERS

GENERAL COMMENTS

The total number of scripts marked for June 2015 examination was four (4) out of which only one (1) candidate passed representing a pass rate of 25%.

All five questions were compulsory. The quality of answers was poor.

QUESTION ONE

Part (a)

Required candidates to prepare partnership statement of profit or loss and appropriation account. This part of the question was poorly done. It appears that candidates were used to questions that are presented in a trial balance form. The poor quality answer on a basic partnership question indicates the ill preparedness of candidates.

Part (b)

This question required candidates to prepare partnership current accounts. Candidates failed to open ledger accounts for current accounts. Poor preparation for examination is a possible cause.

Part (c)

This question required candidates to prepare partnership statement of financial position. The question data presented using scenario approach presented a challenge to candidates. Candidates performed badly on this part.

QUESTION TWO

Question two was on income and expenditure account for Kansenshi Squash Club. The question was split into three parts.

Part (a)

This part required candidates to calculate the accumulated fund for the club. Candidates had problems in computing the correct figure for accumulated fund. It is advised that students should use the format of a journal to calculate this figure and also to save on time.

Part (b)

This part was split into (i) and (ii) with the first part asking students to calculate the Restaurants statement of profit or loss. Although most candidates got some entries right, almost all the candidates failed to compute the correct figure for purchases. Students should have used the payables control ledger accounts to compute the purchases figure. Part (b), (ii) required candidates to prepare the income and expenditure account. Although most entries were correctly entered, students failed to make the correct adjustments to the rates and electricity expenses. Students are advised to study the topic on adjustments to financial statements as all financial statements includes adjustments.

Part (c)

This part asked students to prepare the club's statement of financial position extract showing only values for non-current assets. This part was well answered by students as they had no problem.

QUESTION THREE

This question had five (5) theory parts. It was answered by all the four candidates. Candidates scored above average in parts (b), (c) and (e) but failed to explain parts (a) and (d).

QUESTION FOUR

This question was on payable control accounts. The question was split into three parts.

Part (a)

This part required the candidates to prepare an amended payable ledger control account. Few candidates managed to prepare the correct ledger account. Only few correct entries were made in the account.

Part (b)

This part required candidates to prepare a reconciliation of the list of balances to the amended control account balance. Few candidates managed to get the correct figure. Some students were adding the figures needed to be subtracted from a figure of K118, 596 and vice versa.

Part (c)

The last part required candidates to identify and explain four reasons for the preparation of control accounts. Candidates did not perform well on this theory part. It is advised that students should learn to study the theory if they are to maximize on the marks available.

QUESTION FIVE**Part (a)**

This part required candidates to calculate five (5) ratios from the given information. The ratios asked to be calculated were basic yet candidates performed poorly. Candidates are advised to prepare themselves adequately.

Part (b)

This part required candidates to calculate each partner's share of residual profit or loss. Candidates had difficulties on treatment of interest on drawings which should have been deducted from the trading loss. Very poor answers were presented.

Part (c)

This part required candidates to calculate the prime cost from given information. This was very basic in manufacturing accounts yet candidates failed to get the right figure.

PAPER C4- DIRECT TAXES

QUESTION ONE

The question had four parts (a), (b), (c) and (d) covering mainly computational aspects of personal income tax, involving an unincorporated business.

In parts (a) and (d) it required candidates to apply knowledge on basis periods in the calculation of capital allowances and applying the relationship between capital allowances and the tax adjusted trading profit before deduction of capital allowances.

In parts (b) and (c) the question was on theory areas related to Turnover Tax and Small and Micro enterprises as defined under the Zambia Development Agency.

This question was poorly attempted by most candidates due to difficulties in the computation of capital allowances and most of the students were not knowledgeable of definition of micro enterprise as enacted under the Zambia Development Agency (ZDA) Act which says that a micro enterprise is any business whose total investment, excluding investment in land and buildings does not exceed K80,000 and whose annual turnover does not exceed K150,000 and that the number of employees is up to ten and that the company is registered with registrar of companies.

QUESTION TWO

This question had four parts (i), (ii), (iii) and (iv)

The question covered two Direct Tax aspects i.e. Taxation of Emoluments from employment and Presumptive Taxes.

Parts (ii) and (iii) of the question related to taxation of Emoluments from Employment, and candidates were required to compute the personal income tax payable or repayable by an employee and to explain the theory behind a fixed term employment contract.

Gratuity can either be qualifying or non-qualifying. A gratuity is qualifying if its time period is not of less than two years and the rates applicable is up to 25% and is under a written agreement. Many candidates could hardly distinguish between these two modes of gratuity as was required in the first and the second contract in the question and this adversely affected the tax computation that followed.

Part (i) and (iv) of the question related to presumptive taxes and candidates were required to calculate the presumptive taxes involving a tax payer who had buses used for public transportation and to list reasons why Zambian Government introduced presumptive taxes. The workings on this part of the question were good in many scripts.

QUESTION THREE

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

This was mainly a computational question on Emoluments from Employment which required candidates in part (a) to be able to distinguish the taxation of different types of employments. It covered two employees who were on permanent and pensionable contracts and one employee who was employed on a fixed term contract. In parts (b) and (c) of the question, candidates were required to describe the types of taxable persons who are required to pay provisional income tax and to explain how provisional tax for a farmer would be calculated.

The total income for the tax payers included employment income some of which had a gratuity entitlement. The critical issues relating to the employment income was that two of the tax payers had worked for twelve months and the third employee had only worked for ten months in the charge year and all taxable emoluments were to be accounted for on that basis. And also the gratuity for the second employee had both qualifying and non-qualifying elements. The qualifying portion was to be taxed separately at 25% after allowing a tax free amount of K36 000. The non-qualifying portion was to be taxed with the other emoluments under PAYE basis.

This question was well attempted by most of the candidates with the exception of a few candidates who were unable to calculate the amount of gratuity applicable in 2015.

QUESTION FOUR

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

In parts (a) and (b), candidates were required to calculate farming company income tax, which involved capital allowances on implements, plant and machinery and on buildings.

Part (c) of the question related to Property Transfer Tax and candidates were required to state transactions which are exempt under this tax regime. In this question it was critical to calculate capital allowances for plant and machinery as well as buildings before the calculation of income tax of the company. The performance in this question was poor due to poor computations of capital allowances.

QUESTION FIVE

This question had three parts (a), (b) and (c) which covered Property Transfer Tax, Presumptive Taxes and Principles of income tax.

In part (a), candidates were required to calculate Property Transfer Tax on a series of disposals and in part (b) (i) (ii) they were required to calculate Presumptive taxes on Vehicles provided for Public Transportation and list reasons why the

government had to introduce the presumptive taxes. Part (c) of the question required candidates to give the tests required for company residence in Zambia.

Property transfer tax was applicable on the sale of the derelict freehold house, sale of the land, sale of the shop and sale of shares in VGA Limited at 10% and the thirty one days (31) presumptive taxes for the four seater and sixteen seater buses were at K3.2 and K6.60 respectively. The reasons for the introduction of presumptive taxes includes removal of a complicated tax procedure, low levels of literacy, high cost of engaging professional accountants , liquidity problems as well as constant breakdowns. And companies are considered to be resident in Zambia if the company is incorporated or formed in Zambia or the management and control of that company is exercised in Zambia.

This question was poorly done by most of the candidates who could hardly calculate both Presumptive Tax and Property Transfer Tax in the disposal of assets.

CONCLUSION AND RECOMMENDATION:

The scripts marked demonstrated little ability in calculation of capital allowances in most of the candidates and this had ripple effects of income tax computations. And also the personal tax computations were poorly attempted with answers having scattered unconnected details. It is therefore recommended that more attention is given to capital allowances computations.

PAPER: C5 INDIRECT TAXES

QUESTION ONE

This question was on Value Added Tax and had three parts (a), (b) and (c)

In parts (a) and (b), candidates were required to compute the Value Added Tax liability and to state when tax for the first quarter of 2015 would be due for payment.

In part (c) of the question, candidates were required to compute penalties under Value Added Tax. VAT payable is computed by comparing the output VAT to the input VAT with due respect to standard rated supplies, Zero rated supplies, Exempt supplies, recoverable VAT and irrecoverable VAT. The penalty for late payment is calculated at 0.5% per day of delayed VAT amount. This question was poorly attempted by most of the students due to inability to identify the tax implications of the various types of supplies and expenses and many candidates could hardly calculate the 0.5% per day on delayed penalty.

QUESTION TWO

This question had three parts (a), (b) and (c) which were all from Customs and Excise Duties.

Parts (a) and (b) required candidates to calculate import taxes on two 60 seater coaches as well as those on motor vehicle with an engine capacity of 3300cc.

In part (c) candidates were required to give details of documents which are required to be presented to the customs officers in order to complete a motor vehicle clearance.

The calculation of import taxes is based on the VDP which is a translated Zambia Kwacha amount of the foreign import costs up to a border of entry into Zambia at the ZRA approved exchange rate. The calculation of the duties is done in a specific order starting with customs duty followed by excise duty and lastly VAT at the prescribed rates.

This part of the question was well attempted by most of the candidates and most of them were able to give an account of the required documentation in the clearance procedure.

QUESTION THREE

This question was on Value Added Tax and had four parts (a), (b), (c) and (d).

In parts (a) (i) and (a) (ii) candidates were required to state when the VAT in the question should have been paid and then to calculate the penalty (if any) and the interest payable by a company for late payment.

In part (b) of the question, candidates were required to explain necessary conditions for a trader to recover Input VAT on purchases and expenses. And in

part (c) candidates were required to explain advantages as well as possible disadvantages of voluntary VAT registration.

VAT for a particular month is due by the 21st of the following month. And penalties and interest charges are suffered when there is a delay. When a trader is registered for VAT, it is possible that the registration can be cancelled in some circumstances such as if a business is sold or ceases to trade permanently. Input VAT can only be recovered if the trader is registered and the supply is made to a taxable person. There should also be evidence of the supply and the amount in question must be properly calculated. Registration for VAT comes with advantages and disadvantages such as ability to claim input VAT and additional administrative cost on the other hand.

This question was poorly done by most candidates in that they failed to calculate the penalties and interest charges at the prescribed rates and could hardly explain the necessary conditions for a trader to recover input VAT.

QUESTION FOUR

This question had four parts (a)(i),(a)(ii), (b), (c) and (d).

Parts (a)(i) and (a) (ii) required candidates to define and explain how Value for Duty Purposes under the Customs and Excise Duties is determined

Part (b) of the question was on International Aspects of Customs and Excise and candidates were required to explain the objectives of the Preferential Trade Agreements (PTA) and as well as strategies put in place to achieve the objectives. Part (c) of the question required candidates to explain carbon tax and its main purposes. And in part (d), candidates were required to give a list of documents needed when exporting goods.

Most of the candidates were able to define and explain the VDP computation however many students were lost on the objectives of PTA which are to promote cooperation and integration, to raise standards of living of the people and to contribute to progress and development of all African countries. And they were equally lost on the strategies mounted by PTA so as to achieve the objectives. These would include reduction of trade barriers, simplification in customs formalities and cooperation in industrial development.

The part on carbon tax was hardly attempted by most of the students as an environmental tax to protect the environment from pollution.

On a sad note, many candidates were unable to list the required export documents which include Commercial invoice, Bill of lading, Certificate of origin, consignment notes and insurance policies

QUESTION FIVE

This was a four part question on Value Added Tax.

Part (a) of the question required candidates to explain any four proofs of exportation on certain business sectors that are able to claim a VAT refund.

Part (b) was on VAT records and VAT Returns and candidates were required to explain and to give the consequences of a Mis-declaration.

In part (c) (i) and (ii), candidates were required to explain and give reasons of appeals and requests for review procedures as well as the grounds of appeal.

And in part (d), candidates were required to calculate penalties and interests relating to Value Added Tax for paying VAT twenty days late assuming treasury interest rate of 17% (seventeen percent)

This question was attempted with a mixture of responses as between total ignorance and partial knowledge on export documents requirements. The penalty and interest charges on late payment of VAT were also poorly done.

PAPER: C6-LAW FOR TAX PRACTITIONERS

QUESTION ONE

- (a) Candidates who attempted this question fairly answered what the sources are but could not explain how they become law. In the event that this question is asked in the future, candidates should explain the sources and show how they take effect or how they become law.
- (b) This question was too general and most candidates interpreted it to apply only on company directors. Actually it extends to anyone who exceeds powers legally granted to him/her regardless of his/her legal status.
- (c) Her students mostly explained on what the law of tort or contract is and not really on how their liability comes about.

In the future, candidates must know that each branch of law for example, law of tort or law of contract has its own principles and how liability accrues. For instance, liability in contract accrues as a result of a contract made between the parties while under tort liability arises from the duty of care.

Thus, students must know the principles in general principles of law, tort, contract, insurance law and labour law to mention but a few. All these are found in the syllabus.

QUESTION TWO

- (a) Almost all the students who attempted this question did not actually give the correct position at law on the doctrine of privity of contract. Most students who answered it only gave what the doctrine was and not what the exceptions to the doctrine are.

Thus, students in the future who wish to answer questions like this one which looks at exceptions must always remember that at law, there is always a "general rule" and "an exception". If the question asks of exceptions students must explain only the exception and not the general rule.

- (b) Students answered this part to the affirmative as they explained the principle of separate legal personality and how it affects an entity. Candidates who encounter such a question in the future should concentrate on legal personality in company law and see how entities like companies are deemed persons at law.
- (c) Students here show a great response to answering the two terms. In the future, students intending to sit for this course should acquaint themselves with Insurance law and note terms like Utmost good faith and how it arises as well as indemnity and in what instances it applies.

QUESTION THREE

This question did not pose any difficulties as it was within the competence of the candidates. Many candidates scored highly, but stumbled when it came to part Under Part (c), students did well though others seemed to have a problem. Those who failed were either giving the duties of the hirer or the duties involved in the law of agency.

Candidates in future must note that the obligation of the hirer should be noticed from the duty imposed by the agreement.

QUESTION FOUR

- (a) Most of the students answered this question very well. Nevertheless, those who did not, failed to show understanding on what the law is but rather explained what it ought to do.

Students who wish to attempt such a question in the future should know the various definition of what the law is. It must be noted though that even when there are various definition of law, the meaning of law should be the same despite different ways of defining it.

- (b) Under this part, candidates answered it well. Those who did not were confusing these duties to those seen under the law of agency. It must be noted that in the future, students in the future must familiarize themselves with labour laws and to be specific with the duties the employer has on the employee and vice versa. For example, the employer has the right to pay the employee while the employee has a duty to obey lawful instruction.

- (c) This part was fairly answered but those who failed looked at the elements of a contract and not really how the two elements in it namely commercial and domestic agreement differ.

Thus, in the future students wishing to answer such a question should adequately read the elements of a contract. With regards to this element, domestic agreements are those deemed not to be binding as a general rule while commercial agreement are those that are bonding as a general rule.

QUESTION FIVE

- (a) Students were able to explain the characteristics of non-for-profit companies. Those who did not were generally explaining what companies are and not really the characteristic. Candidates must note in the future that each company that is formed has its own distinct character. Others are formed to make profits others are not.

It is vital to familiarise themselves with company law for this part.

- (c) This part was addressed very well. On the other hand those who did not answer it nicely concentrated on the aim of the Workers Compensations Act and what it provides for.
- (d) In the future, when a question refers to application or exemption, students should note that there are Acts of Parliament that do not apply to certain types of people or workers. Students must read this Act to buttress their argument on workers who are exempted from the definition of a worker under this Act.

DIPLOMA IN TAXATION

PAPER: D1 - BUSINESS INFORMATION MANAGEMENT

QUESTION ONE

This question was based on delivering an appropriate Information System to solve a problem within an organisation. It also required candidates to discuss controls to minimise computer crimes.

The candidate gave a very good explanation here.

QUESTION TWO

This question required the candidates to show their understanding of IT/IS Strategy and Business Objectives Strategy and the characteristics of Information Systems.

This question was also well answered and the candidate showed good understanding in the presentation.

QUESTION THREE

This question was on the internet, intranet and internet technologies.

The candidate again showed a good command of the topics and the answer was complete.

QUESTION FOUR

This question required the candidates to manage knowledge in an organisation.

There was also need for the candidate to write about security.

The candidate articulated well in the response.

PAPER D2- FINANCIAL MANAGEMENT

QUESTION ONE

The question tested candidates on Investment appraisal technique, Net Present Value. The performance was very poor.

Common mistakes included:

- Using 700 bags in computing contribution instead of the incremental 200 bags.
- Failure to correctly compute the cost of equity and debt
- Failure to perform sensitivity analysis

QUESTION TWO

The question tested candidates on financial analysis and financing. The performance was fair.

Common mistakes included:

- Failure to identify the trend using the computed ratios and compare with the industry.
- Failure to relate the answers to the scenario provided.

QUESTION THREE

The question tested candidates on financial analysis and the performance was good.

Common mistake included:

- Failure to provide appropriate comments on the computed ratios

QUESTION FOUR

The question tested candidates on consolidated accounts and valuation. The performance was fairly good.

PAPER D3-BUSINESS TAXATION

QUESTION ONE

The performance of the candidates on this question which examined taxation of self-employed individuals and taxation of employment income was quite poor.

The candidates provided satisfactory answers for part (a) which required a computation of the income tax payable, if the tax payer was engaged by the company as an employee. However, candidates faced challenges in computing the taxable income and tax payable if the tax payer was engaged on self-employed basis in part (b) and therefore lost valuable marks. Consequently, candidates failed to provide satisfactory answers to part (c) which required them to give advice on whether the tax payer should be engaged on a self-employed basis or as an employee.

In part (d) candidates managed to discuss the factors which would have been used to confirm the tax payer's self-employed status and obtained full marks.

QUESTION TWO

Parts (a) and (b) of this question were well answered by the candidates as they managed to explain how the residence of individuals is determined for tax purposes as well as explaining the reasons why a person who is domiciled in a foreign country may be liable to Zambian income tax.

Part (c) (i) of this question examined the taxation of expatriate employees and was poorly answered. Whilst the candidates were able to explain why the tax payer was liable to Zambian income tax in Part (i), they failed to compute the income tax payable, largely because they failed to compute the amount of double taxation relief which would be available in relation to the income received from foreign sources.

In part (c) (ii) candidates managed to explain what a double taxation convention is but failed to describe the consequences of its non-existence in overseas aspects of taxation and therefore lost further marks.

QUESTION THREE

Candidates scored very poor marks on this question which was a tax planning question covering extraction of profits from a business.

Although candidates managed to provide satisfactory answers for part (a), they failed to make appropriate computations of the company income tax, withholding tax and NAPSA contributions payable in part (b) on the basis that director's emoluments were drawn and on the basis that dividends were drawn and therefore lost valuable marks. Candidates also failed to make appropriate computations in part (c) when advising on which of the two alternatives was beneficial from a taxation point of view losing further marks.

Part (d) of the question which covered advance income tax was fairly well answered by the candidates.

QUESTION FOUR

The performance of candidates on this question was equally poor as candidates failed to compute the tax payer's final taxable business for the two tax years in part (i) of the question. This was because they failed to apply commencement rules to determine the basis periods for the first two tax years of trading and also failed to compute the correct amount of capital allowances available for relief in each of the tax years.

PAPER D4-PERSONAL TAXATION

QUESTION ONE

The question was generally fairly well answered.

In part (a) candidates managed to explain how mineral royalty is determined and explain the meaning of the terms norm value and gross value.

In part (b) candidates encountered some difficulties in making appropriate adjustments when computing the taxable business profits of the company.

QUESTION TWO

Candidates scored good marks on this question which was divided into two parts. Candidates managed to provide satisfactory answers to parts (a) which covered taxation of financial institutions as well as for part (b) which required candidates to explain the tax treatment of various expenses.

QUESTION THREE

This question examined Value added tax and comprised three parts.

Although candidates failed to provide satisfactory answers for part (a) (i) which required candidates to explain the VAT registration requirements and apply them to the business in the question as well as failing to provide appropriate computations of the VAT payable for the first five months of trading in part (a) (ii), they provided satisfactory answers for part (b) which required an explanation of what Reverse charge is and for part (c) which required an explanation of the advantages and disadvantages of group VAT registration.

QUESTION FOUR

The performance of candidates on this question was equally good as candidates managed explain the nature of general insurance, life insurance and endowment policies in part (a) of the question. Parts (c) and (d) covered taxation of taxation of farming enterprises and were also generally fairly well answered.