



**MARKERS' AND UMPIRES' COMMENTS
INITIAL ASSESSMENT OF COMPETENCE
JANUARY 2026**

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OBJECTIVES OF THIS REPORT

This report has been compiled from the analysis of examiners on candidates' performance in the Initial Assessment of Competence (IAC), which was written in January 2026. Its objectives are to –

- assist unsuccessful candidates in identifying those areas in which they lost marks and need to improve their knowledge and/or presentation; and
- assist future exam candidates, by providing a commentary for them to use when working through past papers.

To accomplish these objectives, the report provides background information on how the examination questions are set, marked and adjudicated; comments on general shortcomings in answers; and specific comments on each question of the three examination papers.

The purpose of the IAC is to test the integrated application of technical competence, preferably as soon as possible after the prescribed academic requirements have been met.

The remainder of this report is discussed under the following headings:

- Statistics for the IAC January 2026;
- Background information on the setting, marking and adjudication of SAICA examinations;
- General comments on the IAC January 2026;
- Assessment of Enabling Competencies in the IAC January 2026; and
- Detailed comments on each of the three professional papers.

STATISTICS FOR IAC JANUARY 2026

	Pass %	Passed	Failed	Total
All candidates	65%	2 055	1 116	3 171

Average marks per question (all candidates)

Paper 1	Part I	Part II	Total
Total marks	64	56	120
Average marks	32,93	31,71	64,64
Paper 2	Part I	Part II	Total
Total marks	50	70	120
Average marks	26,15	35,81	61,95
Paper 3	Part I	Part II	Total
Total marks	81	39	120
Average marks	41,96	20,39	62,35

More detailed statistics can be found on the SAICA website at www.saica.org.za

BACKGROUND INFORMATION ON THE SETTING, MARKING AND ADJUDICATION OF SAICA EXAMINATIONS

The IAC Examinations Committee (IAC Examco) constantly strives to improve its ability to determine whether candidates demonstrate a readiness to continue with their accounting education and training. This is done by means of an ongoing process of evaluation of and improvement in the way in which it selects questions for inclusion in the examination and decides on the final mark plans.

1 Source of the questions

The IAC Examco is a sub-committee of the SAICA Chartered Accountant Professional Development Committee (CAPD Committee) and takes overall responsibility for the setting of the examination papers.

The IAC Examco prepares question briefs and then select academics from endorsed professional providers to set questions based on the briefs. Because the questions cover a variety of disciplines, a team of setters from various providers work together on each of the questions.

Academics or former academics are also involved in reviewing exam questions in each of the core subject areas. However, academics who have any involvement whatsoever in the presentation or otherwise of Board courses may NOT act as reviewers. These academics or former academics are appointed by core subject area and their role is to –

- review questions for conceptual problems and consistency in the use of terminology;
- give an indication as to whether the relevant examination questions are set at an appropriate level;
- provide comments on whether the number of marks and time limit are appropriate; and
- provide comments on the validity and reliability of the assessment.

In addition, the examination questions are also reviewed by a third expert for cultural and language bias.

Four external examination sitters, who are independent of the exam setting process, are also appointed to review the questions selected for both the January and June IAC. These sitters are chosen from the persons who passed the IAC the previous year. The examination sitters provide independent comments on the examination papers and suggested solutions, and report on these to the IAC Examco.

SAICA would like to acknowledge and thank all the people involved in the examination setting process.

Security and confidentiality of examination papers: The examination papers for each year are compiled, printed and sent to each examination centre under very stringent conditions of security.

2 The marking process

The IAC Examco devotes a great deal of time to the review and refinement of mark plans to ensure that the plans are consistent with its expectations for each question.

Before marking of the scripts commences, copies of the examination papers and suggested solutions are forwarded to all endorsed academic programme providers for comment. The markers and umpires prepare suggested solutions and mark plans once all these comments have been considered and a test batch of scripts has been marked. The suggested solutions, mark plans and test batch results are then reviewed by the IAC Examco, which approves the final solutions and the mark plans that will be used in the marking process.

Marking is undertaken by teams, with each team consisting of a number of markers (comprising academics, practitioners and representatives from commerce and industry) and an umpire. Markers and umpires are assigned to specific questions based on their fields of expertise.

All markers and umpires sign a declaration of confidentiality regarding the handling of scripts, questions, solutions and mark plans. SAICA holds the copyright of the questions and mark plans.

Consistency marking was introduced in 2012, which entails that a pack of scripts are selected on a random basis by SAICA's Examinations Unit, and the exam numbers removed. These scripts are then re-numbered and photocopied. Every person on the mark team has to mark the question to which they have been assigned in the batch of scripts. This takes place on the first day of the main marking process and the umpire, together with his/her mark team, then discuss point by point how the individual markers awarded the marks for each question. The aim of this process is to identify any concerns, differences and discrepancies in interpretation that the marker(s) may have in awarding of marks as per the final mark plan before actual marking commences. The main objective is to achieve consistency in the way the different markers within a mark team award marks.

Marking of the IAC January 2026 took place at a central mark centre. An administration hub was set up, from which administrative personnel controlled which scripts were signed out, to whom, and when the marked scripts were returned. Each script was marked independently by two persons, using an electronic marking tool. The tool records marks per subsection, section and question automatically. Only once the double-blind marking of each batch of scripts had been completed did the markers confer and jointly decide on the final raw mark (what is referred to as 'marking reconciliation') to be awarded for a particular answer. This was also recorded on the marking tool. If the markers were unable to agree upon the number of marks to be awarded for a particular answer, the script was referred to the umpire, who then reviewed the paper and awarded the final mark. After the reconciliation process, the electronic tool captured the final marks of all candidates and prepares a report for the IAC Examco.

3 Adjudication

Adjudication is a process during which the CAPD Committee considers all relevant evidence, including the following, to determine whether the marks to be awarded for each question should be adjusted:

- Whether candidates encountered any time constraints;
- Whether the level of difficulty of each question was appropriate for the IAC;
- Possible ambiguity in the wording; and
- Any other problems that may have been encountered relating to the examination.

The members of the CAPD Committee do not know the candidate details (including the raw pass mark) at the time the adjudication process takes place.

Adjudication is done by the full CAPD Committee as soon as possible after the marking process has been finalised and checked by the SAICA secretariat. During the adjudication three secretaries' marks (one per paper) are added to each candidate's score. The objective of these secretaries' marks is to compensate for any errors that may have occurred during the marking process.

It is important to note that no person from academia is allowed to serve on the IAC Examco, and that candidates' anonymity is preserved until the final adjudication has been completed.

In order to ensure that the whole marking and adjudication process remain anonymous, the instructions to candidates clearly state that their names should not appear anywhere on their scripts.

4 Borderline review

In 2013 SAICA introduced a further process to ensure that individual candidates who just fail the exam are not prejudiced in any way. Once the adjudication has been complete, the scripts of candidates who just failed (based on a range determined by the CAPD Committee) are extracted and a third and final review is undertaken of such candidates' scripts. This review is undertaken by the umpire and assistant umpires, being the most senior and experienced members of a mark team. The marks during this process may either go up or down and each script is again assessed on a paper by paper basis to ensure that the final result is not contrived. A sub-committee of the CAPD Committee then meets to discuss the outcome of the borderline review and thereafter the pass percentages and other detailed statistics for the examination are prepared.

Candidates whose scripts are selected for the borderline review are not awarded the secretaries' mark because they have had the benefit of a further and more detailed review of their papers.

In view of the above stringent marking process no request for re-marks will be entertained (also refer to the Examination Regulations for the IAC in this regard).

GENERAL COMMENTS ON THE IAC JANUARY 2026

1 Objective

In view of the primary objective of the IAC, namely to test the integrated application of technical competence, candidates are tested on their ability to –

- apply the knowledge specified in the subject areas set out in the prescribed syllabus;
- identify, define and rank problems and issues;
- analyse information;
- address problems in an integrative manner;
- exercise professional judgement;
- evaluate alternatives and propose practical solutions that respond to the users' needs; and
- communicate clearly and effectively.

2 Analysis of topics

	Reporting on value creation	Strategy and governance to create sustainable value	Stewardships of capitals: Business processes and risk management	Assurance and related services	Tax governance and compliance	Decision-making to increase, decrease or transform capitals	Ethics (including CoPC)	PVAAs (excl. Ethics)	TOTAL
Paper 1 Part I				60				4	64
Paper 1 Part II	45		9					2	56
Paper 2 Part I					48			2	50
Paper 2 Part II			10			34	21	5	70
Paper 3 Part I		26				51		4	81
Paper 3 Part II	26			12				1	39
Total	71	26	19	72	48	85	21	18	360
%	19,7	7,2	5,3	20,0	13,3	23,6	5,8	5,0	

3 Overall comments on the papers

The January 2026 IAC examination was considered to provide a fair assessment of technical competence overall, with a mix of easier and more challenging areas. There was a good balance between easy, moderate and difficult sections within each paper and the themes and scenarios were topical and relevant.

Paper 1 consisted of a single scenario, with the required sections divided into two parts. The first part dealt with **assurance and related services** and the second part with **reporting on value creation** and **stewardships of capitals: business processes and risk management**.

Paper 2 consisted of a single scenario, with the required sections divided into two parts. In part I **tax governance and compliance** and in part II **stewardships of capitals: business processes and risk management, decision-making to increase, decrease or transform capitals** and **ethics** were examined.

Paper 3 consisted of a single scenario with two parts. Part I examined **stewardships of capitals: business processes and risk management** and **decision-making to increase, decrease or transform capitals**. Part II covered **reporting on value creation** and **assurance and related services**.

4 General comments

From a review of candidates' answers to the IAC January 2026 examination, the general deficiencies set out below were identified. These problems affected the overall performance of candidates, and it is a matter of concern that candidates make the same mistakes year after year. Although these aspects seem like common sense, candidates who pay attention to them are likely to obtain better marks, and it may even turn a low mark into a pass.

4.1 Application of knowledge

A serious problem experienced throughout the examination was that candidates were unable to **apply** their knowledge to the scenarios described in the questions, in particular **foundational core knowledge**. Many responses by candidates were a 'shopping list' of items in the form of a pure regurgitation of what candidates may have learnt about the theory at university, but with no real relevance to the question in hand. Candidates also do not appear to be able to identify the correct issues stated in the scenarios. This is a major concern, because by the time candidates qualify for entry to these examinations, one would expect them to have assimilated the knowledge, at least to the extent of being able to apply it to simplified facts as set out in an examination question. Obviously, candidates who are unable to identify the correct issues do not do well in the examination.

4.2 Workings

It is essential that candidates show their workings and supply detailed computations to support the figures in their answers. Marks are reserved for methodology but can only be awarded for what is shown. **Workings should, like the rest of the paper, be done in blue or black ink to ensure legibility**. In many instances workings were performed by candidates but not cross-referenced to the final solution. Markers could not award marks as they were unable to follow which working related to which part of the final solution. Candidates must ensure they show their workings and that these are properly and clearly cross-referenced to the final solution.

4.3 Communication

Candidates fared better in questions requiring calculations than in discursive questions. This is a disturbing trend as the IAC is a stepping stone in the qualification process where the final Assessment of Professional Competence requires that significantly more focus and attention be given to these important skills. It is important that candidates bear in mind that written answers are a large component of the Qualifying Examinations, because written communication is a key competency required in the workplace. Candidates should learn to answer discursive questions properly. This can be done by practicing exam-type answers under exam conditions in preparation for the examination.

In addition, markers found that candidates used their own abbreviations (text messaging style) in their answers. Marks could not be awarded here as it is not up to the markers to interpret abbreviations that are not commonly used.

Candidates should pay specific attention to the way in which they write their answers, and bear in mind that this is a professional examination for which communication and presentation marks are awarded.

4.4 Journal entries

A fundamental part of accounting and external reporting is an understanding of debits and credits. A means of assessing whether a candidate understands these fundamental principles is to require the candidate to prepare the relevant journal entries. Candidates often do not understand what journal entries they need to process. In many instances basic journal entries are processed incorrectly. In addition, account descriptions are poor and abbreviations are used.

This is inexcusable and candidates must ensure that they understand what impact transactions would have on specific account balances, by showing that they know which account (and which financial statement) has to be debited or credited. It is not sufficient for a candidate with Accounting at the PGDA level to be a technocrat – understanding of the fundamental principles of accounting is critical to the success of a candidate at the IAC level.

4.5 Time management

Candidates are advised to use their time wisely and budget time for each question. The marks allocated to each question are an indication of the relative importance the examiners attach to that question and thus the time that should be spent on it. Candidates should beware of the tendency to spend too much time on the first part of the paper attempted and too little time on the last. They should never overrun on time on any required but rather return to it after attempting all other parts.

Candidates should address the time management issue by starting with the questions they feel more comfortable with or can consider to be 'easier' while still feeling fresh in the exam. This ensures two things: confidence is gained by the candidate and good marks are earned easily, such that some time is saved – which can then be used a 'buffer' to add to the time allocated for the more challenging questions. This gives the candidate a fair opportunity to do well. This is considered an 'exam success strategy'.

4.6 Layout and presentation

Candidates should allocate time to planning the layout and presentation of their answers before committing thought to paper. Very often, candidates start to write without having read the question properly, which invariably leads to, for example, parts of the same question being answered in several places or restatement of facts in different parts. Marks are awarded for appropriate presentation and candidates should answer questions in the required format, that is, in the form of a letter, memorandum or a report, if this is what is required.

The quality of handwriting is also an ongoing problem and was of particular concern in this year's examination. **The onus is on the candidate to produce legible answers.**

Separate books are used to answer each question of the IAC. Each book is clearly marked and colour coded. Candidates are given explicit instructions to write the correct answer in the correct book. Despite this some candidates did not write the correct answer in the correct book (the secretariat does ensure that candidates who write answers in the incorrect book are marked by the correct mark team, but this adds to the marking time).

4.7 Irrelevancy

Marks are awarded for quality, not quantity. Verbosity is no substitute for clear, concise, logical thinking and good presentation. Candidates should bear in mind that a display of irrelevant knowledge, however sound, will gain no marks.

4.8 Drilling down

Responses, particularly in the financial management, management decision making and control and the strategy, risk management and governance areas are often provided by simply repeating the information given in the question. Candidates are unable to drill down to assess what the underlying problem areas are and do not put any effort into going beyond what is stated in the question. Candidates need to draw on their entire knowledge base in order to provide in-depth and meaningful insight, particularly in analysis-type questions.

4.9 Recommendations / interpretations

Responses to these requirements are generally poor, either because candidates are unable to explain principles that they can apply numerically or because they are reluctant to commit themselves to one course of action. It is essential to make a recommendation when a question calls for it, and to support it with reasons. Not only the direction of the recommendation (i.e. to do or not to do something) is important, but particularly the quality of the arguments – in other words, whether they are relevant to the actual case and whether the final recommendation is consistent with those arguments. Unnecessary time is wasted by stating all the alternatives.

Candidates should communicate reasons for calculations, if required. A discussion of a case study should always have a conclusion. Or if it requires that a decision be made, a conclusion alone is not sufficient; it requires that the conclusion be discussed and motivated.

4.10 Examination technique

Examination technique remains the key distinguishing feature between candidates who pass and those that fail. Many candidates do not address what was required by the questions and, for example, provide a discussion where calculations are required or presented financial statements where a discussion of the appropriate disclosure was required.

4.11 Open-book examination

Candidates are reminded that they **MUST** familiarise themselves with SAICA's open book policy and be aware that this may differ from that of their endorsed academic provider university. Candidates are also reminded that only SAICA has the authority to interpret its own open-book policy and **any contravention of IAC regulations will be considered to be misconduct**. Candidates are advised to familiarise themselves with SAICA's Examination Regulations prior to writing the examination.

Another problem relating to the open-book examination is that candidates do not state the relevant theory and/or definitions in their answers. One cannot build a logical argument without using the theory as a base and starting point. Reference to theory and definitions is essential to create the perspective from which the question is answered and is required to enable markers to follow the argument. However, since candidates have this information at hand, marks are not awarded for stating detailed definitions only. This type of examination does affect the answer that is expected and *application* and demonstration of insight into the use of the definition have gained in importance.

Candidates should also remember that one has to be very well prepared for an open-book examination. There is not enough time in the examination to look up *all* information from the texts. With regard to certain aspects one would be expected to offer an immediate response based on embedded knowledge. Complex information needs to be fully understood before the examination. Candidates who enter the examination hoping to look up data that they have not processed in advance will be at a disadvantage as they are unlikely to finish the papers.

4.12 Paying equal attention to all the competency areas

It is disappointing to note that candidates still appear to be most prepared to respond to **reporting on value creation** questions and fare considerably poorer in some of the other disciplines – most notably **decision-making to increase, decrease or transform capitals**. Candidates are reminded that the accountancy discipline is a broad one and the other disciplines are equally important.

5 Assessment of enabling competencies in the IAC January 2026

The assessment of enabling competencies, in line with the Competency Framework of SAICA, encompassed a range of competencies including judgement and decision-making (Y4), communication (X1), data analytics (W1), business environment (Z1 and Z2), critical thinking (Y1), problem solving (Y3), professional scepticism (Y5), and personal ethics (I1).

Overall performance across the enabling competencies was inconsistent, with noticeable variation between questions and competency areas. While candidates were generally able to identify relevant issues, a pervasive weakness was the lack of sufficient depth and supporting explanations. Responses were often underdeveloped, with limited justification provided for conclusions reached.

Relatively stronger performance was observed in communication (X1) and aspects of the internal business environment (Z1), where candidates demonstrated a basic ability to contextualise their responses. However, even in these areas, answers frequently lacked depth and did not fully integrate scenario-specific factors.

In contrast, performance in data analytics (W1) and the external business environment (Z2) was notably weak. External factors were often either overlooked or superficially described, with limited linkage to the entity's specific circumstances or decision-making context.

There was some evidence of higher-order thinking in areas such as judgement and decision-making (Y4), critical thinking (Y1), and professional scepticism (Y5), particularly among stronger candidates who were able to evaluate information and support their positions. However, this was not consistently demonstrated across the cohort, with many candidates needing to further develop their ability to critically assess information, challenge assumptions, and present clear, well-reasoned conclusions.

Although ethical considerations (I1) were generally identified, these were often addressed in a generic manner without sufficient application to the scenario.

Overall, while candidates demonstrate a foundational awareness of enabling competencies, there is a clear need to develop deeper analytical responses, supported by robust explanations, stronger use of data, and more effective integration of both internal and external business factors into decision-making.

In conclusion, a message to those who were unfortunately not successful in the examination:

Please start preparing for the next examination in good time. Don't give up – sufficient preparation and a review of the basics will stand you in good stead for your next exam!

Best of luck!!

DETAILED COMMENTS ON EACH OF THE THREE PROFESSIONAL PAPERS

PROFESSIONAL PAPER 1

Paper 1 consisted of a 120-mark question, with the required divided into two parts that dealt with the following aspects:

Part I

- (a) Candidates had to discuss the effect of the information provided in section 2 (Understanding the inventory account balance) on the auditor's assessment of the risk of material misstatement for the inventory account balance in the FY2025 financial statements of a South African retail company (MT).
- (b) Candidates had to describe the key controls that MT should have implemented to ensure –
 - (i) the accuracy and completeness of data captured by the merchandise manager that influence clearance sales; and
 - (ii) the accuracy and completeness of the promotional discount details captured by the merchandise records administrator on the inventory management system.
- (c) A formulation of the additional substantive audit procedures that should be performed by MT's registered auditors to obtain sufficient appropriate audit evidence about the inventory obsolescence allowance balance as at 31 December 2025.
- (d) With regard to MT's liquidity and profitability challenges (under section 6: Going concern assessment), candidates had to –
 - (i) describe the additional audit procedures that should be performed by the registered auditors on the action plan formulated by the management team of MT; and
 - (ii) explain what modifications, if any, should be made to the auditor's report on MT's FY2025 financial statements.

Part II

- (e) Candidates were required to evaluate, with reasons, based on IFRS® Accounting Standards, the merchandise director's statement regarding the treatment of pledged inventory and the loan from a South African bank.
- (f) A description of the steps that the accounting authority of a government-owned bank (AID) should take following the criticism expressed in the media with regard to the agreement AID concluded with MT's diversified holding company (Inala).
- (g) Candidates had to prepare the journal entries that MT should process in its FY2025 separate financial statements to account for a listed bond.
Candidates were required to –
 - ignore tax;
 - not provide journal narrations; and
 - round all calculations to the nearest rand.
- (h) A calculation of the group profit or loss, if any, that Inala should recognise in its consolidated financial statements relating to the disposal of the MT shares on 1 January 2026.
Instructions to candidates:
 - Ignore all tax with regard to the listed bond only.
 - Ignore the time value of money with regard to the payment tranches that AID will pay over to Inala.
 - Round all calculations to the nearest rand.

Six communication skills and professional values, attitudes and acumens were available for this paper. These marks were clearly and separately stated in the 'required' sections of each part.

PAPER 1 PART I

Maximum mark	Average mark	Number of candidates who passed	Number of candidates who wrote
61	32,93	1 796 (57%)	3 171

1 General comments on complexity

Overall, the paper was moderate with some easy to challenging requireds per subsection. Overall the paper was well balanced.

- The scenario and background were familiar to candidates and are regularly assessed in PGDA programmes.
- The scenario, which centres around a retail business, reflects a model that is likely familiar to candidates and that may therefore have reduced perceived complexity.
- The case study information was fairly basic; the absence of technical concepts and limited integration led to a low level of question complexity.
- The system description was brief and not easy to follow. The flow of information starts well but then becomes a little fragmented later on.

2 Feedback on the candidate responses: General matters

Exam technique

- Overall, candidates seemed to be confused in requireds (b), (c) and (d), with the result that they sometimes copied and pasted procedures from the ISAs without applying these to the scenario.
- It also resulted in generic controls being provided that were not applicable to the requireds.

Time management

- There was no clear evidence of time management issues in this part of the paper and most candidates seemed to have managed their time well.

Communication

- Most candidates communicated in an adequate manner.

Layout, structure and presentation

- Common mistakes that candidates made were to not always follow sentence structure conventions, such as trigger and effect.
- Candidates often did not state the ISA 500 verb, source and purpose of their procedures.

Relevance

- Candidates' responses were generally relevant.
- However, in the risk question, candidates discussed risk at a financial statement level instead of an assertion level. This would have been considered not relevant to the required.

Recommendations

- In general, candidates need to focus on the wording conventions of the different requireds (risks, controls, procedures).

3 Feedback per each required section of the part

3.1 Areas that candidates handled well

Part (a)

- Most candidates were able to identify the majority of the triggers in the scenario and apply these to the risk of material misstatement. These included triggers such as incomplete stock due to transfers between the JHB BC and the stores and risks due to dealing with stock on a free-on-board basis.
- Candidates were able to discuss the risk of stock not appropriately accounted that stemmed from dealing with foreign supplies.

Part (b)

- Some candidates were able to differentiate between the data inputs of the merchandise manager and merchandise director successfully.
- A number of candidates were able to provide appropriate applied controls for each role.
- In addition, some candidates understood the required and provided relevant application controls for the capturing and review of information on the systems.

Part (c)

- Candidates were able to earn marks for recalculation of the different aspects of the write down (cost vs NRV).
- Some candidates were able to appropriately provide other general procedures.

Part (d)

- In part (d)(i) candidates were successful in identifying procedures over going concern as a whole, including general procedures such as inspecting of minutes for approval and inspecting agreements as per the action plan.
- Part (d)(ii) was well answered. The majority of candidates were able to identify and appropriately discuss the different modifications to the audit opinion.

3.2 In what respect candidates' answers are considered to fall short of requirements

Part (a)

- While candidates on the whole performed well in this required, some candidates did not identify sufficient triggers from the scenario.
- A number of candidates also struggled with the discussion of the impact of the triggers and therefore did not explain the risk of material misstatement.

Part (b)

- Some of the candidates did to some degree struggle to generate sufficient applicable controls.
- Candidates focused more on controls that should be performed before the data input (receipt of inventory – which was out of the scope of the required) than the actual input controls.
- In addition, candidates struggled to demonstrate different application of controls in part (b)(i) and (b)(ii), which required an in-depth analysis of the scenario and information provided.

Part (c)

- Candidates often did not use appropriate wording conventions in their responses (ISA 500 verb, source and purpose would be required at this level of assessment).
- Some candidates struggled to incorporate general audit software and analytical procedures, and often then only provided manual procedures and not computer assisted auditing techniques.

Part (d)(i)

- Some candidates struggled to formulate procedures for future activities, and many did not go into the detail of the action plan.
- Many candidates copied generic procedures from the ISA and did not apply them to the scenario.
- Candidates often did not use appropriate wording conventions in their responses (ISA 500 verb, source and purpose would be required at this level of assessment).

Part (d)(ii)

- A number of the candidates did not demonstrate judgement and decision making in responding to the required.
- As a result, they provided a generic response with all alternatives that could have impacted the issue and that one could find in an auditors' report.

PAPER 1 PART II

Maximum mark	Average mark	Number of candidates who passed	Number of candidates who wrote
51	31,71	2 402 (76%)	3 170

1 General comments on complexity

- Overall, all responding providers considered the paper to be moderately balanced.
- Most providers viewed the paper as neither overly difficult nor unfair, but rather appropriately set at a moderate level.
- Overall, both the providers and mark team concluded that the paper was appropriately balanced in terms of complexity and fairness.

2 Feedback on the candidate responses: General matters

- The candidates who performed better were those who identified the core accounting issue early and applied the relevant principles directly to the scenario, but many lost marks by providing generic theory information or repeating scenario facts without linking them to the applicable standards.
- A recurring weakness was poor application to the facts: many candidates showed some technical knowledge yet struggled to connect that knowledge to the specific requirement, resulting in incomplete, misdirected, or partially relevant answers.
- In several sections, stronger candidates demonstrated sound numerical ability and could calculate present values, interest, and disposal figures correctly, but these correct calculations were often undermined by weak classification, poor presentation, or a failure to carry the numbers through to the final answer.
- Many candidates struggled with balance and completeness, often focusing on only one side of a transaction or one element of a requirement, while better responses addressed all relevant components in an integrated manner and reached clear overall conclusions.
- There was widespread confusion around key technical distinctions, such as control vs derecognition, offsetting vs disclosure, FVOCI vs amortised cost mechanics, and the correct treatment of reserves and goodwill, although a minority handled these distinctions accurately and scored well.
- Candidates who answered from the correct perspective and selected the appropriate framework produced insightful and relevant responses, while many others forced familiar but irrelevant frameworks onto the scenario, especially in sections requiring a public sector focus.

- Exam technique was a major differentiator: good candidates wrote concise, targeted answers with clear workings and logical flow, whereas weaker candidates repeated points, included unnecessary calculations, omitted conclusions, or answered beyond the years and issues actually required.
- In journal-based questions, many candidates showed a reasonable understanding of double-entry mechanics, but common errors in debit/credit direction, sign conventions, denominating entries, and classification between profit or loss, OCI, and the SoFP cost them marks.
- A consistent positive feature was that a fair number of candidates displayed practical reasoning and could use shortcuts effectively when they understood the 'big picture', but many others became lost in fragmented workings and failed to link calculations to the required journals or final reported figures.
- Overall, performance was strongest where candidates combined sound technical knowledge with disciplined exam technique, and weakest where there was theory dumping, misreading of the requirement, an incorrect perspective, or failure to conclude clearly after applying the facts.

3 Feedback per each required section of the part

3.1 Areas that candidates handled well

Part (e)

- Candidates who identified the core issue (control vs derecognition/offsetting) performed strongly.
- Some were able to correctly apply relevant IFRS principles to the scenario, rather than relying on generic theory.
- Better responses focused on the correct entity (MT) and appropriately considered the relevant elements of the transaction.
- A minority demonstrated a sound understanding of the underlying principles, effectively linking facts to the appropriate accounting treatment.

Part (f)

- Some candidates demonstrated strong practical reasoning, producing relevant and insightful points that were focused on the scenario.
- A minority showed a good understanding of the public sector context, correctly identifying key issues and applying appropriate considerations.
- Better responses were scenario-focused and tailored, avoiding unnecessary frameworks and addressing the requirement directly.

Part (g)

- Overall performance was generally strong, with many candidates answering the question competently.
- A large number correctly calculated the present value of the bond.
- Many candidates were able to prepare journal entries accurately, with correct debit and credit mechanics.
- Candidates demonstrated good time value of money skills, and time management was generally adequate.
- A fair proportion of candidates achieved high marks for correctly aligning calculations and journal entries.

Part (h)

- Overall performance was strong, with many candidates scoring well on this part.
- A majority demonstrated a good understanding of IFRS 10, particularly in calculating group profit/loss on disposal.
- Many candidates were able to correctly derecognise proportionate carrying amounts (including goodwill and post-acquisition reserves) against proceeds.
- Stronger candidates effectively used shortcuts and structured approaches, leading to efficient and accurate answers.
- Those who carried out calculations consistently and linked them to the final answer achieved high marks.

3.2 In what respect candidates' answers are considered to fall short of requirements

Part (e)

- Application to the scenario was weak: many candidates either dumped theory or repeated the scenario without linking it to IFRS principles.
- Core technical misunderstandings were common, particularly with regard to the following:
 - Control vs derecognition vs offsetting;
 - The meaning of a pledge of inventory; and
 - The role of disclosure vs recognition.
- Incomplete answers: candidates often addressed only one side (asset or liability) instead of both.
- Misdirected application: Some applied principles to the bank instead of the reporting entity.
- Theory dumping: excessive, irrelevant discussion (e.g., IAS 2/NRV) without addressing the actual issue.
- Poor exam technique: lack of structure, missing conclusions, and failure to clearly answer the requirement.
- Confusion between alternatives (derecognition vs offsetting) led to incorrect or partial answers.

Part (f)

- Incorrect perspective was the main issue: many answered from a corporate, ethics or audit viewpoint instead of the required public sector perspective.
- Use of irrelevant frameworks (e.g., King IV, Companies Act, NOCLAR, IFRS standards) led to misdirected answers.
- Forcing pre-prepared knowledge onto the question instead of analysing the specific scenario.
- Poor application to the requirement: candidates often recited theory or codes rather than applying facts.
- Repetition and lack of conciseness: the same points were restated, which resulted in candidates being awarded a limited number of marks despite providing lengthy answers.
- Candidates displayed weak exam technique, including irrelevant material, lack of focus, and failure to structure answers into clear, distinct points.

Part (g)

- Classification errors were common: journal entries were often correct in principle but incorrectly allocated between OCI, profit or loss, and SoFP.
- Confusion between fair value and amortised cost: many incorrectly based interest on fair value movements instead of using amortised cost.
- Fair value adjustment mistakes, particularly failing to adjust for interest and repayments before calculating fair value gains/losses.
- ECL errors, including recognising the full allowance instead of the movement and misclassifying the impact between OCI and profit or loss.
- Incorrect use of data, such as applying the wrong year's numbers or using fair values instead of amortised cost values.
- Journal and presentation issues, including incorrect debit/credit directions, missing brackets/signs, and a lack of proper denomination.
- Failure to carry through balances, so that correct calculations were not reflected in subsequent journal entries.
- Misclassification of elements, with some candidates incorrectly identifying assets as liabilities.

Part (h)

- FVOCI reserve treatment errors: candidates often used incorrect numbers (e.g., total balance instead of movement) and ignored the impact of ECL adjustments.
- Failure to carry through calculations: correct workings were frequently not applied to the final group profit/loss.
- Goodwill errors, including failing to recognise impairment correctly or incorrectly incorporating it into the consideration.

- Confusion between equity and post-acquisition movements, including incorrect percentages, lack of apportionment, and mixing acquisition vs post-acquisition reserves.
- Poor presentation and referencing, with unclear or disconnected workings, made it difficult for the mark team to follow the candidates' logic.

PROFESSIONAL PAPER 2

Paper 2 consisted of a 120-mark question, with the required divided into two parts that dealt with the following aspects:

Part I

- (a) Candidates were required to discuss, with reference to case law principles, the income tax implications for Lexi, a South African tax resident, in respect of an all-expenses-paid trip described in section 3 (Additional income).
- (b) A calculation of Lexi's normal tax payable for her 2025 year of assessment.
Candidates were given the following instructions:
- Provide reasons for amounts that have a nil effect on the calculation.
 - For the purposes of answering required (b), assume that –
 - with regard to point 3.2 (Foreign income – book talk fee) the fee will be fully taxable in South Africa; and
 - section 6B is nil.
- (c) Candidates were required to discuss whether Hebony (a leading advertising agency and a South African tax resident) should withhold employees' tax on R121 500 payable to CreativeLexi (a registered company) for January 2025.
- (d) Candidates had to discuss the income tax implications for Holdings (an investment holding company) in respect of the R68,1 million interest paid to Africa Holdings (Pty) Ltd (a shareholder of Holdings) in its 2025 tax return.

Part II

- (e) Candidates had to calculate, based on the internal rate of return method, which of the two loan offers received for the acquisition of CreativeLexi would be most cost effective.
For this required only, candidates had to assume that –
- SARS would allow a deduction of the interest on each loan in terms of section 24J of the Income Tax Act;
 - MGT would not default on payments; and
 - the returns from CreativeLexi would be above the 30% requirement for loan option 1 for the duration of the loan.
- (f) Candidates had to advise MGT (a South African company with a strategic interest in digital talent acquisition) on which loan offer it should accept.
- Candidates had to consider both quantitative and qualitative factors.
 - Candidates did not have to provide calculations.
- (g) Based only on the information and data included in the extract from the report on social media performance indicators, a discussion of the factors that MGT should consider before proceeding with the acquisition of CreativeLexi.
- Candidates did not have to provide calculations.
- (h) A discussion of any ethical concerns with regard to the conduct of Arno (Lexi's boyfriend and a CA(SA)) in terms of the SAICA Code of Professional Conduct.
Candidates were instructed not to –
- discuss any safeguards to address any possible breach or threat; or
 - discuss the level of the threat.
- (i) Candidates had to discuss the ethical conduct of Lexi as the CEO of CreativeLexi in view of how she responded to allegations in a video on TikTok®.
Candidates did not have to discuss the Companies Act and *King IV Report on Corporate Governance*.

Six communication skills and professional values, attitudes and acumens were available for this paper. These marks were clearly and separately stated in the 'required' sections of each part.

PAPER 2 PART I

Maximum mark	Average mark	Number of candidates who passed	Number of candidates who wrote
44	26,15	1 941 (61%)	3 170

1 General comments on the degree of difficulty of the question

Overall

- The overall standard of this part of the question was generally considered to be easy to moderate, though it included some challenging aspects. It was viewed as fair and that it would be achievable by most candidates. It was appropriate, fair, and of moderate complexity for the IAC level. The balance between technical demand and accessibility was generally regarded as acceptable. The paper provided the following:
 - It assessed standard, syllabus-aligned technical content, contributing to fairness and predictability.
 - Complexity arose mainly from the accurate application of legislation, classification of amounts, and correct computational treatment.
 - Integration across topics was present but limited, resulting in moderate rather than high complexity.
 - The structured presentation and clarity of most requirements supported fairness and made the time allowed manageable.
- The paper contained a well-developed scenario and allowed for natural integration of both individual and corporate tax considerations. It provided good coverage across various sections of the tax knowledge list, with a balanced mix of easier and more challenging areas. Candidates were required to demonstrate critical thinking skills, as the questions included both information-rich and information-sparse sections, necessitating evaluation of relevant facts and deduction based on the scenario.
- Although the overall complexity was moderate, the application of the section 24J component in part (d) proved more difficult. The suggested solution allocated a substantial number of marks for correctly stating principles, drawing conclusions, and similar elements, allowing candidates to leverage their technical competencies.
- Despite these opportunities, many candidates demonstrated weaknesses in exam technique, particularly in applying legal principles to the facts of the scenario. Several candidates merely restated theoretical principles or case law without adequately connecting them to the specific facts of the part.
- Some candidates identified relevant sections of the Income Tax Act but did not apply them appropriately. For example, they referred to provisions without explaining how the requirements should be applied in the context of the scenario.

Part (a)

- Moderate. The scenario clearly required candidates to apply case law principles.
- Candidates were required to discuss the inclusion in gross income of an all-expenses-paid trip to Cape Town awarded to an employee.
- Overall performance was below expectations. While many candidates referred to elements of the gross income definition, they often failed to link the trip to the rendering of services: specifically, that the trip constituted an amount received or accrued in return for services rendered (an exchange or quid pro quo transaction). Candidates thus missed the crux of the question, focusing on incorrect elements of the gross income definition (e.g., capital vs revenue).
- As a result, most candidates obtained only generic discussion marks. Candidates rarely linked the burden of proof to section 102(1)(e) of the Tax Administration Act, and few applied it explicitly within the context of the facts provided.

Part (b)

- Moderate. The information provided was structured, allowing candidates to obtain most marks if their technical knowledge was up to date.

- Candidates generally recognised the effects of the DTA and correctly applied section 10(1)(o)(ii) regarding the non-exemption of secondment salary. Most correctly addressed the nil effects of certain amounts, providing valid reasoning.
- However, some candidates incorrectly taxed amounts as withdrawals from a savings pot, applying retirement withdrawal tax tables instead of including them in gross income.
- A few candidates attempted to split rental income for a portion of a flat converted into a recording studio and claimed deductions incorrectly.
- The section 11F deduction and its limitations were not always applied correctly, and some candidates failed to treat it as the final deduction in the scenario.

Part (c)

- Moderate to easy. The requirements were straightforward and clearly indicated.
- Candidates were asked to discuss whether Hebony should withhold PAYE on an amount paid to CreativeLexi for January 2025. CreativeLexi is wholly owned by Lexi, a former employee.
- Most candidates correctly identified CreativeLexi as a company and Lexi as a connected person in the context of the scenario. They recognised that CreativeLexi constituted a personal service provider under the Fourth Schedule and accordingly concluded that Hebony must withhold PAYE. Overall performance was strong.
- While easier than other sections, this question required candidates to integrate knowledge within a broader scenario, prompting critical thinking about the relevance of employees' tax. Some candidates provided incomplete responses, for example merely stating that an individual is a connected person without specifying the percentage shareholding or sole shareholder status.

Part (d)

- Moderate to difficult. Candidates needed integrated thinking to determine that Holdings was not engaged in a trade yet could deduct interest under Practice Note 31 (or the new section 11G), limited to interest income received. Holdings received R34,9 million from subsidiaries and incurred R68,1 million in interest payable to its shareholder, Africa Holdings. Its only income sources were interest on loans to subsidiaries and dividends. Holdings was not a money lender and was not registered with the National Credit Regulator. Candidates were required to discuss the tax implications of the R68,1 million interest expense.
- Several candidates correctly applied section 24J, read with Practice Note 31, to determine deductibility, though many addressed the matter under sections 11(a) or 24O. Most were able to reach conclusions consistent with their reasoning.
- To earn the Year 1 critical thinking mark, candidates had to analyse the facts and apply section 24J(2) alongside relevant legislation and practice notes, rather than relying solely on general deduction principles.

2 Feedback on the candidate responses: General matters

Exam technique

- Candidates' exam technique needs to be improved, as many of them lost easy marks by failing to conclude their answers in line with the argument or stance taken in their discussions.
- In addition, candidates often overextended themselves on questions where they believed they could score more marks, rather than allocating effort and time according to the mark distribution.
- It is recommended that candidates create sufficient columns for technical workings and clearly show calculations and subtotals (e.g., a section 11F deduction).
- Many candidates tended to 'dump' theory by for example providing the gross income definition without identifying the crux of the question.
- Care must be taken when applying section 102 of the Tax Administration Act, as merely stating 'burden of proof' may not be sufficient to earn marks.

Time management

- Candidates generally demonstrated effective time management, with most attempting all sub-parts of the required sections in detail. However, several issues with time allocation were observed throughout the examination.
- Evidence of poor time management was particularly noticeable in sections (a) and (b), while section (d) often received insufficient attention.
 - In section (a), candidates sometimes wrote up to two pages for a discussion of a six-mark gross income question, which was unnecessary.
 - In section (b), brief reasons were required for nil amounts, but many candidates submitted lengthy discussions, consuming a significant portion of their time.
 - In section (c), time was often spent expanding discussions that did not carry marks. For example, many candidates provided detailed commentary on Hebony not supervising CreativeLexi, which was irrelevant to the requirements.
 - Time management remained a challenge for several candidates, as part (d) responses were frequently incomplete or lacked sufficient depth of analysis.

Communication

- Most candidates demonstrated effective and clear communication, particularly in parts (a), (c), and (d), where logical arguments reflected their understanding of the subject matter and ability to structure reasoning appropriately.
- A recurring issue was the omission of explicit conclusions, even after completing calculations. When required to select either the lower or higher value from calculated amounts, candidates must clearly communicate their choice, which would confirm their grasp of the relevant principles and demonstrate thoughtful application.
- Some candidates used informal or colloquial terms, such as 'gig', for 'services rendered'. No marks can be awarded for such language, as candidates are expected to maintain an academic tone and use proper tax terminology throughout the assessment.
- Communication marks in part (c) were readily awarded when candidates successfully identified the relevant issue.
- Part (d) was more challenging, as many candidates failed to identify section 24J, resulting in fewer communication marks being awarded.
- Care must be taken to ensure conclusions align with the discussion.
- In several instances, candidates merely restated facts from the scenario rather than analysing them. Simply repeating facts without connecting them to legal principles does not demonstrate a comprehension of the tax implications.

Layout, structure and presentation

- Overall, candidates provided well-structured answers; however, there is room for improvement in exam technique, particularly in applying scenario information to legislative requirements. Candidates are encouraged to explicitly link the details of the scenario to relevant legislation and clearly articulate these connections throughout their responses.
- Many candidates did not present legible scripts. In several cases, the markers found it difficult to read the handwriting. Candidates should prioritise clear presentation and structured planning before beginning their answers.
- Candidates experienced difficulties with the structure required for part (b). Despite its straightforward nature, many responses did not meet expectations. Some candidates incorrectly deducted rebates from taxable income, indicating a misunderstanding of the requirements. In addition, conclusions were sometimes drawn midway through the discussion rather than at the end.
- The three-column method proved beneficial for candidates in part (b). Those who used this approach generally performed better and probably saved time compared to candidates who placed all amounts in a single column.

However, the layout of answers was often inconsistent, with discussions, calculations, and conclusions not clearly separated.

- When calculating normal tax payable, several candidates did not show clear workings or failed to label calculations appropriately. This lack of clarity made it difficult to follow their reasoning and assess their understanding.

Relevance

- The content of the scenario and the provisions assessed were both relevant and appropriate for the examination.
- It was observed that, in more scripts than anticipated, candidates referred to section 11(a) in part (a), even though the matter clearly concerned a receipt of a revenue nature. This approach is concerning, as it highlights a lack of attentiveness and insufficient comprehension of the scenario.
- Many candidates also discussed every element of the gross income definition, indicating a failure to correctly identify the key issue.

Recommendations

- Candidates should focus on applying tax principles directly to the facts presented, rather than merely restating theoretical knowledge. This approach fosters critical thinking and the practical application of legislation.
- When referencing case law or statutory provisions, candidates must clearly demonstrate how the requirements of each provision or principle are satisfied by the facts of the scenario. Making this explicit connection is an essential element of a robust and credible response.
- For discussion-based questions, structured answers should be employed, including clear identification of the issue, the relevant principle, its application to the facts, and a well-defined conclusion. This method ensures clarity and logical progression throughout the response.

Workings (and references to workings)

- Candidates generally demonstrated thorough and detailed workings to support their calculations. However, some lacked clarity in presenting these workings.
- Many candidates did not consistently track or reference their workings appropriately. In some cases, calculations were performed on separate pages, resulting in an unclear and unstructured presentation. Furthermore, incorrect reference numbers were sometimes carried into the main body of the calculation, leading to errors.
- In several instances, candidates' handwriting was unclear, further affecting the readability and comprehension of their workings.

3 Feedback per each required section of the part

3.1 Areas that candidates handled well

Part (a)

- Many candidates successfully recognised and addressed the issue regarding the 'amount' in the phrase 'cash or otherwise'. There was clear evidence that candidates were able to conclude whether the value of an all-expenses-paid trip should be included in gross income, income, or taxable income. Notably, most candidates correctly identified that the central issue was the inclusion of an amount that was not provided in cash.
- Case law principles were generally well identified and appropriately applied to the scenarios presented.
- Almost all candidates provided a conclusion that aligned with their arguments.

Part (b)

- Most candidates excelled in this section of the assessment.
- This strong performance was anticipated, as candidates generally possess a better understanding of the tax implications for natural persons and find individual tax topics more accessible compared to corporate tax.
- Despite overall success, candidates encountered challenges with the section 11F calculation question. There was a noticeable lack of understanding regarding the principles embedded in this section. Many candidates

demonstrated limited knowledge of what constitutes 'remuneration' as defined in the relevant legislation. Furthermore, candidates often failed to add a conclusion to their answers, neglecting to explicitly indicate to the marker which amount should be used and the rationale behind their choice in assessing the section 11F limitation.

- Notwithstanding the difficulties, most candidates exhibited a strong grasp of individual tax concepts overall. Fringe benefits were particularly well addressed, and many candidates correctly applied the Rnil amounts, providing appropriate reasoning in accordance with the Income Tax Act.
- There was a commendable attempt at the relevant question, with most candidates completing it. It was encouraging to note that candidates consistently discussed why section 6 *quat* was not applicable to the scenario. In most cases, the calculation of the withdrawal lumpsum benefit tax was performed accurately.
- Several candidates showed a reasonable understanding of the structure of a normal tax calculation. They correctly followed the sequence from gross income to taxable income, and ultimately to normal tax payable. Some candidates also accurately applied the assumptions provided in the question, particularly recognising that the foreign income would be fully taxable in South Africa and that section 6B would result in a nil amount.

Part (c)

- Most candidates demonstrated a strong understanding of the requirements pertaining to personal service providers (PSPs). Most candidates accurately considered and applied these requirements in their responses, reflecting a solid grasp of the topic.
- In addition, many candidates provided clear and well-reasoned conclusions regarding whether PAYE should be withheld on the payment made. Their ability to arrive at a definitive answer showcased their comprehension of employees' tax (PAYE) withholding obligations that relate to PSPs.
- Overall, candidates' performance on this question was above average, with most candidates receiving marks higher than the mean for their attempts. The question itself was considered straightforward, and candidates generally identified the key issues from the scenario with ease. This facilitated effective application of their knowledge, resulting in many candidates achieving the maximum marks available for this section.
- The critical thinking component was also handled well, with candidates earning marks with relative ease. In general, this section was competently addressed, and many candidates correctly recognised that the core issue pertained to employees' tax (PAYE) withholding obligations.
- Furthermore, a notable number of candidates identified that the definition of a PSP must be satisfied for an entity to be regarded as an employee for employees' tax purposes, and therefore for PAYE to be withheld.

Part (d)

- Many candidates were able to provide a clear conclusion regarding whether the interest should be deductible. However, there were notable struggles with the overall question, indicating challenges in both understanding and application.
- Only a very small number of candidates demonstrated awareness that certain categories of expenses, such as interest, invoke specific sections within the Act. These specific sections, when applicable, take precedence over section 11(a). As a result, section 11(a) cannot be used as the charging section or as the basis for the conclusion in discussions regarding the deductibility of interest.

3.2 In what respect candidates' answers are considered to fall short of requirements

Part (a)

- This section outlines the recurring mistakes and misunderstandings observed in candidate responses. The focus is on the misapplication of case law, incorrect identification of key issues, and failure to thoroughly address the requirements stipulated in the question.
- Many candidates mistakenly identified the primary issue as 'received by on own behalf and own benefit', applying the Goldenhuys case principle inappropriately. Similarly, others incorrectly considered the issue to be whether

the amount was 'revenue or capital in nature', leading to the misapplication of the Visser case principle. These errors reflect a misunderstanding of the scenario and the relevant legal principles.

- Several candidates incorrectly asserted that the burden of proof regarding the value of the amount rests upon SARS, rather than on the taxpayer, Lexi. This demonstrates a lack of clarity about the responsibilities in tax disputes.
- Some candidates erroneously discussed the deductibility of the amount under section 11(a) in Lexi's hands. The description of the item as an 'all-expenses paid trip' may have led candidates to believe Lexi had incurred an expense or paid an amount, which was a misinterpretation based on the terminology used.
- Several candidates addressed VAT implications, despite the requirement to focus solely on income tax implications. This indicates a failure to read thoroughly and analyse the question's requirements.
- There was a tendency among candidates to provide a 'theory dump' of the gross income definition, rather than identifying and addressing the contentious element: whether the amount was in cash or otherwise. Many also discussed all the requirements of gross income, resulting in unnecessary use of time and missing the specific issue at hand.
- Another common mistake was not linking the market value of the trip, R20 000, to the services rendered by Lexi. Candidates often repeated information from the scenario without applying it to the facts or providing a clear conclusion.
- Some candidates listed all gross income court cases they were familiar with, including unrelated ones, rather than focusing on the relevant cases and principles.
- Most candidates failed to consider or apply paragraph (c) of the gross income definition in the Income Tax Act. Many also missed the application of paragraph (c)(ii), which includes voluntary awards received or accrued for services rendered.
- Some candidates did not carry their analysis through to part (b), missing easy marks.
- Other candidates discussed all elements of the gross income definition, wasting time and failing to focus on the specific issue.
- Overall, the most prevalent errors included the failure to properly analyse and address the required section, the misapplication of case law, and the omission of key legislative provisions.
- Candidates are advised to carefully read the requirements, identify the core issue, and apply relevant principles to the facts.

Part (b)

- A significant number of candidates incorrectly treated the cell phone allowance as a fringe benefit rather than as a section 8 allowance. Many assumed that because the allowance was primarily used for business purposes, it would constitute a no-value fringe benefit. However, the correct approach would have been to recognise its treatment under section 8 and not classify it as a taxable fringe benefit.
- Few candidates correctly identified that UIF contributions are not deductible, given that UIF receipts are exempt under section 10(1)(mB). Instead, many incorrectly cited section 23(r) as the reason for non-deductibility, demonstrating a misunderstanding of the legislative provisions.
- Candidates commonly misclassified the savings component, sometimes treating it as a retirement lump sum withdrawal benefit, or included the incorrect amount (R30 000) instead of the specific savings component stipulated in the scenario.
- There was widespread difficulty in correctly determining 'remuneration' for the purposes of applying the 27,5% of the 'higher of' rule under section 11F.
- Several candidates deducted the primary rebate and the section 6A medical tax credit from taxable income rather than from the tax liability as required. Furthermore, few candidates recognised that no section 6*quat* rebate was applicable, since the UK had not withheld tax on the payments made to Lexi.
- There were frequent inaccuracies in section references, with candidates often failing to refer to the correct legislative provisions. The open book format necessitates careful verification of section references, as marks are not awarded for incorrect references or for nil amounts without valid reasoning.

- Common calculation errors included failing to aggregate figures to arrive at taxable income or remuneration, presenting only a single round figure at the end, and incorrectly deducting rebates and credits from taxable income. There was also confusion regarding the correct period of employment, with candidates using either 10 or 12 months instead of the correct 9 months for Lexi's employment.
- Fringe benefit knowledge was lacking, and candidates often misapplied section 10(1)(o)(ii) in relation to remuneration received. Some included amounts as taxable benefits and then deducted them, or calculated deductions beyond what was required.
- Overall, the assessment highlighted several recurring issues, including misunderstanding of legislative provisions, incorrect application of tax credits and deductions, and calculation errors.
- Candidates are advised to refer closely to the legislation during open book assessments and ensure that their section references and calculations are complete and accurate. Stating the principle would be sufficient if a candidate had been uncertain about the exact section reference.

Part (c)

- During the assessment of whether PAYE should be withheld in relation to CreativeLexi, candidates provided a range of approaches, some of which resulted in incomplete or incorrect conclusions.
- A significant number of candidates restricted their analysis to determining whether CreativeLexi met the definition of an 'employee'. Many came to a conclusion on the PAYE withholding requirement solely on this basis, without considering the relevance of a PSP classification per the scenario.
- Other candidates focused exclusively on the definition of 'remuneration', using this as the sole criterion for determining the PAYE withholding requirement. Again, the potential PSP classification was often overlooked in this approach.
- Some candidates misclassified CreativeLexi either as an independent contractor or as a labour broker. These misclassifications demonstrate a misunderstanding of the facts in the scenario and the applicable tax principles.
- Candidates who did recognise the possible PSP status of CreativeLexi often failed to apply theoretical principles to the facts in the scenario. Instead, they either listed general theory without reference to the specific context or repeated details from the scenario without connecting them to PSP requirements.
- There were instances where candidates correctly identified CreativeLexi as a PSP but incorrectly concluded that this classification meant PAYE should not be deducted on payments made by Hebono to CreativeLexi. This indicates a gap in understanding the tax implications of PSP status, despite an otherwise sound grasp of the classification criteria.
- Some candidates did not adequately identify the relevant taxpayers involved, as required by the scenario. This oversight led to incomplete analyses.
- A recurring issue was the failure to provide a clear conclusion at the end of the discussion. Candidates often presented information without synthesising it into a final, reasoned decision.
- Candidates who omitted the PSP discussion tended to base their analysis on general tax principles rather than the specific requirements of the Fourth Schedule. As a result, these candidates earned no marks for their discussions.

Part (d)

- Many candidates mistakenly applied and discussed the provisions of section 24O, failing to recognise its irrelevance to the requirements of the paper. In addition, there was a widespread error in treating the interest as a dividend, either in terms of the definition of a dividend, under paragraph 64E, or under section 8F. This led to the incorrect conclusion that dividends tax should be paid.
- Another frequent mistake was the use of section 11(a) to establish the deductibility of interest, without realising that the correct treatment should fall under section 24J(2). Some candidates also incorrectly classified Holdings as the holder of an income instrument, rather than as the issuer of an instrument.
- Many candidates limited their responses to quoting theoretical requirements directly from the Act, such as stating that expenses must be incurred 'as part of trade' and 'in the production of income', without applying the scenario information to demonstrate whether these requirements had actually been met.

- Few candidates correctly identified or considered the application of section 11G, which replaced Practice Note 31. This highlighted a limited knowledge of the updates and changes in relevant legislation.
- A very limited understanding of section 24J was demonstrated overall, both in terms of its scope and in planning and structuring a discussion question related to it. Many candidates did not attempt this part, and some were justified in discussing dividends due to missing information, but this was not the primary issue.
- Candidates struggled to identify and apply section 24J, with most discussions ending at section 11(a) or dividends, which resulted in them earning fewer marks.
- This was surprising given that Part II of the paper provided a clue by stating that the interest should be assumed to be deductible in terms of section 24J. Despite this, most candidates overlooked the relevance of section 24J. Furthermore, the majority did not utilise case law to support or justify their answers.

PAPER 2 PART II

Maximum mark	Average mark	Number of candidates who passed	Number of candidates who wrote
61	35,81	1 744 (55%)	3 170

1 General comments on complexity

Overall the question is rated as being of medium level of difficulty.

2 Feedback on the candidate responses: General matters

Exam technique

- Candidates who performed well demonstrated confidence in their responses and had a good understanding of the content (theory).
- Candidates who did not perform well did not take sufficient time to gain a thorough understanding of the requirements of the scenario, or they did not understand the content that was probed (e.g., what an internal rate of return on a loan is or how to apply the SAICA Code of Professional Conduct).

Time management

- Candidates generally did not struggle to manage their time.

Communication

- Candidates' communication skills were fair.

Layout, structure and presentation

- Candidates on the whole did not struggle to structure their responses in the appropriate format.
- However, in section (e), candidates who limited their responses to the structure of the internal rate of return method generally performed better than those who did not.

Relevance

- Candidates who did not perform well in the required (h) demonstrated that they lacked knowledge of the content generally taught for the SAICA Code.
- Many candidates also did not consider personal ethics theories in required (i), even though it was prompted.

Recommendations

- Candidates need to revise the definitions of the fundamental principles and the threats to the fundamental principles in accordance with the SAICA Code.

- Furthermore, candidates also need to revise their notes on personal ethics theories, worldviews, and personal values.

3 Feedback per each required section of the part

3.1 Areas that candidates handled well

Part (e)

- Candidates' performance on the first loan question was strong.
- Candidates generally demonstrated a solid understanding of the required steps to establish the internal rate of return.

Part (f)

- Candidates generally performed well on this question

Part (g)

- Candidates performed well in identifying the presence of bots or fake user accounts.
- Candidates also commented effectively on the use of single-use IP addresses and the implications these might have for the reliability of the reported user data.
- Candidates also considered the impact of Lexi's and CreativeLexi's reputations on the validity of the inputs that affect the company's value.

Part (h)

- Candidates were generally able to easily identify issues from the scenario that triggered considerations of the SAICA Code of Professional Conduct.

Part (i)

- Candidates performed well in their discussions of the ethics triangle, demonstrating a good understanding of this concept of good for self and good for others.

3.2 In what respect candidates' answers are considered to fall short of requirements

Part (e)

- On the second loan, many candidates struggled with determining the payments of the loan.
- Several candidates also made errors in the direction of cash flows or did not consistently use indicators (such as negatives and positives) for cash inflows and outflows.
- Candidates' conclusions were generally correct; however, some candidates opted for selecting the loan with the highest IRR, indicating a lack of understanding of the meaning of IRR in terms of the cost of a loan.

Part (f)

- A common issue was that candidates listed points without expanding on them. For example, many correctly identified that Loan 1 had a fixed interest rate and Loan 2 had a variable interest rate, but they did not explain why this distinction was important when deciding between the two loans.
- Responses often lacked an analysis of the facts and justification for the choice of loan.
- Candidates also appeared to struggle with several key concepts. These included understanding what a basis-point increase represents, the purpose of initiation fees, and the role of the prime interest rate in the economy. As a result, many were unable to adequately respond to a question.
- Unfortunately, almost no candidates considered the real economic environment factors in their discussions for applying the effect of changes in the economy to the loan.

Part (g)

- Candidates generally struggled with this question, largely because they did not fully understand what was being asked.
- Many candidates focused their responses on evaluating the report and its implications for the company after the acquisition, as well as high-level strategic considerations. For example, some discussed which social media accounts the acquiring company should prioritise after the purchase, while others discussed synergies between the two companies. These discussions fell outside the scope of the question and did not address the required analysis.
- Very few candidates also evaluated/interrogated the quality and reliability of the information in the report.

Part (h)

- Candidates generally struggled with this question.
- Candidates found it challenging to distinguish clearly between a threat to the fundamental principles and a breach of the fundamental principles. Many responses reflected uncertainty about this distinction, which weakened their explanations by leading to contradictions.
- Candidates also found it challenging to identify which sections of the SAICA Code applied to the professional accountant. This came as a surprise since the Code is such a well-taught topic at a PGDA level.
- Candidates were typically able to identify the issues that trigger considerations in terms of the Code, such as confidentiality and conflicts of interest issues in the scenario. However, many of them were unable to package the responses to the issues identified in terms of the SAICA Code, hence not answering the required. For example, candidates would state 'Arno leaked confidential information' or 'Arno has a conflict of interest' without explaining whether the issue posed a threat or breached fundamental principles in terms of the Code.
- While most candidates were able to identify potential threats and breaches, they often failed to discuss these issues by articulating them appropriately. Explanations were brief and lacked depth, indicating a limited understanding of why the identified issue constituted a threat or a breach of a fundamental principle under the SAICA Code.
- Some candidates wrote down all fundamental principles and threats before delving into the discussion, and this clearly signalled that the candidate did not know which fundamental principle(s) or threat(s) applied to the specific issues from the scenario.

Part (i)

- Candidates generally did not discuss personal ethics, as required. These would include personal values discussions, individual worldview(s) evident, and personal ethics theories that were apparent in Lexi's response.
- Many candidates failed to adhere to the required, focussing only on Lexi's response to a video uploaded to the social media platform. Instead of focusing on Lexi's response, these candidates focused on the contents of the video/allegations raised.
- Several candidates concluded Lexi's conduct was unethical without substantiating their conclusion with discussions on the consequences of her actions.
- Some candidates did not provide sufficient points to earn the available marks, while the responses of others were incomplete.

PROFESSIONAL PAPER 3

Paper 3 consisted of a 120-mark question, with the required divided into two parts that dealt with the following aspects:

Part I

- (a) Candidates had to discuss the governance issues and ethical leadership concerns, with reference to the principles and recommended practices of the *King IV Report on Corporate Governance*, arising from the CEO's actions and behaviour in connection with the opening of new lifestyle concept (LC) stores. Candidates did not have to discuss –
- the SAICA Code of Professional Conduct; or
 - compliance with the Companies Act.
- (b) A critical evaluation of the strategic considerations that influenced the decision of IR (a large, listed South African discount retailer) to invest in the LC stores.
- Candidates were instructed to ignore the governance-related matters that may have affected the decision to invest in the LC stores.
- (c) Candidates had to prepare a memorandum addressed to the board of directors. In the memorandum, they had to incorporate insights across all LC stores but only include calculations for a certain group (Group B) stores. The memorandum had to cover the following:
- (i) An evaluation of why the actual net profit of the LC stores differs significantly from the budgeted profit.
- Candidates had to focus only on the sales mix, market size and market share variances.
- (ii) An assessment of the CEO's theory that the store profitability could be improved by 'right-sizing' store formats to better align with local market conditions.
- Candidates had to use break-even analysis, contribution margin and unit economics (revenue and cost per m²) to support their answers.
- (d) An evaluation of the CEO's proposal to close all stores in Group C by –
- (i) using relevant costing principles to calculate the impact on the performance of IR in FY2026; and
- (ii) critically discussing the impact on the company and its internal stakeholders.
- Candidates could assume that the FY2025 results were likely to be typical of the future performance in FY2026.

Part II

- (e)(i) A discussion on how the customer loyalty programme of IR (in section 4.1 only), should be accounted for in the financial statements of IR for FY2025. Candidates were given the following instructions:
- Do not discuss any disclosure requirements.
 - Support your discussion with calculations.
 - Round all calculations to the nearest rand.
 - Ignore all forms of taxation.
- (e)(ii) A discussion on how the financial accounting implications in respect of the customer loyalty programmes (in sections 4.1 and 4.2) of IR would change if a certain group of stores (Group C) were closed by the end of FY2025. Candidates had to –
- address the implications for both programmes;
 - show calculations where applicable;
 - round all calculations to the nearest rand; and
 - ignore all forms of taxation.
- (f) Candidates had to critically evaluate, with reasons, the accuracy of an inventory journal entry processed by the financial accountant in respect of the inventory write-down for FY2025. Candidates were given the following instructions:
- Provide correcting journal entries where relevant.

- Do not provide dates of journal entries or journal narrations.
 - Show calculations where applicable.
 - Ignore all forms of taxation.
 - Round all calculations to the nearest rand.
- (g) A description of the additional substantive procedures that should be performed at year end by the audit team to obtain sufficient and appropriate audit evidence about the valuation, allocation, and accuracy of the contract liability resulting from the customer loyalty programme.
- Candidates were given the following instructions:
- Assume that an IT expert already verified all controls over the central IT systems, sales and loyalty integration systems.
 - Rely on all reports produced by these systems.
 - Ignore all forms of taxation.
 - All audit procedures to place reliance on the systems and the work performed by the IT expert had already been performed by the audit team.

Five communication skills and professional values, attitudes and acumens marks were available for this paper. These marks were clearly and separately stated in the 'required' sections of each part.

PAPER 3 PART I

Maximum mark	Average mark	Number of candidates who passed	Number of candidates who wrote
72,5	41,96	1 740 (55%)	3 169

1 General comments on complexity

The paper was appropriately challenging for an IAC-level assessment, requiring integration across governance, strategy, and management accounting, as well as critical thinking and professional judgement.

However, certain aspects increased complexity beyond what was manageable within the available time. In particular, part (c)(i) required implicit assumptions, and the volume and integration of information increased cognitive load, potentially limiting candidates' ability to fully demonstrate competence under time pressure.

2 Feedback on the candidate responses: General matters

Exam technique

- Candidates who performed well were those who were able to structure their responses clearly, identify the key requirements early, and apply their knowledge directly to the scenario.
- Weaker responses often lacked planning and resulted in descriptive or unfocused answers.

Time management

- A number of candidates appeared to spend a disproportionate amount of time on calculation-heavy sections, particularly section (c), at the expense of discussion marks.
- Stronger candidates were able to balance calculations with interpretation and ensured that all required sections were attempted.

Communication

- Clear, concise communication was a distinguishing factor.

- Strong responses demonstrated logical flow and clear articulation of ideas, while weaker responses were often vague, repetitive, or lacked clarity.

Layout, structure and presentation

- Well-structured answers, particularly in memorandum format where required, enhanced clarity and facilitated marking.
- Some candidates did not follow the required format, which impacted the effectiveness of their responses.

Relevance

- A common weakness was the lack of application to the scenario.
- Many candidates listed generic principles (e.g., governance or strategic considerations) without linking them to the specific facts provided.

Critical evaluation and judgement

- Candidates often identified relevant points but did not sufficiently evaluate them.
- Strong answers explained why a factor was important and how it impacted the decision or outcome.

Recommendations

- Where required, candidates should provide clear, supported recommendations.
- Candidates need to present balanced conclusions supported by both quantitative and qualitative analysis where this is asked in the required.

Workings and referencing

- Candidates who clearly show workings and link them to their discussion are likely to receive higher marks.
- Candidates should ensure that their calculations are clearly presented or integrated into the narrative.

3 Feedback per each required section of the part

3.1 Areas that candidates handled well

Part (a)

- Most candidates were able to identify key governance and ethical leadership issues arising from the CEO's actions.
- Many demonstrated awareness of relevant King IV principles and highlighted concerns such as balance of power, conflicts of interest, lack of transparency, and weak oversight.

Part (b)

- Candidates generally identified relevant strategic considerations, including misalignment between the existing business model and the LC store strategy, as well as market-related challenges.

Part (c)(i)

- Some candidates were able to identify the overall drivers of performance, such as declining market conditions and failure to achieve expected market share, even where calculations were not fully accurate.

Part (c)(ii)

- Many candidates demonstrated reasonable interpretative ability, particularly in discussing revenue per m² and cost per m² and were able to comment on relative store efficiency.

Part (d)(i)

- Stronger candidates demonstrated a sound understanding of relevant costing principles, correctly distinguishing between avoidable and unavoidable costs.

Part (d)(ii)

- Many candidates were able to discuss the impact of store closures on internal stakeholders and demonstrated reasonable commercial awareness in their evaluation.

3.2 In what respect candidates' answers are considered to fall short of requirements

Part (a)

- Candidates often listed King IV principles without adequately applying them to the scenario.
- In some cases, governance issues were identified but not clearly linked to ethical leadership concerns or board responsibilities.

Part (b)

- A common weakness was the lack of critical evaluation. Candidates often described strategic factors without explaining the implications of these.
- Some responses focused on reasons why the decision was made rather than evaluating whether it was appropriate.
- Answers were sometimes overly positive or descriptive, lacking consideration of risks and limitations.

Part (c)(i)

- Many candidates struggled with the technical execution of variance calculations, particularly sales mix, market size, and market share variances.
- Errors included incorrect formulas, incorrect variance direction, and the inability to reconcile revenue-based data with unit-based approaches.
- Candidates often identified issues conceptually but were then unable to quantify them accurately.

Part (c)(ii)

- A significant number of candidates struggled with break-even analysis, including misunderstanding the appropriate unit of analysis.
- Some candidates attempted to calculate break-even in terms of m² rather than sales volume.
- Calculations were often incomplete or incorrect, and links between calculations and discussion were weak.

Part (d)(i)

- Some candidates did not correctly distinguish between relevant and irrelevant costs.
- Common errors included including sunk or unavoidable costs, or failing to annualise numbers correctly.

Part (d)(ii)

- Candidates who provided weaker responses were those that tended to list stakeholder impacts without evaluating their significance.
- Limited linkage between financial outcomes and broader organisational implications was evident in some scripts.
- Some candidates included external stakeholders in their discussions.

PAPER 3 PART II

Maximum mark	Average mark	Number of candidates who passed	Number of candidates who wrote
40	20,39	1 846 (58%)	3 169

1	General comments on complexity
	<ul style="list-style-type: none"> The part of the paper is best classified as moderate to difficult overall. Although some components were moderate or relatively straightforward in isolation, the overall difficulty increased due to the integration, interpretation, and application required across sub-parts. The underlying technical topics (e.g., IFRS 15, IAS 2, and auditing procedures) were not inherently difficult; however, difficulty arose from the need to apply knowledge in a scenario rather than simply recalling theory, which is appropriate at this level. A major contributor to the difficulty was that candidates misinterpreted the requirements as more open-ended than intended, which resulted in – <ul style="list-style-type: none"> overly broad or irrelevant discussions (e.g. the full IFRS 15 five-step model); an excessive focus on narrow, low-mark areas (e.g. performance obligations); and incorrect or unbalanced answers across sub-parts. The question required integration of concepts across subparts, particularly the application of IFRS 15 in both accounting and assurance/auditing contexts. Candidates were expected to link recognition and measurement to audit procedures, which increased complexity, although the paper could easily have been passed without the detailed knowledge of IFRS 15 for assurance purposes. Overall, the combination of interpretation challenges, integration across topics, application requirements, and ambiguity in certain areas resulted in a moderate to difficult rating.
2	Feedback on the candidate responses: General matters
	<ul style="list-style-type: none"> In accounting sections, candidates did not plan well, with the result that they performed calculations with no reference or indication of what was calculated to provide context to the markers. Many candidates provided lengthy, detailed responses, particularly in part (e)(i), often extending over several pages. Candidates generally demonstrated theoretical understanding, but struggled with practical, scenario-based application, often providing generic or textbook responses that were not tailored to the facts. Performance was stronger in calculation-based components, but provided weaker responses to discussion-based requirements, with many candidates providing unfocused or insufficiently targeted answers. In audit-related components, many candidates provided generic procedures or system-focused responses, rather than procedures aligned to the specific accounting treatment, indicating difficulty in linking financial reporting and auditing concepts. This added to time management concerns as the focus was not on the correct area, which resulted in time being wasted. Candidates did not provide sufficient audit procedures for a 12-mark question.
3	Feedback per each required section of the part
3.1	Areas that candidates handled well
	<p>Part (e)(i)</p> <ul style="list-style-type: none"> Overall, this section was well attempted, with most candidates demonstrating a sound understanding of IFRS 15 principles, particularly in identifying the loyalty programme as a separate performance obligation and in recognising it as a material right that gives rise to a contract liability.

- Candidates generally showed a strong grasp of key concepts, including the allocation of the transaction price, the deferral of revenue, and the use of expected redemption rates (e.g., the 80% expectation), with many correctly recognising that only expected future usage should be deferred.
- The theoretical discussion was often accurate and well-structured, frequently supported by appropriate references to IFRS 15, and most candidates were able to identify IFRS 15 as the relevant standard.
- While many candidates partially applied the theory to the scenario, the application was not always completely accurate, indicating that although the conceptual understanding was strong, the detailed application remained inconsistent.
- A common issue was that some candidates over-applied theory, particularly by discussing the full five-step revenue model rather than focusing specifically on the customer loyalty programme, resulting in inefficient use of time and rushed or weaker responses in the measurement component.
- Overall, candidate performance reflected a solid conceptual foundation, with generally good identification and discussion of relevant principles, although depth and precision in application varied across responses.

Part (e)(ii)

- This section was moderately well handled, particularly by candidates who had a clear understanding of the preceding part, with most candidates attempting the question despite it being placed quite late in the paper.
- Many candidates correctly identified that a change in the redemption rate affected the contract liability, specifically recognising that a decrease would reduce the contract liability and accordingly increase revenue.
- There was strong evidence that candidates could incorporate revised estimates into their calculations, with those who correctly identified the change generally able to adjust prior workings appropriately and arrive at accurate numbers.
- Candidates also demonstrated an understanding that the FabBank CLP differed from the points component, indicating an ability to distinguish between elements within the scenario.
- Stronger responses reflected an ability to interpret the scenario logically and apply the principles appropriately, sometimes supported by relevant accounting guidance, while weaker responses were limited to identification without full or accurate application.

Part (f)

- This was one of the strongest sections overall, with candidates showing clear confidence in the quantitative aspects and generally performing well.
- Most candidates correctly applied the principle that inventory should be measured at the lower of cost or NRV and were able to calculate revised NRV write-downs, often presenting detailed, structured workings.
- There was strong evidence that candidates understood that NRV should be assessed item by item, and many were able to apply this appropriately across different inventory groups.
- Candidates demonstrated a good understanding of adjustments required in the scenario, including the treatment of incorrectly delivered goods and stolen inventory, with many correctly identifying it as an event after the reporting date.
- Most candidates were able to determine the appropriate journal entries for NRV write-downs and related adjustments, showing a sound grasp of the accounting treatment.
- Even where calculations were not fully accurate, responses generally reflected appropriate methods and logical reasoning, indicating a solid understanding of IAS 2 principles and application.

Part (g)

- Candidates generally performed reasonably well, demonstrating a solid understanding of standard substantive audit procedures and the overall audit approach.
- Most candidates identified the need to test estimates, particularly those underlying the contract liability, and commonly referred to procedures such as recalculations, enquiries, and the obtaining of corroborative evidence.
- There was clear evidence of understanding of general audit techniques, including –
 - tracing balances to supporting documentation;

- evaluating management assumptions; and
- verifying inputs used in calculations.
- Many candidates correctly recognised the importance of recalculating the contract liability and verifying each component of the calculation, though responses often lacked specificity about exactly what should be inspected or recalculated.
- Candidates also identified the need to review the terms and conditions of the loyalty programme and to follow up where necessary.
- While responses were sometimes general rather than specific, overall performance reflected a sound grasp of core auditing concepts and procedures.

3.2 In what respect candidates' answers are considered to fall short of requirements

Part (e)(i)

- Candidate performance in this section was weakened primarily by poor application and structuring, despite a generally reasonable grasp of the underlying theory.
- A significant number of candidates engaged in theory dumping, reproducing large portions of accounting standards (e.g. IFRS 15) without applying these to the scenario, while others spent excessive time discussing elements such as contracts and performance obligations without progressing to the required calculations.
- Calculations were often disorganised and difficult to follow, with many candidates –
 - not presenting workings sequentially;
 - combining multiple steps without clear logic, and
 - providing calculations without context, headings, or cross-referencing.
- There were recurring issues with the incorrect application of IFRS 15, particularly the following:
 - Misallocation of the transaction price;
 - Incorrect treatment of the 80% redemption rate; and
 - Applying probabilities at the wrong stage of the calculation.
- Many candidates identified that revenue should be deferred, but struggled to –
 - link this to the allocation of stand-alone selling prices; and
 - apply initial measurement correctly, sometimes resulting in revenue exceeding total sales.
- A common shortcoming was that candidates did not address both revenue and contract liability holistically, often focusing on only one component.
- Candidates frequently missed the core timing requirement, particularly the distinction between the first and second six months, and failed to account for early redemptions.
- There was also confusion between key elements, including –
 - the number of points vs the value of points; and
 - the correct classification of the transaction, with some incorrectly applying IAS 37 instead of IFRS 15.
- Very few candidates addressed aspects such as the financial impact of the partnership, indicating gaps in their understanding of the requirement.
- While some candidates demonstrated strong theoretical knowledge, there was a clear disconnect between conceptual understanding and practical application, particularly in translating IFRS 15 knowledge into accurate calculations and scenario-specific answers.

Part (e)(ii)

- Performance in this section was generally weaker and it would seem as if candidates perceived it to be difficult, largely due to misinterpretation of the scenario and a poor linkage to part (e)(i), with many candidates carrying forward earlier errors into this requirement.
- A key issue was widespread confusion between IR's loyalty programme and the FabBank arrangement, with many candidates incorrectly treating them as the same or linking the impact of store closures to the FabBank component.

- Many candidates identified changes in the contract liability but struggled to explain or justify them, particularly in relation to FabBank, resulting in incomplete or unsupported conclusions.
- There was a significant failure to recognise that the FabBank arrangement had no financial impact on IR, which was central to the requirement, leading to incorrect conclusions and inappropriate discussions (e.g., principal–agent considerations).
- Calculations were often affected by errors carried forward from part (e)(i), particularly relating to the redemption rate, with some candidates merely repeating earlier incorrect approaches rather than addressing the revised scenario.
- Responses frequently lacked depth: many candidates provided brief or incomplete answers, while others overcomplicated a relatively straightforward requirement, suggesting uncertainty about what was being asked.
- In some cases, candidates performed calculations correctly but misinterpreted the underlying scenario, resulting in incorrect overall conclusions.
- Overall, performance reflected inconsistent understanding and application, with difficulty arising from both conceptual confusion and reliance on earlier incorrect interpretations.

Part (f)

- Although most candidates attempted this section, performance was weakened by poor critical evaluation and incomplete application of IAS 2. Many candidates failed to fully engage with the requirement to assess whether the accountant’s treatment was correct or incorrect.
- A common issue was that candidates reproduced theory or described the accountant’s treatment without stating a clear conclusion, indicating a misinterpretation of the requirement and a lack of evaluative judgement.
- Many candidates struggled to determine the correct cost of inventory, often –
 - ignoring relevant information in the scenario;
 - using purchases as a proxy for cost, or
 - attempting incorrect cost calculations,
 which resulted in inaccurate NRV comparisons and write-downs.
- While candidates could generally state the principle of lower of cost or NRV, they frequently applied it incorrectly, including –
 - recording write-downs when NRV exceeded cost; and
 - failing to assess inventory on an appropriate basis (e.g. per group/item).
- There were notable difficulties in applying specific adjustments, particularly relating to incorrectly delivered goods and stolen inventory, where candidates often contradicted themselves or incorrectly adjusted for what should have been treated differently.
- Many candidates identified relevant concepts (e.g., differences between cost and carrying value, or non-adjusting events under IAS 10) but were unable to translate these into correct calculations or journal entries, indicating a disconnect between theory and application.
- Confusion was evident in the accounting treatment of write-downs, with candidates –
 - referring to provisions incorrectly, and
 - struggling to correctly reflect the impact on profit or loss vs the statement of financial position.
- Calculations were often poorly structured and difficult to follow, with –
 - a lack of clear labels or logical sequencing;
 - a failure to consider individual inventory groups; and
 - computational errors (e.g., incorrect scaling of figures).
- There were also instances in which journal entries contradicted supporting calculations, reflecting a lack of internal consistency in the responses.
- Overall, while candidates demonstrated a basic theoretical understanding of IAS 2, performance was negatively impacted by weak evaluation, inaccurate calculations, and poor structuring, resulting in inconsistent and often incomplete answers.

Part (g)

- This section was generally poorly performed and perceived as difficult, primarily due to misinterpretation of the requirement and an inability to formulate appropriate substantive audit procedures.
- Many candidates defaulted to generic, irrelevant, or system-based procedures, despite the requirement explicitly excluding system testing, indicating confusion between substantive procedures and IT/system controls.
- Many candidates included audit procedures to assertions such as completeness and occurrence rather than to allocation, valuation and accuracy.
- Many procedures lacked practical applicability or re-performability, and there was inconsistent use of appropriate auditing verbs, resulting in responses that were difficult to assess.
- A common issue was the use of vague or incomplete procedures, with candidates stating actions such as 'verify' without –
 - specifying the audit technique (e.g., inspect, recalculate, inquire); or
 - indicating what documents or evidence should be used; or
 - providing the supporting documentation at all.
- Even where candidates identified relevant procedures (e.g., recalculations), they often failed to complete the procedure, such as comparing results with management's figures, and following up on differences that resulted in incomplete audit responses.
- Candidates frequently adopted a scatter-gun approach, listing numerous procedures without focusing on the contract liability balance, which reduced the relevance and quality of their answers.
- Listing of audit procedures not relevant to the scenario was also observed, such as comparing the current year to the previous year even though this was a new programme.
- There was limited focus on auditing the year-end estimate balance, with many candidates instead focusing on –
 - transactions (testing a sample);
 - system processes (testing the system); or
 - irrelevant procedures (e.g., observing customers or confirming balances with customers).
- Candidates also showed difficulty in –
 - distinguishing between data generated from IT systems and information prepared by management; and
 - identifying appropriate sources of evidence (e.g., schedules supporting the estimate).
- Some responses reflected theory dumping or over-reliance on general audit concepts (e.g., the use of experts and assessing management competence) without applying them to the specific context.
- There was further evidence of conceptual gaps, including –
 - an incorrect focus on opening balances for a new programme;
 - a limited ability to design procedures around key estimates (ISA 540), such as redemption rates; and
 - a failure to consider relevant scenario details (e.g., timing of store closures).
- Candidates also audited the proposed closure of the stores as if it had already happened rather than considering it at year end.
- Overall, while some candidates demonstrated general audit knowledge, responses were weakened by a lack of relevance, poor structure and incomplete procedures.
- A number of candidates also failed to link procedures to the specific account balance and assertions, resulting in low-quality answers despite a high volume of information being provided.