



SAICA

THE SOUTH AFRICAN INSTITUTE
OF CHARTERED ACCOUNTANTS

**MARKERS' AND UMPIRES' COMMENTS
INITIAL TEST OF COMPETENCE
JUNE 2022**

OBJECTIVES OF THIS REPORT

This report has been compiled from the analysis of examiners on candidates' performance in the Initial Test of Competence (ITC), which was written in June 2022. 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 chosen, marked and adjudicated, comments on general shortcomings in answers and specific comments on each question of the four examination papers.

The purpose of the ITC 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 ITC June 2022.
- Background information on the setting, marking and adjudication of SAICA examinations.
- General comments on the ITC June 2022; and
- Detailed comments on each of the four professional papers.

STATISTICS FOR ITC JUNE 2022

	Pass %	Passed	Failed	Total
All candidates	25%	414	1 252	1 666

Average marks per question (all candidates)

Paper 1			
Total marks	53	47	100
Average marks	21,6	18,09	39,69
	Part I	Part II	Total
Paper 2			
Total marks	50	50	100
Average marks	26,35	15,99	42,34
	Question 1	Question 2	Total
Paper 3			
Total marks	50	50	100
Average marks	18,49	23,01	41,5
	Part I	Part II	Total
Paper 4			
Total marks	53	47	100
Average marks	28,42	24,96	53,38
	Question 1	Question 2	Total

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

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

The ITC Examinations Committee (ITC 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 ITC Examco is a sub-committee of the SAICA Initial Professional Development Committee (IPD Committee) and takes overall responsibility for the setting of the examination papers. Examination questions are drawn from different sources:

- Questions may be submitted by practitioners, accountants in commerce and industry, as well as academics. These questions are added to a question pool that has been built up over the years and from which questions may be selected; or
- Questions on a particular subject may be commissioned from persons in commerce and industry or public practice or from academics.

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, two external examination sitters, who are independent of the exam setting process, are appointed to review the entire set of questions. These sitters are chosen from the persons who passed the ITC exam the previous year.

The examination sitters provide independent comments on the examination paper, suggested solutions or mark plans, and report on these to the ITC 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 processes

The ITC 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 accredited universities for comments. The markers and umpires decide on a suggested solution and mark plan 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 ITC Examco, which authorises the final suggested solutions and the mark plans that will be used in the marking process.

Marking is undertaken by teams, with each team consisting of several 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 solutions and mark plans.

Marking of the ITC June 2022 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 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 awarded the final mark. The electronic tool automatically captures the final marks of all candidates and prepares a report for the ITC Examco.

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 must 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 mark.

3 Adjudication

Adjudication is a process during which the IPD 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 ITC;
- Possible ambiguity in the wording or translation; and
- Any other problems that may have been encountered relating to the examination.

The members of the IPD 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 IPD Committee as soon as possible after the marking process has been finalised and checked by the SAICA secretariat. During the adjudication four 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 the academe who is a member of SAICA's IPD Committee is allowed to serve on the ITC Examco, and that candidates' anonymity is preserved until the final adjudication has been completed.

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 IPD Committee); who achieved less than 25% for the exam as a whole; or who did not achieve the requirement of a 40% minimum per paper (see par. 5.12 of the section on the general comments below) are extracted and a third and final review is undertaken of such candidates' scripts.

This review is undertaken by the umpire 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 question-by-question basis to ensure that the final result is not contrived. A sub-committee of the IPD 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 ITC in this regard).

GENERAL COMMENTS ON THE ITC JUNE 2022

1 Objective

In view of the primary objective of the ITC, 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

	Accounting and external reporting	Strategy, risk management and governance	Audit and assurance	Tax	Management decision making and control	Ethics	Communication
Required ranges in terms of the SAICA guidelines (since 2013)	60 – 100 marks	40 – 60 marks	60 – 100 marks	60 – 100 Marks	60 – 100 marks	20 – 60 marks	20 – 30 Marks
	15 – 25%	10 – 15%	15 – 25%	15 – 25%	15 – 25%	5 – 15%	5 – 7,5%

	Accounting and external reporting	Strategy, risk management and governance	Audit and assurance	Tax	Management accounting and finance	Ethics (incl CoPC)	Communication	Total
P1 Part I	10		30			10	3	53
P1 Part II				45			2	47
P2 Q1			48				2	50
P2 Q2					48		2	50
P3 Part I				20	28		2	50
P3 Part II	24	17				6	3	50
P4 Q1		40				10	3	53
P4 Q2	45						2	47
TOTAL	79	57	78	65	76	26	19	400
% of total	20%	14%	20%	16%	19%	6%	5%	

4 Overall comments on the papers

The June 2022 ITC 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 two required parts. The first dealt with **accounting and external reporting, audit and assurance** and **ethics**, and the second with **taxation**.

Paper 2 consisted of two questions, the first dealing with **audit and assurance**, and the second with **management accounting and finance**.

Paper 3 consisted of a single scenario with two parts. The first part of the required dealt with **taxation** and **management accounting and finance** and the second part dealt with **accounting and external reporting, strategy, risk management and governance** and **ethics**.

Paper 4 consisted of a two separate questions. Question 1 examined **strategy, risk management and governance** and **ethics**, while question 2 examined **accounting and external reporting**.

5 General comments

From a review of candidates' answers to the eight required sections for the ITC June 2022 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.

5.1 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. 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 did not do well in the examination.

5.2 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.

5.3 Communication

Candidates fared better in questions requiring calculations than in discursive questions. This is a disturbing trend as the ITC is a steppingstone 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 (sms 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.**

5.4 Journal entries

A fundamental part of financial accounting 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 the wrong way around. 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 in the income statement or balance sheet has to be debited or credited. It is not sufficient for a candidate with Accounts IV to be a technocrat – understanding of the fundamental principles of accounting is critical to the success of a candidate at the ITC level.

5.5 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 question attempted and too little time on the last. They should never overrun on time on any question, but rather return to it after attempting all other questions. It was evident that candidates had not managed time appropriately, for they left out many sections, often relating to easier marks, while the difficult sections that were attempted had clearly taken more time to address but resulted in few or no marks.

5.6 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 ITC. 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 did ensure that candidates who wrote answers in the incorrect book were marked by the correct mark team, but this adds to the marking time).

5.7 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.

5.8 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.

5.9 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.

5.10 Examination technique

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

5.11 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 accredited university. Candidates are also reminded that only SAICA has the authority to interpret its own open book policy. To this end, candidates are advised of the following:

- **No loose pages** (of any kind) may be brought into the exam.; and
- Writing on flags – as per section 4.4 of the SAICA examination regulations:
Candidates are only allowed to highlight, underline, sideline, and flag in the permitted texts. Writing on flags is permitted for reference and cross-referencing purposes only, that is, writing may only refer to the name or number of the relevant discipline, standard, statement, or section in the legislation.
Any contravention of regulation 4 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 was that candidates did 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 must 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.

5.12 Paying equal attention to all the competency areas

It is disappointing to note that candidates still appear to be most prepared to respond to accounting and external report questions and fare considerably poorer in some of the other disciplines – most notably management accounting and finance. Candidates are reminded that the accountancy discipline is a broad one and the other disciplines are equally important.

We draw your attention to the following ITC Examination Regulations:

4.2 A minimum of 200 marks (thus 50%) are required to pass the ITC.

4.3 Candidates need to demonstrate an appropriate level of competence in ALL areas and disciplines, and therefore the overall pass mark of 50% shall be subject to the candidate achieving a sub-minimum of 40% in at least three of the four professional papers.

We have been in the position, in the past, where we unfortunately had to fail a candidate because that candidate did not achieve the 40% subminimum in two of the four papers. This is really unfortunate, and candidates are advised to pay equal attention to all the competency areas in order to obtain an overall pass in the ITC.

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 you next exam!

Best of luck!!

DETAILED COMMENTS ON EACH OF THE FOUR PROFESSIONAL PAPERS

PROFESSIONAL PAPER 1

Paper 1 consisted of an integrated 100-mark question, which dealt with the following aspects:

Part I

- (a) Candidates had to discuss, based only on the information provided in section 1 (background and overview of operations), the factors that increase the risk of material misstatement at the assertion level for investment properties in the financial statements of a company for FY2021.
- (b) Candidates had to describe the additional substantive procedures that should be performed by the auditors' audit team to obtain sufficient and appropriate audit evidence regarding the right-of-use asset with reference to only the following assertions:
- (i) For the recognition and initial measurement of this transaction: existence, classification, accuracy, and valuation and allocation; and
 - (ii) For the subsequent measurement: accuracy, and valuation and allocation.
 - The following procedures had already been performed by the audit team:
 - Obtaining a management representation letter for all assertions relating to the right of use asset.
 - Agreeing, where applicable, all amounts in the schedules, reports and calculations to the general ledger, trial balance and annual financial statements; and
 - Casting of all totals and subtotals.
- (c) A discussion of the impact on the auditor's report if no changes were made to the classification of the full outstanding amount of a lease liability as non-current liabilities in the FY2021 financial statements (candidates had to refer to section 3 (notes to the draft financial statements) and section 5 (matters relating to lease liability disclosure)).
- (d) Candidates were required to discuss five concerns that they may have relating to the accounting treatment and financial disclosures in respect of a company's investment properties. For each concern, candidates had to provide the treatment that management should have followed.
- The discussion had to be limited to issues in sections 2, 3 and 4 (accounting policies, notes to the draft financial statements and additional information on the notes) for which there is evidence of inaccuracies, inconsistencies, errors in application and/or non-compliance with IFRS in the scenario.
 - Items not disclosed in the extracts were to be excluded.
 - All tax implications could be ignored.
- (e) Candidates had to discuss five ethical concerns they may have in terms of SAICA's Code of Professional Conduct with regard to the actions of the financial director of the company.
- Candidates were not required to discuss any safeguards.

Part II

- (f) On the assumption that the company does convert an office building into residential accommodation units (to increase occupancy rates), candidates had to –
- discuss the VAT consequences for the company; and
 - suggest an alternative to any adverse VAT consequences.
- (g) A calculation of the effect of the conversion costs of the manufacturing building (to increase occupancy rates) on the taxable income of the company for the 2021 year of assessment.
- All amounts had to be considered.
 - Candidates had to provide brief reasons to support their answers.
- (h) A discussion of the deductibility of a tenant installation allowance for a company in terms of the general deduction formula.

- (i) Candidates had to calculate the effect of the lease agreement between a company (the lessor) and another company that operates a call centre (the lessee) in respect of the 2021 year of assessment. Candidates had to –
- provide brief reasons for their answers; and
 - consider all nil effects.
- (j) A discussion of the VAT consequences of the leasehold improvements for the lessee (stemming from the tenant installation allowance).

Five communication skills marks were available for this paper. These marks were clearly and separately stated in the 'required' sections of each question.

PAPER 1 PART I

Maximum mark	Average mark	Marks > 50% (pass)	Marks < 50% (fail)
53	21,6	19,00%	81,00%

1 General comments on the degree of difficulty of the question

Overall, the question was moderate to difficult. The difficulties were as a result of the question requiring candidates to have a good understanding of the relevant financial reporting implications in order to address substantive procedures and other accounting implications concerns.

Part (a), (c), and (e) were considered straightforward and the candidates could have scored well on these sections.

Part (b)

Complexity woven into the question by integrating IAS 40 and IFRS 16 made it more challenging for candidates. It required them to have an in-depth insight and understanding of the Financial Accounting (lease changing into investment property). However, only part (b)(ii) had this complexity and it counted 10 marks of the paper, part (b)(i) was a straightforward lease at initial recognition, thus candidates should have been able to score the related eight marks.

Part (d)

The complexity for this part was increased by the information being scattered throughout the scenario, with reference to various sections, such as section 4 referring to section 6. It required high-level technical and practical understanding of IFRS 13, and most average candidates struggled with application. However, some of the issues relating to abnormal costs and fair value hierarchy were easily identified, and these accounted for half of the total marks of this section.

2 Feedback on the candidate responses

It appears that candidates do not take time to fully understand the required before responding. This resulted in candidates providing inappropriate responses. In addition, there seems to have been a lack of understanding of the impact of integration across subjects, especially where it related to integration with financial reporting.

3 Feedback per each required section of the part

3.1 Areas that candidates handled well

Part (a)

Addressing risk factors relating to VAT and classification of the diverse asset portfolio by Beeprop.

Part (b)(i)

Substantive procedures relating to the lease agreement were handled very well.

Part (b)(ii)

None

Part (c)

Overall addressed well; candidates understood the task and fairly evaluated the misstatement.
Part (d) Raising concerns about abnormal wastage.
Part (e) Overall addressed well. Candidates were able to identify threats and provide appropriate explanations and breaches to the fundamental principles.
3.2 In what respect candidates' answers are considered to fall short of requirements
Part (a) <ul style="list-style-type: none"> • Not identifying sufficient risk factors. • In some cases, candidates provided a discussion of risks at overall financial statement level (which was out of scope for this required).
Part (b)(i) <ul style="list-style-type: none"> • Not considering other substantive procedures apart from those relating to obtaining the lease agreement and confirming the related inputs.
Part (b)(ii) <ul style="list-style-type: none"> • Lack of knowledge in accounting. • Candidates provided substantive procedures relating to the depreciation of the ROU instead of fair value considerations as a result of the sublease. The responses were therefore inappropriate as candidates did not consider the sublease impact provided in the scenario. • Candidates barely covered substantive procedures relating to the use of experts, which accounted for substantial marks, a relevant consideration in fair value determination in measuring investment property.
Part (c) <ul style="list-style-type: none"> • Candidates did not clearly address that the issue at hand is a factual misstatement.
Part (d) <ul style="list-style-type: none"> • Generally, candidates missed the concerns relating to IFRS 13 fair value as an integral part of investment property fair value measurement.
Part (e) <ul style="list-style-type: none"> • Some of the candidates fell short on this required because they did not identify sufficient concerns or otherwise placed too much more emphasis on only one concern (e.g., permission granted for the use of townhouses).

PAPER 1 PART II

Maximum mark	Average mark	Marks > 50% (pass)	Marks < 50% (fail)
47	18,09	15,00%	85,00%

1 General comments on the degree of difficulty of the question
The degree of difficulty was seen as fair (with various 'easy' marks) and more complex application in part (i) where the correct interpretation could be seen as difficult.
2 Feedback on the candidate responses
With this being the second part of paper 1, candidates struggled with managing their time/not having adequate time to answer all sections to the same extent. In many instances (roughly 25% to 30%), candidates left out sections. This could be ascribed to either spending too much time on part 1 of the paper or a lack of knowledge. The length of the paper was reasonable, and candidates should not have struggled to complete the paper. Basic VAT knowledge seemed to be lacking, as opposed to normal tax (income tax) knowledge which appears adequate in the average candidate. In parts/sections (f), (h) and (j), it became evident that many candidates struggling with 'discussion' type questions and showing a lack of exam technique. In the calculation sections (part (g) and (i)), some candidates included discussions instead of calculations as per the

required. This led to additional time being spent on detailed discussions, which were not required, adding to the time pressure. The answer layout was also problematic in part (g), again showing a lack of exam technique.

3 Feedback per each required section of the part

3.1 Areas that candidates handled well

Part (f)

- While most candidates were able to pick up that the change in use was a move from taxable to exempt supplies, most candidates did not identify a section 18(1) adjustment.
- Instead, candidates discussed a section 18(2) adjustment instead of recognising that section 18(2) will be more applicable overall.
- Most candidates were able to identify and discuss the basics, namely that commercial rental was a taxable supply and that residential accommodation an exempt supply.
- Some candidates suggested alternatives, for example considering commercial accommodation.

Part (g)

- This part was the best answered part in the paper, with most candidates being able to grasp what was required and to perform the calculation.
- Most candidates identified the capital nature of the individual conversion costs.
- Candidates who did well were those who could differentiate between repairs vs improvements together with correct capital allowances.
- Candidates could in general identify that the 5% calculation in terms of section 13(1) would apply.

Part (h)

- Answers for this task were extremely generic with little thought or application of case law principles.
- Candidates seem to have a set structure for deduction questions, as well as a set answer.
- Most candidates mentioned the general deduction formula (s11(a) read with section 23g. Candidates could also apply the element of trade.
- Candidates could identify the onus of proof in terms of the TAAA.
- Some candidates identified and discussed capital in nature as the crux of the question and came to a conclusion.

Part (i)

- Candidates mostly only identified the lease payments by the lessee and the lease income of the lessor.
- In most cases candidates were awarded marks for the s11(g) deduction for the lessee.

Part (j)

- Most candidates recognised that there is a supply of leasehold improvements.
- Candidates could identify that input tax may be claimed on improvement costs.
- Candidates could identify section 8(29) of the VAT Act.

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

Part (f)

- Candidates struggled to use the correct VAT terminology with respect to what was an input or output tax.
- The candidates do not understand the difference of the VAT implications between commercial accommodation and a commercial property.
- Only a few candidates dealt with the conversion costs, or apportionment of future inputs.
- Candidates failed to discuss the adverse VAT consequences and also did not suggest appropriate alternatives to the adverse VAT consequences.
- The majority of the suggestions for alternatives to mitigate negative VAT consequences were either not applicable, i.e., continue to use as a commercial building, or unrelated. Candidates generally recognised that there was a need to change the underlying asset to make the tax beneficial, but they could not provide arguments supported by critical thinking and legislation.
- Candidates got confused between sections 18(1) and 18(2) of the VAT Act.
- Candidates could not always identify that this specific building went from 100% taxable supplies to 0% taxable supplies, missing out on the section 18(1) application. Candidates incorrectly linked the change in use of the

<p>building from commercial to residential to the overall possible reduction in taxable supplies of BeeProp, resulting in candidates applying section 18(2) of the VAT act.</p> <ul style="list-style-type: none"> • When candidates did identify section 18(1), they often did not discuss the value at open market value and time of supply conversion.
<p>Part (g)</p> <ul style="list-style-type: none"> • Candidates failed to provide references to the correct legislation or substantive reasoning. Consequently, reference to the correct legislation was not explicit and candidates simply referred to allowances and did not explain which one was applicable on each conversion cost item. • The fixed versus separate nature of assets created confusion for candidates, with the result that they could not identify section 11(d) repairs versus improvements. • Candidates did not seem to have understood that the permanent improvements would qualify for section 13(1) as many of them claimed a wear and tear allowance. • Some candidates did not identify that the conversion related to a manufacturing building and incorrectly applied section 13quin instead of section 13(1) to the capital improvements which improved the manufacturing building's industrial capacity. • Some candidates did not identify those expenses regarding the water-saving system was a repair and not an improvement. • Several candidates mistakenly assumed that the conversion to a green building was the same conversion as in part (f), and thus erroneously used section 13quin. • Candidates could not identify section 12B as a capital allowance for solar panels. • Exam technique was often problematic. Candidates often grouped items together instead of showing the tax implications of each item separately.
<p>Part (h)</p> <ul style="list-style-type: none"> • Many candidates identified 'in the production of income' as the key issue instead of 'capital in nature'. This resulted in the wrong case law principles being discussed and applied. • Some candidates misunderstood the required and discussed section 11(g). • Candidates lacked application skills, for example <ul style="list-style-type: none"> ○ to mention the burden of proof is on <u>Beeprop</u> (candidates mostly mention taxpayer); in terms of <u>Tax Administration Act</u>; or ○ that Beeprop is carrying on a trade and <u>that letting of properties is included in the trade definition.</u> • Some candidates did not provide a conclusion or contradicted themselves.
<p>Part (i)</p> <ul style="list-style-type: none"> • This part was poorly answered by most candidates and demonstrated a clear lack of technical knowledge. • Candidates struggled to identify the 'easy' marks, being the inclusion of rental income in gross income in the hands of the lessee and deductions of the lease payments for the lessor. • Candidates also struggled to follow a transaction through from one party to another, with treatments being inconsistent between the two parties to the transaction (lessor versus lessee). • Candidates had to either argue that the amount received for leasehold improvements were capital in nature and calculate accordingly for both the lessee and the lessor, or had to argue revenue in nature, and had to calculate accordingly for both lessee and lessor. • This resulted in many candidates jumping in between alternative arguments, where they would argue capital in nature for the lessor but calculate revenue in nature on section 11(g) deductions for the lessee. For example: candidate stated that the lessor could not deduct the tenant installation allowance because it was capital in nature and would not include the leasehold improvements in terms of par. (h) but then claim the section 11(g) allowance in the lessee's (Callme) hands. • At most, 5% of candidates picked up that section 11A would apply on the rent payments before trading. • Some candidates calculated the rental by multiplying with the incorrect number of months. • Some candidates read the information incorrectly and excluded VAT from amounts.
<p>Part (j)</p>

- Most candidates did not attempt this question because of poor time management.
- Most candidates were confused or did not correctly identify input tax or output tax and did not identify the correct party (the lessee as CallMe). As a result, candidates did not indicate that the R450 000 was output tax and that the R600 000 was input tax.
- Many candidates who were able to identify section 8(29) were unfortunately unable to apply it correctly.
- Many candidates also netted off the VAT input and output tax, without identifying that there are two separate VAT transactions that have to be accounted for.
- Some candidates used the incorrect time of supply rules or did not link it to the output tax or the input tax.

PROFESSIONAL PAPER 2

Paper 2 consisted of two separate questions that dealt with the following aspects:

Question 1

- (a)(i) Describe eight concerns evident from document A: and
 (a)(ii) For each concern raised, provide an appropriate policy recommendation in terms of International Standard of Quality Control 1 *Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements*.

Use the following format for your answer, based on the example below:

Element	(i) Concern	(ii) Appropriate policy recommendations
<i>Leadership arrangements</i>	<i>'Promoting a culture of quality control' is not a clearly defined role. The scope of responsibilities and underlying duties related to roles are undefined.</i>	<i>Responsibility for development and documentation of the firm's quality control policies and procedures should be assigned to a designated quality control officer.</i>

- (b) Criticise audit workpaper B135-0 in terms of International Standards on Auditing (ISA) 230 *Audit Documentation*.
 (c) Describe, with reference to Document B, non-compliance by the auditors with their responsibility with regard to fraud in terms of ISA 240 *The Auditor's Responsibilities Relating to Fraud in an Audit of Financial Statements*.
 (d) Describe, for each of the risks listed in workpaper C300-0 –
- whether the listed risk would be classified as a financial statement level risk or an assertion level risk.
 - when an assertion level risk is identified, which assertion(s) will be affected; and
 - one audit procedure that could be performed to mitigate the risk.

- Present your answer in the following tabular format:

Risk no.	Financial statement OR assertion level risk	When assertion level risk, which assertion(s) will be affected	Describe ONE audit procedure that could be performed to mitigate the risk
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Question 2

- (a) Candidates had to criticise the free cash flow valuation performed by the financial manager.
- The valuation did not have to be re-performed.
- (b) A calculation of and conclusion on which of two financing alternatives would be the most cost-effective way for a company to raise the required financing to acquire a building materials wholesaler.

- Candidates had to round answers to two decimal points.
- (c) In relation to the incentive scheme proposed by the company's new CEO, candidates had to –
- (i) calculate the amounts due in cash to the CEO at the end of each financial year from FY2022 to FY2024; and
 - (ii) discuss the advantages and disadvantages of the proposed incentive scheme from the perspective of the company.
- Taxation could be ignored for the purposes of the calculation.

Four communication skills marks were available for this paper. These marks were clearly and separately stated in the 'required' sections of each part.

PAPER 2 QUESTION 1

Maximum mark	Average mark	Marks > 50% (pass)	Marks < 50% (fail)
50	26,35	66,00%	34,00

1 General comments on the degree of difficulty of the question
Overall, the question was fair, and the mark allocation was fair. Candidates performed well in this question, although the marks for required (a) were lower than expected, presumably because candidates did not expect this section to be examined.
2 Feedback on the candidate responses
Candidates did not always apply the information of the scenario in the answering of the required. Some candidates provided generic theoretical responses without sufficient application to the scenario or battled to apply the theory from the standards to the scenario, for example rewriting the scenario with no link to the theory.
Some candidates 'over-wrote, giving lengthy responses and explanations and thus affecting their time management for other requireds. Appropriate wording of candidate responses (concerns, recommendations, procedures, etc.) remains a concern.
3 Feedback per each required section of the question
3.1 Areas that candidates handled well
Part (a)(i) Some candidates did identify the appropriate concerns and explained it properly in terms of ISQC1.
Part (a)(ii) Candidates performed well in this section as it was only required to link the appropriate policy from the standard and write it down. Based on the nature of the question, less application was required and therefore candidates did earn the marks.
Part (b) For most candidates, this was an easy question with many available marks, therefore many candidates reached the maximum of six marks by identifying the discrepancies in the work paper.
Part (c) Candidates generally identified instances of non-compliance and linked these properly to ISA 240 with sufficient explanations.
Part (d) Candidates who did use the required structure adequately, generally scored well on the risk and assertion categories. Many candidates obtained the majority of the marks by (only) attempting the risk and the assertions.
3.2 In what respect candidates' answers are considered to fall short of requirements
Part (a)(i) <ul style="list-style-type: none"> • Candidates poorly applied the triggers in the scenario, as they merely repeated those triggers in the scenario

<p>without any explanations of the impact of the concern.</p> <ul style="list-style-type: none"> • In some cases, candidates referred to ethical considerations / considerations in general, without referring specifically to ISQC1. • Some candidates also struggled to match the concerns in the scenario to the relevant elements in ISQC1. • Candidates appeared to be poorly prepared for this section of the competency framework syllabus.
<p>Part (a)(ii)</p> <ul style="list-style-type: none"> • In some instances, candidates were not able to write an appropriate recommendation to the concern identified, i.e., not writing a recommendation that addresses the concern, or not writing the recommendation in appropriate detail. • Inadequate response to the recommendation could have indicated that candidates were not sufficiently familiar with the standard.
<p>Part (b)</p> <ul style="list-style-type: none"> • Due to the large number of triggers/errors in the working paper, candidates spent too much time on the required, 'over-writing' the part and therefore not managing their time properly. • Candidates who struggled did not criticise the working paper but the audit methodology, for example providing long discussions on the audit procedures and additional procedures that should have been carried out. • A small number of candidates missed the actual requirement of the question and provided a more general discussion and generic procedures.
<p>Part (c)</p> <ul style="list-style-type: none"> • This section was poorly answered due to the lack of structure in the candidates' responses. Ideally, a structured approach would be to indicate the trigger and then explain exactly which aspect of ISA 240 that trigger violates. Many candidates dumped the theory from ISA 240 but then struggled to apply it to the scenario. • Conversely, other candidates struggled because they could list the triggers from the scenario but then could not apply the requirements of ISA 240 to it. • Clear fraud triggers such as the acquisition of the new business were not dealt with by many candidates, which could indicate poor reading of the scenario and/or subject knowledge. • Some candidates also missed the link to ISA 240 and approached the questions as a reportable irregularity, which was not in the scope of the question. • Some candidates wasted time in writing irrelevant points that were not within the ambit of the required (IAS 240).
<p>Part (d)</p> <ul style="list-style-type: none"> • Candidates fell short in this required with respect to the procedures. In most cases, the audit procedures were poorly formulated as it was evident that candidates struggled to write appropriate procedures with the appropriate wording as required by ISA, that is, procedures were incomplete in that it did not state all three elements of a valid procedure such as the how, what, and why (most procedures had one or two of the three required elements of a procedure). • Furthermore, candidates failed to write procedures that addressed the specific risk provided. • Some candidates displayed poor subject knowledge by linking assertions to financial statement risk.

PAPER 2 QUESTION 2

Maximum mark	Average mark	Marks > 50% (pass)	Marks < 50% (fail)
50	15,99	5,00%	95,00%

1 General comments on the degree of difficulty of the question

Overall, this question was rated as easy to moderate, leaning towards easy and the general expectation was for candidates to do well in this question. The scenario was unambiguous and manageable in terms on length, and the

presentation was in a very well-organised manner. The scenario was also relevant to the current environment as it covered the effects of COVID-19; this allowed candidates to provide practical applications in their responses.

The required parts of the question were very concise, clear, and straight to the point. The question had very little integration of topics and this was expected to elevate candidates' chances of doing well.

The marking team felt that this question has a good mixture of intermediate and easy marks. The question was of an easy standard. The candidates did not do well in most of the subsections as they found it difficult to apply decision making relevant to the scenario, resulting in not so relevant technical issues considered.

2 Feedback on the candidate responses

Most candidates struggled to give meaningful answers on all required parts of this question. The most general concern related to a lack of application in most parts of the question; candidates understand the theory on most topics but were lacking when it came to application of such theory.

The technical aspects of the valuation did not come through, and candidates really struggled to articulate the issues that were evidenced from the given valuation. Candidates also struggled with the fundamentals of financial decisions.

3 Feedback per each required section of the question

3.1 Areas that candidates handled well

- Overall, the candidates really did not handle any parts of this question well.
- The general concern noted was lack of application in most parts of the question.
- Candidates understand the theory on most topics but struggled with application.
- The candidates who fared well in this question were the ones who had an understanding of the technical aspects of the question.

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

Part (a)

- Candidates were asked to calculate the valuation, but the required took a different angle by asking for a criticism. Candidates did not do well in this section, with an average of 26,7%. The question had sufficient easy marks to allow candidates to pass, but most candidates' responses lacked application. They provided generic textbook answers instead of applying the information to the context of the scenario.
- Candidates at this level are expected to have developed a technique to understand the principles of valuation and be able to apply that to a scenario. However, there was a lack of understanding of principles and application given some of the examples coming from candidates:
 - Incorrect principle applied to the tax paid, candidates stating that tax paid is not a cash flow therefore should have been excluded from the valuation.
 - The cash balance is not a valuation value and should be excluded.
 - The technical aspect of the discount rate was incorrectly applied, with some candidates not even addressing it.
 - Non-cash flows were not addressed properly (which were the easy aspects of the valuation). Candidates did not understand which items are non-cash flows and why they needed to be excluded.
 - The double counting of cash flows on some items was very evident from the scenario, but candidates still did not pick that up.
 - There were random calculations on the valuation, but again candidates did not realise that.

Part (b)

- This section of the question was easy but required a deeper understanding on accounting for cash flows in correct periods. Most candidates demonstrated lack of knowledge and understanding in this area, which was quite disappointing because the calculation was basic and not difficult.
- Most candidates did not understand how to account for the taxation part of the cash flows, which had an effect on most of their calculations. Even if taxation marks were excluded, candidates could still have passed the question if they understood how to account for the cash flows. However, the average was poor, at 35,87%.
- Most of the candidates attempted to calculate the future value without taking the calculation forward, therefore

<p>limiting the number of marks they could obtain.</p> <ul style="list-style-type: none"> • The information was clear enough between the two options on when the cash flows were supposed to take place. • Candidates also did not show an understanding of how to conclude on the most cost-effective way for Build to raise the required financing to acquire NBS.
<p>Part (c)(i)</p> <ul style="list-style-type: none"> • Candidates did relatively better in this section with an average of 45,49% as the calculation on the incentive scheme was not complex at all. • Most candidates failed to calculate the correct increase in total market capitalisation (they did not use the base date but instead used the movement from year to year). However, since consequential marks were awarded on the calculation, this would not have prevented candidates from passing
<p>Part (c) (ii)</p> <ul style="list-style-type: none"> • This section was not well answered as it required deep thinking and application from candidates. • The main issue was that candidates did not write down sufficient points. This did not seem to stem from a lack of time but rather a lack of knowledge. This section has an average pass rate of 28,44%, which supports the level of difficulty of the task which was mentioned by universities/providers and the marking team. • This section required critical thinking within the context of the scenario.

PROFESSIONAL PAPER 3

<p>Paper 3 consisted of two separate questions that dealt with the following aspects</p> <p>Question 1</p> <p>(a) A discussion of all standard costing variances relating to section 3 (on standard costing) for September 2021 for a technology company.</p> <ul style="list-style-type: none"> • Candidates had to support their answers with calculations, in as much detail as possible. • VAT had to be ignored for this section of the required. <p>(b)(i) A calculation, using absorption costing principles, of a selling price for a graphene chip; and</p> <p>(b)(ii) A discussion of any other relevant factors that management should consider when setting the desired selling price of the graphene chip.</p> <ul style="list-style-type: none"> • For part (b)(i) all the relevant tax effects had to be taken into account. • For parts (b)(i) and (b)(ii) of the required candidates were required – <ul style="list-style-type: none"> ○ not to prepare a net present value calculation. ○ to ignore inflation and the time value of money. ○ to ignore VAT for this section of the required; and ○ to round all total amounts to the nearest rand. <p>(c) Candidates had to discuss, with reference to relevant legislation and case law principles, the income tax implications of a write-down of closing stock that the financial accountant made for the 2021 year of assessment.</p> <ul style="list-style-type: none"> • No calculations had to be provided. <p>(d) A discussion of the VAT and normal tax consequences, supported with calculations, of the transactions relating to a factory fire for the company' 2021 year of assessment.</p> <ul style="list-style-type: none"> • Candidates did not have to address the date of tax payments to SARS. <p>Question 2</p> <p>(a) Candidates had to provide the journal entries (cash transactions included) to account for the acquisition of an incomplete research and development project in the financial statements of a subsidiary company (BioEnergy Innovation) in a group of companies that operates in the sustainable energy solutions industry (the BioEnergy Group) for FY2020.</p>
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<ul style="list-style-type: none"> • Candidates did not have to provide closing journal entries. • All calculated amounts had to be rounded to the nearest rand. • Candidates had to assume all amounts were material.
<p>(b) Candidates had to disclose, for only on a new fermenter design, the following with respect to the financial statements of BioEnergy Innovation for FY2021:</p> <p>(i) The 'Intangible assets' note; and</p> <p>(ii) The research and development expenses for inclusion in profit or loss for the year.</p> <ul style="list-style-type: none"> ○ Candidates did not have to disclose foreign exchange differences recognised in profit or loss. ○ Candidates did not have to provide accounting policy notes and comparative amounts. ○ All calculated amounts had to be rounded to the nearest rand; and ○ Candidates had to assume all amounts were material.
<p>(c) A discussion, in terms of the Companies Act, of the following with respect to the loan to the owner of a transport company (Gelden Transport) (who is the son-in-law of the financial director of BioEnergy Power (also a subsidiary company of the BioEnergy Group)):</p> <ul style="list-style-type: none"> • The validity of the loan. • The possible implications for the financial director of BioEnergy Power; and • Matters that should have been considered.
<p>(d) A discussion of the requirements, in terms of the Companies Act, that BioEnergy Power should have complied with to grant the contract to Gelden Transport.</p>
<p>(e) Candidates had to identify, with reasons, the key stakeholders of Gelden Transport that were affected by the contract between BioEnergy Power and Gelden Transport.</p>
<p>Five communication skills marks were available for this paper. These marks were clearly and separately stated in the 'required' sections of each part.</p>

PAPER 3 QUESTION 1

Maximum mark	Average mark	Marks > 50% (pass)	Marks < 50% (fail)
50	18,49	10,00%	90,00%

<p>1 General comments on the degree of difficulty of the question</p> <p>In the opinion of the marking team that it was not a difficult question at face value. The topics examined in both the tax and the MDC sections are reasonable and not difficult. The number of parts (4 parts with one subdivided into 2) were manageable.</p>
<p>2 Feedback on the candidate responses</p> <p>Overall, candidates did not write much and therefore might be an indication of lack of thinking and answering in an integrated manner or the lack of knowledge of the basic principles of the areas being assessed. In the discussion sections there was no application and often answers consisted of a list of generic points.</p>
<p>3 Feedback per each required section of the question</p>
<p>3.1 Areas that candidates handled well</p>
<p>Part (a)</p> <ul style="list-style-type: none"> • Candidates calculated the electricity variances (usage and rate). • The discussion section was also answered fairly well.
<p>Part (b)(i)</p> <ul style="list-style-type: none"> • Candidates mostly earned the marks for research and development (which was incurred in the first year), applying the tax rate of 28% and calculating the cost per unit.
<p>Part (b)(ii)</p> <ul style="list-style-type: none"> • Candidates performed fairly well on the discussion section, although there was a lack of application and generic

points were raised
Part (c) <ul style="list-style-type: none"> Candidates identified section 22 and made conclusions in line with this.
Part (d) <ul style="list-style-type: none"> Candidates addressed the VAT implications and the income tax implications of the indemnity payment for both trading stock and the delivery vehicle. Candidates calculated the tax value and section 11(o) of the disposal of the delivery vehicle.
3.2 In what respect candidates' answers are considered to fall short of requirements
Part (a) <ul style="list-style-type: none"> For part (a) candidates calculated the electricity variances but most of them did not break it down further and did not determine the variances attributable to normal production and to load shedding. Candidates performed fairly well on the discussion part of this section, although there was a lack of application and generic points were raised.
Part (b)(i) <ul style="list-style-type: none"> Candidates seemed to struggle with the calculation of the sales price in part (b)(i). The scenario refers to the after-tax profit being 25% on top of its absorption costing principles. The majority of the candidates interpreted this as a mark-up on cost. However, the penalty for this was only one mark. The bigger problem in this part seemed to relate to the period for which the selling price was calculated. The required for part (b) mentioned that candidates should ignore the time value of money and should not calculate NPV. The majority of candidates calculated the selling price for only one year. This is however incorrect thinking and reasoning because most of the capital expenditure and research and development costs are then recovered in the first year, which would inflate the price in the first year. Another general mistake that that was observed was that candidates deducted the full tax allowances from cost instead of the tax savings.
Part (b)(ii) <ul style="list-style-type: none"> Candidates performed fairly well on the discussion section, but there was a lack of application and generic points were raised.
Part (c) <ul style="list-style-type: none"> For part (c) many candidates did not address the write-off but rather discussed income tax implications of trading stock (opening and closing). The majority of the candidates did not identify that the write-off would only take place in 2022 when the new chip was introduced.
Part (d) <ul style="list-style-type: none"> Many candidates did not identify the bribe and therefore concluded that the company could claim input tax on the purchase and would be allowed a deduction in terms of section 11(a). Some candidates stated that the bribe was a donation. Candidates did not address the VAT and normal tax implications for the estimated amounts. Candidates did not identify that no consideration had been received with regard to replacement of the window, repainting and insurance claim on the delivery (the amounts had not been determined at year end).

PAPER 3 QUESTION 2

Maximum mark	Average mark	Marks > 50% (pass)	Marks < 50% (fail)
50	23,01	42,00%	58,00%

1 General comments on the degree of difficulty of the question

The question had a good mixture of easy and intermediate marks. The information in the scenario was unambiguous and succinct. Overall, the question was of an easy to moderate standard. Candidates should have been able to

<p>maximise on this question and score high marks on both disciplines tested (Accounting and SRMG).</p>	
2	Feedback on the candidate responses
	<ul style="list-style-type: none"> • Candidates were noted to have good exam technique where they started with the questions that they were comfortable with first as an attempt to maximise their marks rather than to attempt the questions in the sequence they were provided in. • In the financial accounting section candidates performed fairly well in journalising the incomplete patent acquired for FY2020 but performed poorly in disclosing the second patent in the notes to the financial statements for FY2021. • In the governance sections candidates did not apply the scenario to the relevant parts of the Companies Act overall.
3	Feedback per each required section of the question
3.1	Areas that candidates handled well
	<p>Part (a)</p> <ul style="list-style-type: none"> • The candidates who attempted this section performed fairly well. • Journal entries were mostly complete, but not at the standard expected. • Candidates could pass this section without providing all of the journals, which is evident from the average for this section. • Most candidates journalised and calculated the initial acquisition cost of the incomplete Intangible asset correctly as well as the amortisation of the patent once it was ready for use as intended by management. • Very few candidates capitalised the depreciation of the laboratory space dedicated to the development of the Intangible asset.
	<p>Part (b)(i) and (ii)</p> <ul style="list-style-type: none"> • This section was generally answered poorly, however there were some candidates who answered this section well and were richly rewarded for their efforts. • The same principle of capitalising the depreciation of the dedicated laboratory space to the development of the Intangible asset were generally missed.
	<p>Part (c)</p> <ul style="list-style-type: none"> • The candidates who attempted the section performed very well • Candidates were not sure whether they should discuss section 45 or 75 and tended to discuss both. • Candidates did not apply the Companies Act and, in some cases, provided a memory 'dump' of what was in the Companies Act (e.g., candidates did not link the Companies Act to the scenario and noted that an interest-free loan was provided and this meant that the terms were not fair and reasonable). • Candidates discussed the related party relation but failed to discuss it in terms of the Companies Act.
	<p>Part (d)</p> <ul style="list-style-type: none"> • Candidates who did discuss the issues around section 75 in part(c) did not attempt this part of the question. Several candidates did not attempt this section at all. • Candidates that attempted the section were light on application and merely provided a revision of what was in the Companies Act. • Candidates did not discuss the related-party relationship in terms of the Companies Act and went straight into section 75.
	<p>Part (e)</p> <ul style="list-style-type: none"> • Candidates performed reasonably well in this part of the question • Candidates who did not perform well identified stakeholders from the perspective of BioEnergy, although the question had asked for stakeholders from the perspective of Golden Transport.
3.2	In what respect candidates' answers are considered to fall short of requirements
	<p>Part (a)</p> <ul style="list-style-type: none"> • Journal narrations for all journal entries were lacking, which resulted in the presentation mark being lost. • Many candidates provided journal entries for the incorrect financial period. • Many candidates provided deferred tax and VAT calculations and corresponding journals, although the

<p>information explicitly noted that candidates should ignore the effect of taxation.</p> <ul style="list-style-type: none"> • The capitalisation of the depreciation of the laboratory space dedicated to the development of the Intangible asset were missed by most candidates, which is an indication of a lack of knowledge. • Some candidates calculated the correct amounts, but then proceeded to journalise different amounts or the other way around, by not using their capitalised amounts from their own journals to calculate the amortisation on the patent.
<p>Part (b)(i) and (ii)</p> <ul style="list-style-type: none"> • The candidates apparently knew neither what to disclose, nor the format required for the notes. • Many candidates disclosed the incorrect Intangible asset, by using the amounts from part (a) (OrganoGas for FY2020) instead of the information for Fermento for FY2021. • Many candidates did not show their calculations for this section or did not use the amounts calculated in their notes. • Many candidates did not provide the notes in the correct format, and instead provided a discussion of the intangible asset. • Many candidates provided the accounting policy note regarding intangible assets, although the required specifically required the intangible asset and the research and development expense to be included in the profit before tax note regarding only Fermento for FY2021.
<p>Part (c)</p> <ul style="list-style-type: none"> • Some candidates struggled to identify the relevant sections applicable in order to respond appropriately to the question and demonstrated lack of knowledge of the Companies Act. The loan had not been granted directly to the Director but to the related party of the director and candidates struggled to identify the correct sections of the companies act that were applicable to this transaction. • Candidates who managed to identify the relevant sections of the Act did not apply the Act to the scenario and merely tried to re-write what was in the Act without taking the scenario into account. • The related party relationship was not discussed in relation to the Companies Act (i.e., who is seen to be a related party in terms of the companies act) by most candidates and easy marks were lost.
<p>Part (d)</p> <ul style="list-style-type: none"> • Candidates struggled to understand the difference between the required of part c and d and as such responded with similar answers to both parts of the required. The required in part c was specific to the loan granted whereas part d refer to the contract. • Candidates did not know the relevant sections to discuss and demonstrated lack of knowledge of the Companies Act • Candidates who as a minimum identified the relevant section fell short by not apply the Act to the scenario and merely tried to re-write what was in the Act. • The related party relationship was not discussed in relation to the Companies Act by most candidates and easy marks were lost.
<p>Part (e)</p> <ul style="list-style-type: none"> • Candidates who attempted this section fared relatively well and were able to identify the key stakeholders. • Candidates performed poorly because they identified stakeholders from the perspective of BioEnergy and not Gelden Transport as per the required. • Some candidates did not explain the relevance of the stakeholders as requested by rather gave a list of stakeholders which resulted in marks being lost..

PROFESSIONAL PAPER 4

Paper 4 consisted of an integrated 100-mark question, that dealt with the following aspects:

Part I

- (a) Candidates were required to prepare a report to the board of directors of a company in which they provided the following (the effects of inflation and all forms of taxation could be ignored):
- (i) A projected annual profit and loss statement related to offering the online courses (alternative 1).
- FY2019 was the base year for calculations.
 - Any amounts omitted from calculations had to be briefly motivated.
 - With respect to the potential sale of the lecture venue building, any profit or loss that may arise had to be ignored.
- (ii) Any other eight key factors the board should consider prior to embarking on this new business model.
- (b) A description of the key business risks and potential opportunities that arose from the initiative to start a platform business that the company's board of directors should consider in evaluating this potential business strategy.
- (c) Candidates had to discuss, with regard to the company's decision to pursue the development of the machine-learning course for the Law Society –
- (i) two ethical concerns and two business risks; and
- (ii) any actions the company should take to mitigate any such concerns and risks.

Part II

- (d) Candidates were required to prepare the journal entries to account for a lecture venue building in the financial statements of a company for FY2021. Candidates had to –
- provide dates for journal entries;
 - exclude journal narrations; and
 - ignore current and deferred taxation, and capital gains tax.
- (e) Candidates had to prepare the note for the acquisition of another company in the consolidated financial statements of the company for FY2021 in terms of IFRS 3 Business Combinations and indicate, as part of the note disclosure, any missing information required for complete disclosure.
- Candidates had to assume all missing information was material.

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

PAPER 4 QUESTION 1

Maximum mark	Average mark	Marks > 50% (pass)	Marks < 50% (fail)
53	28,42	66,00%	34,00%

1 General comments on the degree of difficulty of the question

This question was assessed as easy to moderately difficult. The paper covered several disciplines, including management decision making and control, strategy and risk management and ethics and required a great deal of application of critical thinking skills throughout the paper. The calculation part was fairly straightforward. While some parts of the discussion questions were challenging, but this was compensated by a mark plan which considered a wide range of factors.

2 Feedback on the candidate responses
<p>Overall the candidates found the paper manageable and were able to handle both the calculation and discussion parts of the questions. As far as calculations are concerned, candidates fared quite well and most of them were able to demonstrate a fair understanding of costing principles, integrating principles of cost-volume-profit principles and decision making.</p> <p>The discussion parts were also well handled and on average candidates provided comments that were specific to the information provided in the scenario, which was very encouraging. However, a significant number of candidates appeared to have struggled with providing valid risks relating to a strategic proposal that was presented to them. This observation was in line with observations in previous exams with respect to candidates' performance in risk management questions.</p> <p>On the last question dealing with ethics, candidates performed fairly well, and most were able to identify and effectively communicate the ethical concerns facing Imfundo as well as to suggest appropriate mitigation strategies.</p>
3 Feedback per each required section of the part
3.1 Areas that candidates handled well
<p>Part (a)(i) Most candidates were able to handle the calculations in this section, with some achieving close to full marks.</p>
<p>Part (a)(ii)</p> <ul style="list-style-type: none"> • Most candidates showed a good understanding of the proposed online course offering and where able to utilise the scenario well. • Candidates were able to provide valid and practical factors that the board should consider prior to proceeding with the decision. • These factors include issues such as the impact of load shedding, Imfundo's experience, costs relating to the app development and supporting infrastructure as well as competitive issues and impact on its employees.
<p>Part (b)</p> <ul style="list-style-type: none"> • Most candidates raised valid and practical risks and opportunities facing Imfundo with regards to the proposed platform business. • They were also able to draw insights from information provided in the scenario, which highlighted an increased regulatory environment, complex nature of the business and opportunities to reach the wider market.
<p>Part (c)(i)</p> <ul style="list-style-type: none"> • Most of the candidates were able to answer the easier parts of the question, which involved identifying the plagiarism is illegal, the CFO is a CA(SA) and therefore bound by the Code of Conduct, and that her actions contravened the fundamental principles of the Code as well as the legal and reputational risks facing Imfundo if it were to proceed on the suggested basis.
<p>Part (c)(ii)</p> <ul style="list-style-type: none"> • The candidates approached part (c) in general as a single question and prepared a table addressing the ethical and business risks on one side and the mitigation strategies on the other side. This evidenced good planning and allowed the candidates to provide mitigation strategies that specifically addressed the identified risks. • Candidates were able to suggest practical ways to mitigate the risks, displaying an ability to think logically and creatively under exam pressure.
3.2 In what respect candidates' answers are considered to fall short of requirements
<p>Part (a)(i)</p> <ul style="list-style-type: none"> • Candidates struggled with integrating fundamental principles of CVP into their response, with a majority of candidates not identifying that there was a mixed cost that needed to be split using the high low method. • Several candidates approached the question as a decision-making question, which was indicative of them having misread the required, and provided the required profit or loss statement on an incremental basis. This approach resulted in candidates losing significant marks that should have been easier to obtain, as they did not address the required. • A number of candidates showed a lack of an adequate understanding of the information. For example, on the

<p>requirement to consider the most flexible pricing model for Imfundo to follow for the online courses, they included both revenue streams in their profit or loss statement. This was not a rational response given that the information clearly noted the two pricing models as alternatives to each other.</p> <ul style="list-style-type: none"> • A few candidates correctly excluded some amounts but did not provide valid reasons or any reasons at all, evidencing poor exam technique. The required also prompted the candidates to provide these reasons.
<p>Part (a)(ii)</p> <ul style="list-style-type: none"> • Candidates failed to provide a sufficient number of valid factors for the board to consider. • This was primarily because of too narrow a focus, with candidates focussing on a single non-strategic issue and elaborating on that narrow point.
<ul style="list-style-type: none"> • Part (b) • A few candidates demonstrated that they did not understand the information provided as they struggled to understand that Imfundo was considering a platform business as an alternative to online course offering. Consequently, their risks related instead to the online course offering and they therefore lost a lot of marks in that regard. • Candidates struggled to identify relevant opportunities, further highlighting the lack of comprehension of the given information. • A few candidates did not respond to the question in full and only dealt with risks and did not attempt to address the opportunities arising from the platform business. • In other instances, candidates provided the risk factors but not the reasons why those risks exist or what their impact would be on the business.
<p>Part (c)(i)</p> <ul style="list-style-type: none"> • A few candidates did not adequately address the business risks as per the required, and only addressed the ethical concerns.
<p>Part (c)(ii)</p> <ul style="list-style-type: none"> • Candidates struggled to provide valid mitigation strategies for their identified risks, with others provided impractical suggestions, such as hiring a family member of the CFO to undertake the course on behalf of Imfundo. • It was a concern that a few candidates simply provided a one-line statement that Imfundo should not do it. Although this was valid, this was not considered an appropriate response given the several options available to Imfundo to address the ethical and business risks. This could possibly be an indication of a lack of effective time management.

PAPER 4 QUESTION 2

Maximum mark	Average mark	Marks > 50% (pass)	Marks < 50% (fail)
47	24,96	60,00%	40,00%

<p>1 General comments on the degree of difficulty of the question</p> <p>On an overall basis the question was assessed as easy to moderate. Candidates were expected to do well in this question due to the lack in integration and the level of assessment.</p>
<p>2 Feedback on the candidate responses</p> <p>Exam technique: Candidates often computed amounts which were subsequently not used in answering the question. There were indicators of poor exam technique in this question.</p> <p>Time management: Candidates displayed a lack of time management skills in answering this question.</p> <p>Recommendations: Candidates should practice good exam technique by –</p>

a) applying information in the scenario to the required sections when responding to discursive type questions; and displaying an understanding of the required computations. Once amounts have been calculated, those amounts should be used in arriving at the final answer as opposed to having “hanging” calculations that are not used at all.

Workings (and references to workings): Many candidates did not reference their workings, which made it difficult to follow their thought processes and flows of answers. Often the workings provided did not align with the final answer provided in either the journal entries or the note.

3 Feedback per each required section of the question

3.1 Areas that candidates handled well

Part (d)

- In general, candidates performed well in this section.
- Candidates were able to provide the required journal entries and also to calculate the required amounts to be included in the journal entries.

Part (e)

- In general, candidates performed well in this calculation section of the required.
- Most candidates were able to calculate the figures required for inclusion in the goodwill calculation.

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

Part (d)

- A number of candidates did not provide the journal entries in date order as was required.
- Numerous candidates did not take into account the impairment loss that was recognised in the prior financial year before calculating the depreciation expense for the current financial year.

Part (e)

- In general, most candidates did not know how the note that was required should be presented. There was therefore a clear lack of technical knowledge about the disclosure requirements of IFRS 3.
- A number of candidates included only the adjustments from carrying amount to fair value in the notes, and not the actual total fair value of the identifiable assets acquired and liabilities assumed, which were required to be included in the note.
- Numerous candidates did not account for the deferred tax implications on the adjustments made to the assets assumed and liabilities acquired on the business combination date.
- Some candidates included costs related to in acquisition, which should have been expensed, as part of the consideration transferred.
- A number of candidates included the contingent liability as part of the identifiable liabilities assumed, although there was only a possible obligation and not a present obligation on the business combination date.
- Some candidates included some of the other possible intangible assets as part of the assets assumed although it was clear that these were not identifiable and should therefore not have been included as part of the assets assumed on the business combination date.
- Various candidates did not complete the discursive (i.e. narrative) part of the note that was disclosed.