

**MARKERS' AND UMPIRES' COMMENTS
INITIAL TEST OF COMPETENCE
JANUARY 2019**

OBJECTIVES OF THIS REPORT

This report has been compiled from the analysis of examiners on candidates' performance in the Initial Test of Competence (ITC) (previously known as Part I of the Qualifying Examination), which was written in January 2019. 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 January 2019;
- Background information on the setting, marking and adjudication of SAICA examinations;
- General comments on the ITC January 2019; and
- Detailed comments by question for each of the four professional papers.

STATISTICS FOR ITC JANUARY 2019

	% Pass	Passed	Failed	Total
All candidates	71%	2 175	894	3 069

Average marks per question (all candidates)

	Question 1 Part I	Question 1 Part II	Total
Paper 1			
Total marks	58	42	100
Average marks	26,35	25,29	51,64
	Question 1 Part I	Question 1 Part II	Total
Paper 2			
Total marks	54	46	100
Average marks	28,04	29,08	57,12
	Question 1 Part I	Question 1 Part II	Total
Paper 3			
Total marks	74	26	100
Average marks	37,95	17,30	55,25
	Question 1	Question 2	Total
Paper 4			
Total marks	52	48	100
Average marks	24,20	23,24	47,44

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 and improvement of 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. 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 such assessment.

In addition, two external examination sitters, who are independent of the exam setting process, are appointed to review the entire set of questions. The examination sitters provide independent comments on the examination paper, suggested solutions or mark plans, and are reported to the ITC Examco.

SAICA would like to acknowledge and thank all the people involved in the examination setting process. An alphabetical list of all the people involved in various roles, including members of the ITC Examco, question composers, subject specific reviewers and external examination sitters, is as follows:

Ahmed Mohammadali Haji	Jack Jonck	Michelle Van Heerden
Ali Zain-UI-Abedin	Jackie Viljoen	Marielienne Janeke
Corlia Steyn	Jacobus Rossouw	Nicolaas Fourie
Denise Mare	Janine Claassens	Reghardt Dippenaar
Eihorere Wesigye	Johann Steyn	Riëtte Engels-Van Zyl
Ferdinand Mokete	Karabo Kekana	Ross Peasey
Francois van den Berg	Lilla Stack	Shelly Nelson
Frans Prinsloo	Linda van Heerden	Stéfani Coetzee
Giel Pieterse	Lisa Vidulich	Thabiso Mtshali
Goolam Modack	Lyndsay Maseko	Thembi Kganane
Greg Beech	Makhosazane Luthuli	Veryl Mulder
Greg Plant	Mandi Olivier	Zwelodumo Mabhoza
Helouise Burger		

2. 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. The only persons who know the contents of a particular paper are the members of the ITC Examco. They are all selected with great care regarding their integrity and professional standing and are sworn to secrecy.

3. The marking process

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 participating universities for comment. 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 a number of markers (comprising academics, practitioners and representatives from commerce and industry) and an umpire, who are on the whole fully bilingual and equally capable of marking both English and Afrikaans scripts. Markers and umpires are assigned to specific questions based on their fields of expertise.

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

Marking of the ITC January 2019 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 ten scripts are selected on a random basis by SAICA's Examinations Unit, and the exam numbers removed. These scripts are then numbered from 1 – 10 and photocopied. Every person on the mark team has to mark the question to which they have been assigned in the batch of ten scripts. This takes place on the first two days of the main marking process and the umpire, together with his/her mark team, then discuss how the individual markers award the marks point by point 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.

4. Adjudication

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

- 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.

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.

5. 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. 4.12 of the section on the general comments) are selected and a third and final review is undertaken of such candidates' scripts. This review is undertaken by the umpire or assistant umpire, being the most senior and experienced members of a mark team. The marks during this process may either go up or down and is again done on a question by question basis so 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 who 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 our Examination Regulations for the ITC in this regard).

GENERAL COMMENTS ON THE ITC JANUARY 2019

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 & External Reporting	Strategy, Risk Management & Governance	Audit & Assurance	Tax	Management Decision Making & Control	Ethics	Comm
Required ranges in terms of the SAICA guidelines (2013 onwards)	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 & External Reporting	Strategy, Risk Management & Governance	Audit & Assurance	Tax	Management Accounting & Finance	Ethics (incl CoPC)	Comm	Total
P1 Q1 Part I		16			40		2	58
P1 Q1 Part II			40				2	42
P2 Q1 part I					51		3	54
P2 Q1 part II		20				24	2	46
P3 Q1 part I	57			13			4	74
P3 Q1 part II		15				10	1	26
P4 Q1	24		25				3	52
P4 Q2				45			3	48
TOTAL	81	51	65	58	91	34	20	400
% of TOTAL	20,3%	12,8%	16,3%	14,5%	22,8%	8,5%	5,0%	100%

3. Overall comments on the papers

The January 2019 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 question and the themes and scenarios were topical and relevant.

From result statistics, it was evident that candidates found the strategy, risk management and management accounting and finance in paper 1 part I and the audit and assurance in paper 4 question 1 particularly difficult. They on the whole performed well in the strategy, risk management and finance and ethics in parts II of papers 2 and 3 as well as in audit and assurance in paper 1 Part II.

Universities commented that this ITC marks a clear evolution in thinking about how best to assess knowledge in the ITC. While the philosophy is positive, the execution is not quite there yet and furthermore this evolution is not yet reflected clearly in examinable pronouncements and the current competency framework. However, it is in line with future developments of leaning more towards strategic thinking and interpretation. There was definitely a lesser focus on the technical disciplines and a stronger focus on business, strategy, risk, governance and ethics. Candidates were required to demonstrate a higher level of judgement. The overall opinion was that SAICA was sending a clear message with this assessment. Given the challenges faced by the CA profession, this is a move in the right direction, provided that adequate technical excellence is maintained. Universities were also positive about the integration of various scenarios with ethical issues.

Paper 1 consisted of a single, 100-mark scenario that dealt with **management accounting and finance** topics, integrated with **strategy, risk management and governance** as well as **audit and assurance**.

Most universities considered part I of paper 1 question 1 to be a good integrated question that was moderate to difficult, with a good mixture of basic, intermediate and advanced marks. The calculations were considered to be moderate in difficulty, while the discussions ranged from medium to relatively difficult.

The question contained a mix of technical knowledge, assumption-driven problem-solving skills and commercial awareness. The topical scenario of an investment company set in the mining sector was relevant and well scripted, with adequate detail to guide candidates not necessarily familiar with the asset management and health club industries. It was based in Southern Africa and dealt with real challenges that candidates can expect to encounter. This is relevant given the calls to decolonise education at all levels. In addition, the question did contain links to international issues (such as the platinum market) which demonstrates that South Africa does not operate in isolation.

The universities commended the direction of the paper, with its emphasis on discussion/analysis of a scenario that required good critical thinking. The emphasis on interpretation, with calculations in support of discussions, was seen as a positive move. This helped to assess whether the candidates understand what they are calculating and why they are calculating it.

Part II of paper 1 question 1 dealt with examples of revenue manipulation; CAAT procedures to identify fictitious members in revenue and receipts; agreed-upon procedures to identify entries for fictitious members in revenue and receipts; and considerations for an auditor to continue to act as company auditors for a new financial year.

This question was considered to be moderate to difficult. The candidates particularly struggled with identifying CAATs to be performed to identify possible revenue manipulation, as well as with the description of the manipulation of revenue.

The auditing information was presented by means of a due diligence report. While the testing of due diligence and other engagements has not really been tested in the ITC in the past, the presentation of the information in a due diligence report was a pleasant development. Most universities were positive about this practical and different way of

assessing auditing principles. The fact that candidates received “data” in the form of extracts, as opposed to the traditional questions that theoretically described the transactions, simulated an actual audit. The scenario and the required tested candidates’ ability to appropriately conceptualise the complexity of the cycle and the variety of revenue transactions that can occur. The candidates also needed to consider the process and focus on manual procedures, mostly those that surround the key source document, which was a signed contract.

Paper 2 Question 1 was a 100-mark, integrated question covering a wide range of **management accounting and finance** and **strategy, risk management and governance** and **ethics** topics. It was set in a real-world practical scenario, which was presented clearly and logically. Most universities considered the question to be of a good standard, practical and relevant, but because of the integrated nature, not easy. The strategy and decision making considerations followed on from the costing part of the question and the Companies Act, Audit Profession Act and professional ethics were also well integrated into the scenario.

The scenario dealt with the incremental cost and revenues of entering into a supply agreement; decisions relating to entering into a supply agreement; performance incentivisation with regard to the retention of a key staff member; and considerations on a long-term pricing decision.

The universities were of the opinion that Part I of paper 2 contained a good mix of easier (particularly in the calculations) and more difficult (relating to the discussion) marks, with the latter requiring insight. It tested an in-depth understanding of the qualitative factors relating to an agreement with an online retailer and most required sections contained a good integration between cost accounting, strategy and governance. Candidates had to demonstrate an understanding of key principles in the relevant competencies, while the requirement to weigh up a proposal from two perspectives also provided an opportunity to demonstrate stronger critical thinking skills. The calculations tested key decision-making principles with a small tax element also integrated into the solution.

Paper 2, part II was considered to be fair, although the niche focus on the gin market added additional complexity. This meant that information in the scenario had to be evaluated with care to ensure the qualitative marks could be obtained. The focus of the scenario and required was on the qualitative application of decision-making considerations.

The first section required a discussion of the merits and pitfalls of a strategic decision to enter a foreign market, and different options for entering the market. The scenario included sufficiently accessible facts for making a decision between the two options. The information pertaining to a board meeting was presented as part of a discussion on various aspects, which meant that candidates had to extract information on non-compliance with laws and the code of professional conduct, which tested higher-level critical thinking skills. This ethics requirement contained a good integration of the Code of Professional Conduct and Audit Professions Act (a discussion of a reportable irregularity) and Companies Act. It related to a director who was conflicted with regard to a transaction with a company in which he owned 10% and of which his wife was the remaining 90% shareholder and CFO. For the final section, on conduct during attendance of a cocktail party, candidates were required to systematically apply the requirements of the relevant section in the Audit Professions Act to the scenario.

Paper 3 was also an integrated 100-mark question and dealt with **accounting and external reporting, strategy, risk management and governance, taxation** and **ethics**. The question was set in the telecommunications industry, which was interesting and topical. It contained sufficient information in the scenario to inform a candidate about the particulars of the industry and enable them to address the required sections.

Universities considered the accounting sections of part I of paper 3 to be fair to difficult, while the VAT sections were easier. The integrated nature of the information meant that candidates had to analyse the information with care to distinguish between accounting and taxation aspects. However, this is an appropriate development in view of the Competency Framework. It did make the question more challenging, because candidates had to identify the information that was relevant to each part of the required. The integration was balanced by a reasonable level of technical requirements and fairly basic VAT section.

Some universities felt the exam should have tested another tax type, for example an aspect of personal tax, to provide a more balanced coverage of a wider spectrum of the tax syllabus. Two aspects of financial reporting were dealt with: the first was a critical evaluation and discussion of given journal entries, where candidates had to provide correct (not correcting) journal entries in connection with a revenue transaction in terms of IFRS 15, and the second with a discussion on the accounting recognition and measurement that relates to the development of an application in terms of IAS 38 and SIC 32. Although the requirement to calculate VAT payable/claimable, supported by reasons, was fairly easy, it was complicated by the fact that the information was spread throughout the question.

Part II of paper 3 dealt with strategic and operating considerations for an investment decision, as well as with ethics. Half the universities commented that the considerations section was moderate and the rest that it was difficult. All commented that the ethics part was easy, with an overall good integration of professional ethics throughout the scenario.

The difficulty of the question comes through mainly in the level of inter-subject integration, although the technical complexity was manageable and appropriate for the level of the ITC. Some universities felt that there was not sufficient background context on some of the fairly complex technical issues for persons who did not have experience with app development. They also commented that the questions may have been a little 'IT intense' for candidates who were not familiar with or had a limited knowledge of high-speed internet and fibre. However, candidates could have passed if they considered general aspects related to the introduction of a new product to the market or entering a new market. There was also a balance between difficult and easier sections.

There is less integration in paper 4 because it consisted of the two questions, and thus two separate scenarios. However, a broad spectrum of topics was examined, which made it appropriate that there were two questions. Overall, the paper contained an appropriate balance between easier, moderate and difficult marks.

Question 1 of paper 4 dealt with **accounting and external reporting** and **audit and assurance**. The question consisted of a discussion of non-compliance with IFRS in respect of related party disclosures (IAS 24); audit procedures to verify completeness of related party transactions and balances in consolidated financial statements; audit procedures to verify accuracy of intra-group furniture purchases in the separate financial records of the purchaser; consolidation journal entries in respect of an intra-group lease (IFRS 10; IFRS 16; IAS 16; IAS 40); and substantive audit procedures relating to the disposal of an investment in a subsidiary in the separate financial statements of the parent (Companies Act – financial assistance to a director and director's interest in a contract).

The level of integration across financial reporting and auditing was good. This question required identifying risks related to financial reporting as well as coming up with appropriate audit responses for the risks identified. Most universities considered it to be of moderate difficulty, but some felt candidates may have found this question challenging given the accounting standards examined and they would have needed good analytical and application skills to be able to apply the principles of IAS 24, which is not regularly examined, as well as several different standards, some of which are relatively new. The integration between financial accounting and auditing and assurance in the scenario was well executed. The question tested related parties, which is an important component of financial accounting that is often used in fraudulent activities and can assist the auditor in unravelling fraudulent activities. The procedures that were assessed were non-routine. It was useful to test the consolidating journal entries on the intergroup transactions, as it occurs very often in an intercompany environment. These tested candidates' understanding of both capitalised leases and operating leases, as well as investment property to property, plant and equipment at group level.

Question 2 of paper 4 dealt with **taxation** topics. The first part dealt with the calculation of the taxable income of a company for the 2018 year of assessment, in which candidates had to provide reasons to support calculations for the tax treatment. The second part required a discussion of the VAT implications for the same company of certain transactions in the scenario. This question was a combination of calculations (taxable income with reasons) and discussions (VAT implications). The question overall was considered to be moderate to easy by universities.

The question tested technical sections and principles and appropriately examined analytical, application and lifelong learning competencies. It tested a broader scope of the tax syllabus, in the form of a variety of basic and advanced topics. The discussion included topics such as strategy and ethics and tested candidates on topics they would most encounter in practice, such as company income tax calculations.

4. General comments

From a review of candidates' answers to the eight required sections for the ITC January 2019 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. 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 in the scenario provided.

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.

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 neatly 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 ITC is a stepping stone in the qualification process where the final Assessment of Professional Competence (APC) 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.**

4.4 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.

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 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.

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 among the manual writers. **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).

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 a decision, a conclusion alone is not sufficient, discussion beforehand is required.

4.10 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.

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 CTA 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 be 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 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 accounting and external report questions and do 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 regulation:

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!!

PROFESSIONAL PAPER 1

Paper 1 consisted of a single question with two required sections that dealt with the following aspects:

Question 1 Part I

- (a) A discussion, with supporting calculations, the key matters that the Investment Committee of a company should consider in its decision on whether or not it should participate in the proposed rights issue of listed platinum mining company.
- (b) The calculation of the weighted average cost of capital of the company as at 31 December 2018.
- (c) A discussion of the key matters that the company's Investment Committee should consider in evaluating whether it should invest in another company, based on the proposed transaction structuring of that company's CEO.

Question 1 Part II

- (d) A description, with reference to the information in the extract from the due diligence report, and using a tabular format –
 - (i) of specific examples of how the CEO could manipulate the data in the revenue and receivables file for FY2018 in order to keep her promise of an increase in revenue of at least 30%; and
 - (ii) for each example listed, of the specific data CAAT procedures that could be performed on the revenue and receivables files to detect the manipulation.
- (e) A description of the agreed-upon procedures you would request the auditors to perform at each individual gym to identify any entries for fictitious members on the revenue and receivables file and to verify the accuracy of the different membership plans the revenue and receivables file.
- (f) A description, with reference to the information contained in the scenario only, of what aspects an audit partner should consider before his firm continues to act as a company's auditor for FY2019.

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

PAPER 1 QUESTION 1 PART I

Maximum mark	Average mark	Marks > 50% (pass)	Marks < 50% (fail)
58	26,35	999 (32,55%)	2 070 (67,45%)

1 What general areas the question covered

The question demanded a healthy mix of technical knowledge, assumption-driven problem solving skills, commercial awareness and created a platform for scenario comprehension and basic open-ended insight.

Paper 1 was integrated with MAF, Audit, and SRM&G competency areas. A robust case set as a crowdfunded investment company, and focussing on investment in the Platinum Industry. This levelled the playing field, as all candidates would likely have been unfamiliar with this industry setting.

The required questions asked of the candidates would have been relatively challenging, with first calculations and discussion of whether to take up a rights issue, which would have been a very unstructured thought process with no template to fall back on for candidates, and requiring candidates to draw from different topic areas and apply these principles to a rights consideration. The second required was then a relatively challenging WACC calculation with some nice twists. The final required was a consideration of an investment in an unrelated business, with a private equity / venture capital type investment structure, again requiring application of unstructured thought and using critical

thinking skills. Any rote dump, even a tailored one, could not be used here. Candidates had to think about and apply on their feet.

The scenario is structured with fairly complex information and intricate detail that candidates were required to navigate through to interpret and absorb. This would have been exacerbated by the fact that the scenario alluded to other areas being tested (such as controls) – Although this is definitely not considered to be unexpected or an issue (and candidates are always warned not to anticipate the required).

The calculation part of the question is considered to be moderate in difficulty, while the discussions range from medium to relatively difficult. Candidates battled to score well on both the calculations and the discussion if they did not have a good grasp of the content areas (WACC), or could not think critically and apply their skills within the context provided.

This question stretched candidates and forced them to provide a structured thinking approach themselves.

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

The topics examined are generally introduced from undergraduate level, and are pervasive throughout the syllabus. The attempts were poorer than expected, particularly the attempt at the calculations in part (b). The discussion requirement in part (a) and (c) always examines more deeply with respect to the candidates understanding, and tends to expose weaknesses where principles have not been mastered, and a template answer has instead been studied by candidates.

Candidates therefore performed badly due to the following aspects in their attempts:

- Dumping of generic points without relating these to the scenario, and not applying them to the specific situation.
- Not thinking broadly enough about the impacts of the rights issue. Rather focussing on the technical aspects of the transaction, and not extending these discussions to the practical impact thereof.
- The scenario was rich in perspective, this was however not utilised sufficiently to broaden the rights discussion
- The WACC calculation had a number of easier marks that were not capitalised on. Exam technique here was poor, candidates could easily have yielded 10 marks (60%) with basic WACC knowledge, and completing the WACC calculation process.
- For part (c), the trap of dumping generic points was again evident, not providing sufficient application.
- Many candidates dumped previous years ITC solutions, forcing a squeezed fit, particularly the June 2018 P2Q1 financing of the fine, this was regurgitated. Candidates had clearly just learned previous papers.
- Rewriting of the scenario in their script, without coming to any decision.

3 Common mistakes made by candidates

Presentation and examination technique were generally good. There were however many instances of missing more straightforward marks such as identifying other aspects to consider, and identifying relatively simple omissions and errors in the question.

For parts (a) and (c) candidates often thought very superficially about tasks rather than applying this to the general strategic impact.

Candidates also in general did not provide sufficient discussion points, therefore not yielding sufficient marks.

4 Areas that the candidates handled well

In part (b) certain aspects of the WACC were handled well. Most candidates made a reasonable attempt at the calculations in part (c).

5 Specific comments on sections of the question

Part (a)

As expected a difficult section for candidates. The ratios and calculations needed to be innovative and were not the traditional ratio support one would find in a more general question.

Candidates generally calculated growth rates in prices and in platinum, and identified that the company and industry were deteriorating. Very few however engaged in the calculations surrounding the rights issue, calculating the expected post rights price.

Candidates however battled to identify the bigger picture of where the company was, having had previous rights issues that were ineffective, and battling to obtain funding in general in a difficult climate.

Candidates did well in identifying the non-payment of dividends, dilutive effect of the rights issue, the share performance of the company, and the state of the platinum industry.

In general, just not enough breadth in the answers. What was done often yielded marks, but too much of a narrow focus.

Part (b)

Candidates performed unexpectedly poorly in this section which traditionally is easier to answer. There were up to 10 straightforward marks in the question which we would have expected the average candidate to obtain, many candidates however missed these through poor exam technique.

Many candidates missed the semi-annual nature of the debentures losing them marks, and most candidates missed that the interest would not be tax deductible due to the nature of the company and its earnings.

The weighting of the Beta's was also poorly performed, and most frequently not identified.

Candidates did however show good understanding of the overall structure of WACC, it was more the detail that was missed.

Part (c)

For this strategy section, candidates either provided generic answers, or did not think deeply enough about the scenario in generating valid points.

The attempts were generally disappointing, with candidates dumping lists of generic and not applicable strategic points, and not thinking broadly enough about the implications of the transaction.

Candidates generally did identify the lack of strategic fit in purchasing a gym, the control issues for Motsumi, and the risk of Nonni leaving.

Candidates either hit the loan aspects, yielding good marks for covenants, terms and conditions, and effect on capital structure, or they missed it totally.

Overall therefore candidates' performance was mediocre on the question as a whole. The question did require deep thinking however, and it is therefore understandable that many candidates did struggle. This is not a flaw of the question, but is rather evidence of this being a good difficult rated question.

PAPER 1 QUESTION 1 PART II

Maximum mark	Average mark	Marks > 50% (pass)	Marks < 50% (fail)
42	25,29	2 577 (83,97%)	492 (16,03%)

1. What general areas the question covered

- Risk of revenue manipulation
- CAAT procedures to identify revenue manipulation
- Substantive procedures to identify revenue manipulation
- Ethical and other considerations in continuation of an audit engagement

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

- Candidates found it challenging to describe CAAT's due to the nature of the required and the lack of practical experience that candidate may have in performing such procedures. Some of the responses were in the form of some manual procedures.
- Candidates are able to identify the ethical issues in the information but do not adequately describe what the threats (which they are able to identify) to the ethical issues identified are and what the significance of these threats are.

3. Common mistakes made by candidates

Some candidates did not properly consider the required of part (d) which was to present the response in a table format.

4. Areas that the candidates handled well

The candidate did respond to the ethical part of the question reasonably well. There were able to identify the ethical issues and threats.

5. Specific comments on sections of the question

Part (d)(i)

Candidates found it challenging to identify 11 possible areas of revenue manipulation by the CEO.

Part (d)(ii)

Candidates battled to describe the CAAT's procedures to address the possible revenue manipulation by the CEO. At times the procedures described were quite manual. Some procedures were not appropriately worded.

Part (e)

Candidates did find it challenging to word the substantive procedures appropriately at times. Some candidates did continue to describe data CAAT's, despite the required specifically scoping this out. However, this was not pervasive to the candidate population. Overall, the majority of the candidates were able to respond with more substantive procedures. It was noted that if a candidate left a part of the question out, it was usually part (e).

Part (f)

Candidates were able to identify the ethical issues in the information but do not adequately describe what the threats (which they are able to identify) to the ethical issues identified are and what the significance of these threats are.

PROFESSIONAL PAPER 2

Paper 2 consisted of a single question with two required sections that dealt with the following aspects:

Question 1 Part I

- (a) A calculation of the estimated impact on a company's budgeted EBIT and profitability margins in FY2019 if it sells a certain quantity of 750ml bottles of craft gin it produces through an online retail company.
- (b) A description of the key factors the company needs to consider in pursuing the supply arrangement with the online retail company.
- (c) A critical discussion of the recommendation made by its audit firm to retain its master distiller from both his perspective and that of the company.
- (d) A description of the key considerations, supported by calculations, the company should take into account in determining an appropriate selling price per miniature bottle in FY2019.

Question 1 Part II

- (e) A discussion of the pitfalls and merits of two suggested strategic options with regard to entering the Mauritian market, supported with reasons and calculations. Candidates had to state which of the two alternatives they would recommend for the company.
- (f) A discussion, with regard to the most recent board meeting of the company of –
 - (i) concerns, with reference to the *Companies Act*, Act 71 of 2008, and the SACIA Code of Professional Conduct;
 - (ii) of the aspects that should be considered by the audit team with regard to decisions that were taken in terms of the *Auditing Profession Act*, Act 26 of 2005.
 - (iii) concerns in relation to the audit team's attendance and conduct at an event held by the online retailer.
- (g) A discussion, with reference to the SAICA Code of Professional Conduct, of concerns in relation to the audit team's attendance and conduct at a cocktail evening held by the company.

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

PAPER 2 QUESTION 1 PART I

Maximum mark	Average mark	Marks > 50% (Pass)	Marks < 50% (Fail)
54	28,04	1 861 (60,64%)	1 208 (39,36%)

1. What general areas the question covered

This question examined incremental costs and revenues, qualitative factors to be considered in decision making (entering into a supply agreement, performance incentivisation and long-term pricing decisions).

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

Candidates displayed a lack of critical thinking and the ability to demonstrate understanding by applying principles to a discussion-based scenario.

3. Common mistakes made by candidates

The most common mistake made by candidates related to them simply restating information in the scenario without indicating how this related to answering the required. In addition, candidates made generic statements, some of which did not even apply to this scenario, and fell short of explaining how the point made related to the scenario and to answering the required.

4. Areas that the candidates handled well

Calculations performed well in the calculations and demonstrated a good understanding of relevant costing principles.

5. Specific comments on sections of the question

Part (a)

Part (a) was well attempted, and it was pleasing to see that candidates scored well in this section. The most common reasons for candidates not scoring full marks in this part were:

- Candidates not considering (or providing their workings for considering) whether there was sufficient capacity for entering into the agreement; and
- Candidates stopping short of fully answering the required by only calculating the incremental EBIT and not calculating the impact on EBIT / gross profit margins.

Parts (b) and (c)

These two parts were generally poorly attempted for reasons identified in 3 above.

Part (d)

Candidates performed well in the calculation component of this part, although some candidates lost marks for not considering incremental fixed costs when calculating the minimum selling price.

PAPER 2 QUESTION 1 PART II

Maximum mark	Average mark	Marks > 50% (Pass)	Marks < 50% (Fail)
46	29,08	2 784 (90,71%)	285 (9,29%)

1. What general areas the question covered

Part II of Question 2, dealing with strategy, governance, ethics and the Audit Profession's Act issues formed part of an integrated 100 mark question, covering the following

Part (e) Strategy and decision making	(21 marks)
Part (f)(i) Companies Act and the SAICA Code of Professional	(10 marks)
Part (f)(ii) Consideration in terms of the Audit Processions Act	(10 marks)

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

Candidates did not always apply themselves to the information of the scenario and applied their minds thereto. This resulted in candidates often rewriting or restating the information of the scenario. This indicates a lack of critical thinking as well as poor examination technique.

3. Common mistakes made by candidates

As stated above, candidates did not always apply the information of the scenario in the answering of the required. Candidates also did a memory dump of Companies Act, Audit Profession Act or SAICA CPC issues without applying the facts of the scenario to these foundational issues.

This is also indicative of generally poor examination technique.

4. Areas that the candidates handled well

Section fi) dealing with Companies Act and the SAICA Code of Professional Conduct aspects was well answered.

This is encouraging to see as the nature of these aspects are foundational to the CA profession.

5. Specific comments on sections of the question

Part (e) Strategy and decision making:

This section of the question required a discussion of the Merits and Pitfalls of each strategic decision regarding DMG entering the Mauritian market, supported by reasons and calculations. Candidates had to consider the different options between setting up a joint venture manufacturing process with an established manufacturer in Mauritius, versus entering into a reciprocal distribution agreement with a Mauritian established company.

This required insight and critical thinking from candidates as well as practical application. Candidates overall struggled with this section to a large extent and did not always apply themselves to the scenario and information at hand, resulting in an average of 56% achieved.

Specific comments:

- The required specifically asked the candidates to also provide calculations which many did not do and accordingly lost out on easy marks.
- Many candidates also did not distinguish between pitfalls and benefits resulting in losing marks.
- Lastly a number of candidates did not provide a conclusion of which option to choose and accordingly lost this application mark.

Part (f)(i) Companies Act and the SAICA Code of Professional

This requirement related to a director who was conflicted regarding entering into a transaction with a company in which he owns 10% and of whom his wife was the remaining 90% shareholder and CFO. This requirement was very practical and tested critical aspects of the Companies Act and Professional Conduct required by SAICA members.

It was encouraging to see that candidates handled these aspects which underlie the conduct of CA's very well, with and 85% average achieved.

Part (f)(ii) Consideration in terms of the Audit Processions Act

This section required a discussion of the aspects that should be considered by the audit team with regard to the decision taken by the Board to award a contract to the company in which the director is conflicted.

Candidates should have considered aspects of an audit nature that would have led to the discovery of the director's interest in the contract and the non-disclosure thereof, and then further dealt with this in terms of a Reportable Irregularity.

Candidates failed at large to deal with the other aspects to consider and only focussed on the Reportable Irregularity. It was further evident that candidates started to run out of time and could not apply themselves properly to the information at hand.

Accordingly, candidates did poorly in this section resulting in an average of 34%.

Specific comments:

- Many candidates stated the definition of reportable irregularity however failed to apply, or partly the information of the scenario thereto.
- Some candidates also failed to conclude on whether the definition of a Reportable Irregularity were met and then the action required thereto.

Part (g) Concerns with reference to the SAICA Code of Conduct regarding the audit team's attendance and conduct at a client's cocktail evening

This section tested the ethical considerations regarding client hospitality, as well as the auditor disclosing client confidential information.

It was clear that candidates encountered time problems in answering this section which resulted in a low average of 57.4% for this section. This illustrate again the importance of time management in answering subsection of questions.

Specific comments:

- Many candidates' only identified one of the ethical issues, namely either the attendance of the cocktail, or the disclosure of confidential information.
- Candidates often also elaborated on only one issue and then disregarded or neglected addressing the other.

PROFESSIONAL PAPER 3

Paper 3 consisted of an integrated question with two parts that dealt with the following aspects:

Question 1 Part I

- (a) With reference to the example of an internet service contract with customers and to IFRS 15, candidates had to –
- critically evaluate and discuss the journal entries in the scenario processed by accounting software; and
 - provide the journal entries, together with dates and supporting calculations, that should have been processed by the accounting software to ensure that IFRS compliant financial information had been provided by the company for FY2018.
- (b) A calculation, based on the information in the scenario and supported by reasons, of the VAT payable/claimable by a company for the VAT period ended 30 June 2018.
- (c) A discussion of the accounting recognition and measurement of all aspects that relate to the development of an application in the IFRS compliant financial statements of the company for FY2019.

Question 1 Part II

- (d) A discussion of the key factors that the company should have considered in evaluating whether or not to develop an application from both a strategic and operational point of view.
- (e) A discussion of any concerns regarding the professional conduct of an audit partner and an independent service provider engaged to provide accounting services.

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

PAPER 3 QUESTION 1 PART 1

Maximum mark	Average mark	Marks > 50% (Pass)	Marks < 50% (Fail)
74	37,95	1 646 (53,64%)	1 423 (46,37%)

1. What general areas the question covered

Part (a) required a critical evaluation and discussion of given journal entries and correct journal entries to be provided in connection with a revenue transaction in terms of IFRS 15 *Revenue from Contracts with Customers*

- The required asked from candidates three elements in connection with the given journal entries which include:
 - To critically evaluate;
 - To discuss; and
 - To provide the correct journal entries.
- In responding to this, it was required that candidates do the following in each element required for the given journal entries:
 - Identify the issue i.e. whether the given journal entry (recognition and measurement i.e. 5 steps in recognising and measuring revenue) is correct or not (i.e. critically evaluate);
 - Support there evaluations with appropriate reasoning or justification by applying the recognition and measurement principles of IFRS 15 Revenue from Contracts with Customers (i.e. discuss); and
 - Give the correct journal entry as it should be (i.e. to provide the correct journal entry).
- All of these elements were required to be provided by the candidate to be able to answer the required.

Part (b) required a calculation of VAT payable/claimable supported by reasons for the VAT period ended 30 June 2018.

- The required asked of candidates to calculate, supported with reasons, the VAT payable/claimable for the VAT period ended 30 June 2018.
- Each calculation, or where it had no effect on the VAT payable/claimable had to be supported by reasons.

Part (c) required a discussion on the accounting recognition and measurement that relate to the development of an application in terms of IAS 38 *Intangible Assets* and SIC 32 *Intangible Assets – Website Costs*.

- The required asked of candidates to discuss the recognition and measurement of costs incurred in developing an application (i.e. the ContractAccount application).
- That would require candidates to consider the definition of an intangible asset which include an (i) asset, (ii) that is identifiable, (iii) non-monetary and (iv) without physical substance.

- It would further also require candidates to consider the recognition requirements of IAS38.57 to determine from which date the costs in developing the intangible asset in the question could be recognised as an intangible asset.
- A discussion on the initial and subsequent measurement was also required.

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

Part (a)

- A number of candidates did not critically evaluate and discuss the given journal entries first before providing the correct journal entries (i.e. provided limited discussion before the journal entries were provided).
- In most instances candidates attempted the question as if the required asked to discuss the recognition and measurement of the given revenue transaction. They therefore did not obtain the marks for the identification of the "what is wrong" or the "what is correct" in each journal/step in the revenue recognition and measurement process.
- Candidates' ability to apply themselves are clearly lacking. Answers are superficial and do not show critical thinking and application.

Part (b)

Candidates in general confused input vs. output which resulted in them losing a number of marks.

Part (c)

- A number of candidates are not applying the recognition and measurement principles of an internally generated asset fully. They merely provide conclusions without any justifications i.e. no application of the information in the scenario to the recognition and measurement principles of IAS 38 Intangible Assets and SIC 32 Intangible Assets – Website Costs.
- Part (c): The candidates further also do not consider all the requirements for recognition and measurement of internally generate intangible assets in terms of IAS 38 *Intangible Assets* and/or SIC 32 *Intangible Assets – Website Costs*.
- Candidates' ability to apply themselves are clearly lacking. Answers are superficial and do not show critical thinking and application.

3. Common mistakes made by candidates

Part (a)

- Most candidates did not critically evaluate as per the required but rather discussed the five steps without critiquing what had been done.
- Many candidates treated part (a) as a normal theoretical discussion question, and some without applying the theory resulting in a theory dump.
- Almost all the candidates followed IFRS 15's 5 step approach, but the failed to include all 5 steps in their evaluation, identifying the performance obligations proved to be the biggest obstacle.
- Candidates contradicted themselves a lot, identifying one performance obligation but then in the journals realising that it cannot be correct and then changing track without an explanation of the change in thinking.
- Some candidates only focused on the journal entries, thus did not go through the five steps. For those who did, Step 1 was only done by a few.
- Some candidates struggled with application of IFRS 15.27(b). The candidates interpreted the promises in the contract as highly integrated.

- Many therefore did not identify two performance obligations and treated it as one, resulting in not allocating the transaction price which resulted in losing a lot of possible marks.
- Many candidates did not exclude VAT from the transaction price, which comes back to not reading the information properly.
- Some candidates did not include journal narrations which resulted in a loss of presentation marks.
- As a mark team we are uncertain as to whether the candidates really understood the term “critically evaluate and discuss”.

Part (b)

- Candidates did not provide reasons for the VAT implications which resulted in loss of marks.
- Some candidates used a VAT rate of 14% although the question clearly stated that a VAT rate of 15% must be applied.
- Some candidates multiplied with 15% instead of the tax fraction even though the question stated that amounts were inclusive of VAT.
- Many candidates incorrectly showed the VAT on the importation of the routers as an output tax. The VAT was paid on importation of the goods (border/ customs) and should then be claimed back as an input tax when used in the making of taxable supplies during a specific VAT period.
- Most candidates could not correctly apply the deemed supply (s18(3)) on the fringe benefits of Sipha Mandela. Candidates did not calculate the market value correctly.

Part (c)

- Candidates dumped theory from IAS 38 Intangible Assets and then did not apply it to the scenario in the question.
- The application of the definition of an intangible asset were especially done poorly, which we did not expect at this level.
- The application of IAS 38.57, although it was correctly identified, was applied in hindsight and not from the point of view from when the entity can start to capitalise. Many candidates therefore also did not provide a starting date for capitalisation.

4. Areas that the candidates handled well

Part (a)

- Most candidates realised the need to go through the five step model of IFRS 15.
- Most candidates provided the correct journal entries that should have been done.

Part (b)

- This section was generally done well. Candidates had a good understanding of VAT principles.
- Candidates identified most of the transactions which triggered VAT.
- Most candidates calculated the VAT payable/claimable balance.

Part (c)

- Candidates performed fairly well in this section.
- Most candidates identified IAS 38 Intangible Assets and SIC 32 Intangible Assets – Website Costs as the correct standard/ interpretation to apply.
- Most candidates correctly identified IAS 38.57 as the applicable section for the internally generated application.

PAPER 3 QUESTION 1 PART II

Maximum mark	Average mark	Marks > 50% (Pass)	Marks < 50% (Fail)
26	17,30	2 793 (91,01%)	276 (8,99%)

1. What general areas the question covered

This question was the second part of the overall question involving TellMeMore, an internet service provider. The question covered the factors to consider in evaluating whether or not to develop an app from both a strategic and operational point of view and a response to several ethical concerns, which totalled 26 marks. The question specifically dealt with:

Part (d): Discussion

Candidates were required to discuss the key factors that TellMeMore should have considered in evaluating whether or not to develop the ContractAccount application from both a strategic and operational point of view. A mark was awarded for logical argument (16 marks in total).

Part (e): Discussion

Candidates were required to discuss any concerns they may have regarding the professional conduct of Lungile (the audit partner) and Azhar (the independent service provider engaged to provide accounting services) (10 marks in total).

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

Some candidates did not follow a step by step logical response to the factors discussions. They simply put points down from a theoretical model (such as PESTEL) without actually applying themselves to the problem at hand.

Candidates also seemed to have a lack of planning in their responses with many writing much more points for the ethics task than the time or mark allocation available. In this way, they were unable to apply themselves fully to part (d). It also appeared that candidates may have overspent their time on the first part of the question.

3. Areas that the candidates handled well

Candidates identified the core ethical issues well. Many candidates applied the relevant theory to the information in the scenario.

4. Specific comments on sections of the question

Part (d)

In this section, candidates were required to discuss the key factors that TellMeMore should have considered in evaluating whether or not to develop the ContractAccount application from both a strategic and operational point of view. A mark was awarded for logical argument.

Candidates who performed well in this section were those who adopted a logical approach to their responses. These candidates separated between strategic and operational points. They applied themselves to the problem and identified relevant considerations. They may have used an underlying model such as PESTEL, but made sure to apply it specifically to the scenario to identify relevant considerations. Some candidates were also very specific about what

was done and what should have also been done, critically evaluating some of the activities already done in the development.

Some candidates made the following errors or omissions:

- They simply listed some words, such as “consider competitors” without explaining what the issue was in the context of whether or not to develop the application. Candidates needed to say why was it necessary to consider competitors. Logic and some reasoning would be that a similar application could be developed by competitors and therefore some advantage gained could be lost. Or that the application should be patented or copyright to protect the application against competition.
- Candidates struggled to think and apply themselves to the scenario. Whilst developing an application may not be something that candidates may have been exposed to, they should have applied critical thinking to think outside the box.
- Candidates did not align their responses to “whether or not to develop an application”. Some of the considerations were irrelevant and outside the scope of the decision at hand.

Part (e)

In this section, candidates were required to discuss any concerns they may have regarding the professional conduct of Lungile (the audit partner) and Azhar (the independent service provider engaged to provide accounting services). Candidates who performed well in this section were those who firstly separated the requirement between Lungile and Azhar. Thereafter they identified the issue first and then explained why it was an issue, followed by the threat involved, extending this to a significance assessment and providing a relevant safeguard.

Some candidates made the following errors or omissions:

- They simply stated that the threat was significant without explaining why it was significant.
- They listed many threats (self-interest, familiarity, intimidation, integrity) without it being relevant to the issue.

PROFESSIONAL PAPER 4

This question consisted of two separate questions, as follows:

Question 1

- (a) A discussion of any non-compliance with IFRS in the information provided in a workpaper.
- (b) A description of the audit procedures that the candidate would perform to verify –
 - (i) the completeness of related party transactions and balances in the consolidated financial statements of the group of companies for FY2018; and
 - (ii) the accuracy of the furniture purchases between two subsidiaries recorded in the financial records of one of the companies.
- (c) A preparation of the consolidation journal entries required to account for the intra-group transactions in a workpaper, in order to draft the consolidated financial statements of the group for FY2018.
- (d) A description of the substantive audit procedures that the candidate would perform with regard to all matters relating to the disposal of the investment in a company in the separate financial statements of one of the group companies for FY2018.

Question 2

- (a) A calculation of calculate the taxable income of a company for the 2018 year of assessment, starting with the taxable income calculated by the accountant and taking into account the information provided in the accountant’s notes. Candidates had to provide reasons to support calculations for the tax treatment applied.
- (b) A discussion of the VAT implications for the company with regard to certain transactions in the scenario.

Six presentation 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)
52	24,20	1 141 (37,18%)	1 928 (62,82%)

1. What general areas the question covered

Part (a) of the question required of candidates to discuss any non-compliance with IFRS in respect of the disclosure of related party relationships, transactions and balances in the consolidated financial statements of the reporting entity (IAS 24).

Part (b) of the question required audit procedures to verify:

- (i) the completeness of related party transactions and balances in the consolidated financial statements of the reporting entity; and
- (ii) the accuracy of intra-group furniture purchases in the separate financial records of the purchaser.

Part (c) of the question required pro-forma consolidation journal entries to account for an intra-group lease transaction in respect of a building (IFRS 10; IAS 16; IAS 40 and IFRS 16).

Part (d) of the question required substantive audit procedures regarding all matters relating to the disposal of an investment in a subsidiary in the separate financial statements of the parent.

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

Part (a): Related party disclosure and non-compliance with IFRS

This section was generally not answered well and candidates illustrated a limited understanding of IAS 24 *Related Parties*. A concerning number of candidates provided mostly a theory dump from IAS 24, without the necessary application to the scenario. Furthermore, some candidates made statements without any proper justification (e.g. X is / is not a related party, but no reasoning provided). Where arguments were provided, the arguments tended to be theoretical, ungrounded and/or fundamentally flawed in the context of IAS 24. From the candidates' attempts, it was clear that candidates did not expect to see IAS 24 in the ITC, which is concerning since this Standard is considered to be prevalent and core in the context of the Financial Reporting syllabus.

Part (b): Audit procedures

For part (b)(i), which required audit procedures to verify the completeness of related party transactions and balances in the consolidated financial statements, candidates provided audit procedures to verify occurrence and/or accuracy, rather than completeness.

For part (b)(ii), which required audit procedures to verify the accuracy of intra-group furniture purchases in the *separate financial records* of the purchaser, candidates provided audit procedures relating to the *consolidated financial statements* (i.e. elimination of intra-group purchases), which was not required. Some candidates also focused their audit procedures around the *sales* transactions and not the *purchase* transactions as was required.

Part (c): Pro-forma consolidation journal entries i.r.o. intra-group lease transaction

In answering this section, some candidates wasted a lot of time by first doing comprehensive journals in the separate records of both the parent and subsidiary and then attempting pro-forma journal entries to answer the required. Many candidates also failed to demonstrate a basic understanding of IFRS 16 *Leases*, by treating the lease as an operating

lease for both parties (eliminating operating lease income and operating lease expense) or as a finance lease for both parties (eliminating finance income and finance cost). Many candidates did not get the communication skill mark because no journal narrations were provided.

Part (d): Substantive audit procedures regarding all matters relating to the disposal of an investment in a subsidiary in the separate financial statements of the parent

Although candidates did well to formulate appropriate substantive procedures to audit the accounting implications of the transaction, many candidates failed to address the applicable Companies Act requirements (i.e. director's interest in a contract / financial assistance to a director). Furthermore, some candidates formulated substantive procedures in respect of the *consolidated financial statements*, while substantive procedures relating to the *separate financial statements* were required.

3. Common mistakes made by candidates

Part (a): Related party disclosure and non-compliance with IFRS

- A concerning number of candidates' answers consisted mainly of a theory dump from IAS 24, with no application to the scenario.
- Some candidates made statements without the necessary justification (e.g. the candidate would state that X is / is not a related party, but would not provide any reasons to support such statements).
- Where arguments were provided, the arguments tended to be theoretical, ungrounded and/or fundamentally flawed in the context of IAS 24
- Some candidates based their arguments on IFRS 10 / IAS 28 / IFRS 11 and not on IAS 24.

Part (b)(i): Audit procedures to verify completeness of related party transactions and balances in the consolidated financial statements

- Although audit procedures to verify completeness were required, many candidates provided audit procedures to verify accuracy and/or occurrence, which were not required. The direction of testing for the completeness assertion was mostly incorrect.
- The majority of candidates did not refer back to IAS550.15 and .A22 to answer this section and missed out on "easy" marks.
- A number of candidates missed some of the basic audit procedures (i.e. compare with previous years; review the process / controls; obtain a management representation letter; and agree to the annual financial statements).

Part (b)(ii): Audit procedures to verify accuracy of intra-group furniture purchases in the separate financial records of the purchaser

- A number of candidates provided audit procedures to verify accuracy of the purchase transactions in the consolidated financial statements (i.e. focusing on the elimination of the intra-group transactions) instead of audit procedures to verify accuracy of the purchase transactions in the separate financial records of the purchaser, which was required.
- Some candidates focused their audit procedures around the sales transactions and not the purchase transactions as was required.
- Candidates generally struggled to identify the relevant source documents to be audited and as a result, the audit procedures that were provided did not always make sense.
- A number of candidates missed some of the basic audit procedures (i.e. obtain a schedule and recalculate; review the process / controls; obtain a management representation letter; and agree to the financial records).

- Some candidates demonstrated poor exam technique in respect of part (b)(ii), by either providing 1 – 1½ pages of procedures for only 3 marks, or leaving out this section completely.

Part (c): Pro-forma consolidation journal entries i.r.o. intra-group lease transaction

- Some candidates wasted a lot of time by first doing all the journal entries in the separate records of both the parent and subsidiary in detail, and then attempting pro-forma journal entries to answer the required.
- Candidates failed to demonstrate a basic understanding of IFRS 16 Leases, by treating the lease as an operating lease for both parties (eliminating operating lease income and operating lease expense) or as a finance lease for both parties (eliminating finance income and finance cost).
- A number of candidates provided journal entries to eliminate the lease, but no journal entries to eliminate the investment property and to account for the building in the consolidated financial statements as owner-occupied.
- Candidates also provided journal entries to account for the tax implications of the intra-group transactions, even though the question stated to “Ignore taxation”.
- Many candidates did not apportion profit or loss elements where applicable (e.g. recognising depreciation, finance cost and lease income for the full year and not apportioning for 2/12 months).
- Many candidates illustrated a poor understanding of the net present value calculation in respect of the lease liability, by using either equalised payments to calculate the NPV or ignoring cash flow 0 as if all the payments were made in advance. Candidates also often used the annual interest rate of 8,31% to calculate the NPV, instead of a half-yearly rate of 4,155% for half-yearly cash flows. Candidates also often ignored the guaranteed residual value in the calculation of the net present value of the lease liability.
- Many candidates used the amount of R6 250 000 as the fair value of the investment property, and neglected to adjust the fair value with the lease accrual that was included in this amount.
- A number of candidates did not get the communication skill mark because no journal narrations were provided.

Part (d): Substantive audit procedures regarding all matters relating to the disposal of an investment in a subsidiary in the separate financial statements of the seller

- A concerning number of candidates failed to formulate the necessary substantive procedures to address the applicable Companies Act requirements (i.e. director’s interest in a contract / financial assistance to a director).
- Some candidates formulated substantive procedures in respect of the consolidated financial statements, while substantive procedures relating to the separate financial statements were required.

4. Areas that the candidates handled well

- Candidates who managed to do well in this question read the “Required” section properly and planned their answers appropriately. These candidates also illustrated a good understanding of the technical issues being examined through appropriate application of the theory to the scenario. These candidates furthermore presented their answers in a structured and logical manner.
- In part (a), candidates did well to identify that the relationship between a parent and a subsidiary must be disclosed, irrespective of whether there have been any transactions between them. Candidates also did well to identify that key management personnel compensation must be disclosed separately for different categories of compensation. Candidates who had a good understanding of IAS 24 also did well to identify (and justify) which entities are related parties in terms of IAS 24, and which entities are not related parties.
- Candidates who had a good understanding of IFRS 16, and more specifically, intra-group lease transactions, managed to do very well in part (c). These candidates also did not include irrelevant journal entries and presented the journal entries and calculations in a structured and logical manner.
- In part (d), candidates did well to formulate appropriate substantive procedures to audit the accounting implications related to the disposal of the investment.

PAPER 4 QUESTION 2

Maximum mark	Average mark	Marks > 50% (Pass)	Marks < 50% (Fail)
48	23,24	1 436 (46,79%)	1 633 (53,21%)

1. What general areas the question covered

Part (a)

This part (a) required candidates to calculate of the taxable income of ZI (the company) which is a tax resident of South Africa. The candidates had to start the calculation of taxable income with a provisionally calculated taxable income to which adjustments had to be made in respect of a few transactions that were not yet accounted for, as the company's accountant was unsure as to how to account for the transactions. Candidates were specifically required to provide reasons to support the calculations for the tax treatment applied.

This question required candidates to cover a wide range of provisions, in terms of the Income Tax Act, in their response. The question covered the following provisions: the gross income definition (s1), special inclusion paragraphs (jA) and (g), leases and recoupments (s 11(h) and s 8(5), trading stock (s 11(a); s 22(8)), learnership allowances (s 12H), repairs s 11(d), capital allowances (s 11(e); s 12C; s 13(1); s 13quin), intra-group transactions (s 45), transfer pricing (s 31), foreign exchange items (s 24I(7), s 25D), interest incurred (s 24J) and Double Tax Agreement (Mauritius).

Part (b)

Part (b) required a discussion of the Value-Added Tax (VAT) implications for ZI (the company) with regard to some of the transactions provided to candidates. The transactions relate to the lease premium received by ZI from Siyenze (Pty) Ltd, an unconnected company, in terms of the lease agreement. The other transactions that had to be addressed were the operating lease payments made on the lease of a printer, the change in use of trading stock and the subsequent donation thereof, the acquisition of land from a non-vendor and the cost of the erection of an office building.

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

Part (a)

Part (a) required a calculation of taxable income. Some candidates incorrectly calculated and applied the s 6quat rebate against the taxable income figure. The s 6quat rebate is a rebate against the tax liability (not required) and not against the taxable income.

The required further stated that reasons be provided to support the calculations. Few candidates provided a lot of discussion on certain sections (for example s 12H), whereas the question mainly asked to calculate. Candidates therefore struggled in terms of the how much detail to provide for the reasons provided. It is important that candidates are able to identify the *crux* of the legislation and to apply it in the form of a calculation.

Some candidates just provided a calculation without providing the reasons to support the calculations. It is also very important to show clearly that an amount is deducted or added. Using s 11(a) and then not indicating brackets or a minus sign is a contradiction in a calculation question and marks will be missed because of it.

Some candidates did not identify that in terms of the lease agreement with Siyenze, ZI was the lessor and not the lessee. As a result, the lease premium was incorrectly treated as a deduction in the taxable income calculation instead of an inclusion in gross income.

Some candidates calculated the tax liability and thus wasted time as this was not required. The required specifically asked for taxable income calculation.

Some candidates struggled with the interpretation of the DTA.

Part (b)

This part required the candidates to discuss the VAT implications for specific transactions. Candidates had to address only those particular transactions and not the other transactions provided in the question.

Candidates had to address the 4 transactions, i.e. the lease premium, the change in use of trading stock, the lease payment made on the lease of the printer, the purchase of land from a non-vendor and the costs of erecting the office building.

Some candidates did not address all the VAT implications of each transaction as required. A common VAT implication not addressed for all transactions was the 'time of supply'.

Candidates did not clearly communicate the VAT implications in their answers and need to use technically correct VAT terminology. Some candidates made technically incorrect statements such as: '*input tax need to be paid*' - Input tax is claimed, not paid.

3. Common mistakes made by candidates

Part (a)

Candidates made to following common mistakes:

- Some candidates incorrectly deducted amounts that should be added to taxable income and added amounts that should have been deducted.
- A number of candidates calculated amounts but did not take them into account when determining taxable income.
- Many candidates did not properly read and interpret the information pertaining to the lease agreement (transaction 1.1). The latter resulted in incorrectly treating the required company as the lessee, rather than the lessor. Candidates need to carefully consider who the required taxpayer is that they must work with and then must make sure that the correct legislative provisions are applied to such person.
- Some candidates accounted for the VAT in part (a) of the required by removing VAT from the amounts while the question clearly stated '*...all amounts exclude VAT, unless specifically stated otherwise*'.
- In terms of the R1 200 deduction for the cost of manufacturing the trading stock, some candidates either did not show the deduction in their calculation or incorrectly used s 22(2) as the reason for the deduction. The deduction should have been in terms of s 11(a) as the cost was incurred in the current year.
- A fair number of candidates failed to identify that the trading stock transferred to an exhibition asset is a para (jA) asset and there will be no recoupment in terms of s 22(8).
- Some candidates incorrectly included the recoupment on the donated trading stock at the cost of the trading stock and not at the market value in terms of s 22(8).
- A number of candidates did not exercise due care when writing down their solutions and instead of deducting R2 275 x 6 months they wrote R275 x 6 months.

- Few candidates did not apply s 8(5) correctly, as they recouped the previously paid amount of R109 200 instead of the R11 500. Other candidates did not consider limiting the recoupment amount to the previous rental deductions of R109 200.
- Candidates used the incorrect market value when calculating s 11(e) allowance and mainly used R1 000 instead of R12 500, due to the application of the provisions of s 8(5). Some of the candidates used the incorrect number of months to apportion the allowance.
- Some candidates identified the correct s 12H annual allowance, however some candidates showed the R440 000 as the completion allowance without providing the reason for the completion allowance (if the interpretation was based on the fact that the learnership was registered on 1 April 2017). The correct application would have been to multiply by 2 years as the learnership was for 24 months, resulting in a completion allowance of R880 000.
- Some candidates stated that repairs and maintenance are deductible in terms of section 11(a), this is incorrect. Repairs and maintenance are deductible in terms of section 11(d), Special deductions take preference over the general deduction formula.
- Few candidates did not address the fact that there are no capital allowances on the land.
- Some candidates apportioned the s 12C, 13(1) and 13quin capital allowances. These allowances should not be apportioned.
- Some candidates calculated the exchange difference on a net basis over the two years of assessments, ignoring the fact that the exchange difference should be calculated at both translation dates.
- In terms of the section 24J and section 31 calculation, candidates seldom provided a reason for their choice of exchange rate applicable to the interest.
- It is evident that some candidates are uncomfortable dealing with foreign currency losses.
- Many candidates did not identify that the intra-group rules in terms of s 45 were applicable in transaction 4.1 and only applied s12C on the acquisition of the equipment as a second-hand asset.
- Some candidates did not recognise that the transfer pricing provisions in terms of section 31 were applicable to the loan provided in terms of transaction 4.1, where the loan provided to ZI was not at arms-length. Candidates who did apply section 31, also incorrectly accounted for the secondary adjustment (the deemed dividend in specie) in the same year of assessment (2018), while this adjustment only needed to be made on the last day of the six months after the year of assessment during which section 31 was triggered (i.e. only in the 2019 year of assessment).
- In addition, many candidates applied section 24I(10A) to the scenario, rather than s 24I(7). Both these mentioned provisions could apply to the scenario, but due to the following information provided in the question: 'All parties to these transactions make use of any possible elections that would legally minimise their tax liability', candidates should have applied s 24I(7) as it resulted in the recognition of a net R2,25 million exchange loss (i.e. an exchange gain of R1 750 000 and an exchange loss of R4 million) as opposed to the deferral of exchange gains and losses in terms of s 24I(10A). To correctly apply s 24I(10A) the yield to maturity should have been used and this was not provided in the question.
- Candidates did not recognize that the 2017 exchange differences are deferred until asset is brought into use (2018).
- Many candidates only provided the rules of the DTA in their answers without applying it to the information at hand. For example, candidates will indicate that the profits need to be attributable to a permanent establishment situated outside of the Republic, but will not conclude on whether or not the Mauritian branch is a permanent establishment. Application is key and candidates need to apply the information in the question in their answers. No marks were awarded for dumping theory from the DTA.

Part (b)

Candidates made to following common mistakes:

- In respect of the 'time of supply', regarding each of the required transactions, many candidates only stated the rule for the time of supply from the VAT Act without applying it to the information provided in the question (i.e. to indicate the exact date of the time of supply). Application is key and candidates need to apply the information in the question in their answers. No marks were awarded for dumping theory from the legislation.
- Most candidates did not identify a change in use with regards to the taxable supply or alternatively that it is a donation at no consideration.
- Many candidates incorrectly classified the lease agreements in terms of transaction 1.1 and transaction 1.3 as an 'instalment credit agreements'.
- Many candidates indicated that the notional input to be claimed on the acquisition of second-hand property would only be claimed on the earlier of registration in the deeds office or payment made, while the correct rule is once registered and then to the extent of payment made. Some candidates still applied the old, and now repealed, rule of stating that the notional input should be limited to the transfer duty paid.
- Some candidates concluded that the land is not second-hand and therefore no notional input tax could be claimed and therefore losing easy marks.
- A number of candidates discussed the time of supply rules in section 9 when dealing with VAT effects of the recipient of goods and services.
- A number of candidates got confused whether to apply the tax fraction (15/115) or the VAT rate of 15% to a transaction
- A small portion of the candidates still applied the tax fraction of 14/114 while the question clearly indicated the following: 'Assume a VAT rate of 15%'.

4. Areas that the candidates handled well

Part (a)

- Candidates generally performed well in this part of the question.
- Most candidates presented a good layout of their answers.
- Most candidates calculated the taxable income as per the required. The majority of candidates provided reasons or specific sections to support their calculations.
- Candidates that identified the basic principles and the applicable Income tax provisions managed to score the easy marks and did well in this part of the question.
- Generally, the candidates addressed the gross income inclusion, the recoupment in terms of s 22(8), lease rentals, s 11(e) allowance and different other allowances and deductions well.
- Few candidates considered the application of s 11(h) relief for lessor in terms of the lease premium received.
- A number of candidates identified and applied s 31 (transfer pricing), s 45 (inter-group transactions) and s 25D (foreign transactions) and therefore did well in this part.
- Section 12H learnership allowance was handled well by most candidates
- Those candidates that identified that a DTA is in place and correctly interpreted and applied the three major requirements of the DTA together with providing a conclusion, did well in this part.

Part (b)

- A number of candidates performed very well in this part of the required by correctly addressing the VAT implications (value and timing of the supply) of the required transactions.
- The candidates provided a detailed discussion as per the required instead of focusing on the pure calculations.
- Most candidates did well by using the correct tax fraction as provided in the question.
- Most of the candidates achieved the mark for output tax in the lease premium.
- A number of candidates correctly identified and applied that the purchase of land was the purchase of second-hand goods and that the company could claim notional input tax.
- Most candidates correctly addressed that the company could claim input tax in the cost of the building.

5. Specific comments on sections of the question

Part (a)

Candidates generally do well with calculation questions and mostly did well in this part of the question. This part of the question was well balanced with easy, moderate and challenging sections. A well prepared candidate should have been able to do well.

Part (b)

Candidates generally struggle with discussion type questions and mostly did not do well in this part of the question. The use of the correct VAT terminology seems to be an issue for some of the candidates.

Overall it was found that candidates' answers for this part were either incomplete or left out. This is an indication that candidates struggled to manage their time in the paper and that they went over their time on other sub-sections of the required resulting in them not having sufficient time for this part or lack of VAT knowledge.

Overall

- Candidates are generally comfortable with calculation type questions and therefore scored marks were the correct section was identified and applied.
- As the question (part (a)) also required candidates to provide reasons for the calculations performed, candidates struggled to explain or provide sufficient reasons.
- The question was well balanced with easy, moderate and challenging sections. A well-prepared candidate should be able to pass the question
- Some candidates left part (b) of the required without any attempt. The latter has a significant negative impact on these candidates' overall score for the question. Candidates need to demonstrate proper time planning/time management and need to address all sub-sections of the required. Take a bit of extra time before you start your solution to plan it and then demonstrate you planning within your layout and presentation.
- Some candidates provided more than one alternative solution for some questions, especially in part (a) dealing with the discussion on the deductibility of interest incurred. This demonstrates indecisiveness on the candidate's part and is only acceptable if the required ask for alternatives. Take more time to evaluate the information, make a decision and motivate your decision.
- Overall, it seems as if candidates could still improve on their exam technique in respect of proper application of the information provided in the question and to incorporate this in their answer. Candidates should refrain themselves from practices such as 'theory dumping' from the legislation and the DTAs.
- Some candidates contradicted themselves in their answers by providing two answers, for example making statements such as: 'notional input should be claimed to the extent of payment but only if paid in full', or by stating that 'input tax should be claimed on the lease premium received'. Answers should be clear and logic sense.