



(NBAA)
THE NATIONAL BOARD OF ACCOUNTANTS AND AUDITORS
TANZANIA

EXAMINERS' AND PERFORMANCE REPORT 13TH MID-SESSION – FEBRUARY 2022

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21ST MARCH 2022

TABLE OF CONTENTS

		PAGE
CHAPTER ONE	Introduction	3
CHAPTER TWO	Executive Summary	4
CHAPTER THREE	Analysis of Examination Performance	8
	• A5 Business Law	8
	• B1 Financial Management	12
	• B4 Public Finance and Taxation	17
	• B5 Performance Management	21
	• C1 Corporate Reporting	25
	• C3 Business and Corporate Finance	29
	• C4 Advanced Taxation	33

CHAPTER ONE

1.1 Foreword

The Education and Training By-laws of the Board 2014 requires every person who has obtained his/her CPA equivalent professional qualification outside Tanzania to register and sit for the examination papers that contain local contents in order to get permit to practice in Tanzania. These subjects are A5 Business Law, B4 Public Finance & Taxation and C4 Advanced Taxation. Under this condition, candidates who have pursued their bachelor degree in accounting in Tanzania and therefore studied Business Laws subject are exempted to sit for A5 Business Law. When approving the conduct of mid-examinations, the Governing Board in its 2nd extra-ordinary meeting held on 29th December 2014 allowed even the Board's examination candidates who have remained with one subject to clear their respective levels to register and sit for mid-examination session. Later on, the Governing Board allowed any candidate to register and sit for the mid-session examinations.

1.2 Objective of the report

The Report is intended to avail to trainers and candidates, the examinations' overall general performance, specific areas of weaknesses and suggestions for improvement. It is an important guide to candidates as well as trainers, setters, markers and moderators of the Board's future examinations.

Analysis of the examination performance is presented in this report. The Examiners' Report is supported by relevant statistical analysis of the candidates' performance in each examination paper.

1.3 Acknowledgement

On behalf of the Board and on my own behalf, I wish to convey my very sincere appreciation to all persons who willingly supported the Board in this demanding professional task. I am indeed particularly thankful to the Board's Examiners, Markers, Invigilators, the Board's Secretariat, the Education and Publications Committee and the Governing Board for their much-appreciated co-operation during the whole process of the NBAA's 13th Mid-session examinations.

Once again, I would like to reiterate that the Examiners' Report is prepared to help trainers and the Board's candidates to improve on their future performance by learning from previous experience. I, therefore, call upon readers of this Report to come up with constructive suggestions on how to improve further the examination process and reports arising therein.

Yours sincerely,

CPA. Pius A. Maneno
EXECUTIVE DIRECTOR

CHAPTER TWO

EXECUTIVE SUMMARY TO THE 13TH MID-SESSION EXAMINATION FEBRUARY 2022

2.1 Preamble:

The Board conducts its mid-session examinations twice in a year during the months of February and August. In this 13th Mid-session examination, examinations were conducted from Monday 21st to Friday 25th February 2022.

In this examination session there were 374 candidates who sat for the examinations with 418 papers. The candidature distribution this session is as shown below:

Table 1

Subject	No. of entries
A5 Business Law	08
B1 Financial Management	60
B4 Public Finance and Taxation	20
B5 Performance Management	71
C1 Corporate Reporting	97
C3 Business and Corporate Finance	136
C4 Advanced Taxation	26

2.3 Overall Candidates Performance

Overall candidates' performance for the February 2022 examination session is as shown in Table 2.

**Table 2: Overall Candidates' Performance 13th Mid-session Examinations
February 2022**

SUBJECT	NO. PAPERS	PASS	%	FAILED	%
A5 Business Law	08	06	75.0	02	25
B1 Financial Management	60	28	46.7	32	53.3
B4 Public Finance and Taxation	20	12	60.0	8	40
B5 Performance Management	71	46	64.8	25	35.2
C1 Corporate Reporting	97	46	47.4	51	52.6
C3 Business and Corporate Finance	136	79	58.1	57	41.9
C4 Advanced Taxation	26	23	88.5	03	11.5

2.4 Examination Results

2.4.1 Candidates qualifying for the award of letters of success and CPA (T) Certificate

In this 13th Mid-session examinations seventy-one (71) candidates qualified for the award of letters of examination success and CPA (T) Certificate. Among them thirty-three (33) are female and thirty-eight (38) are male.

2.4.2 Candidates qualifying for the award of letters of success and CPA (T) Equivalent Certificate

In this 13th Mid-session examinations four (04) candidates qualified for the award of letters of examination success and CPA (T) Equivalent Certificate. Among them two (02) are female and two (02) are male.

2.4.3 Candidates required to repeat failed subjects

(i)	Business Law	-	02 candidates
(ii)	B1 Financial Management	-	32 candidates
(iii)	B4 Public Finance and Taxation	-	08 candidates
(iv)	B5 Performance Management	-	25 candidates
(v)	C1 Corporate Reporting	-	51 candidates
(vi)	C3 Business and Corporate Finance	-	57 candidates
(vii)	C4 Advanced Taxation	-	03 candidates

ACCOUNTING MANPOWER CREATED BY THE BOARD UP TO FEBRUARY 2022

In its effort to meet the demand of the highly needed accounting personnel in the country, the Board has been able to create cumulatively **25,652** accounting manpower since its inception in May 1975.

These qualified accounting personnel created are categorized in the following groups:

(1)	Certified Public Accountants CPA (T)	11,230
(2)	Certified Public Accountants CPA (T) Equivalent	245
(3)	National Accountancy Diploma (NAD)(Phased out in November 1991)	1,537
(4)	National Book-keeping Certificate (NABOCE)(phased out in May 1991)	5,746
(5)	Basic Book-keeping Certificate (BBC)(phased out in November 1990)	2,971
(6)	Accounting Technician Certificate (ATEC)	4,108

Table 12 below shows the statistics of graduates per session and cumulatively since May 1975 to February 2022.

TABLE 12**TABE 4: NBAA GRADUATES – CUMULATIVE STATISTICAL ANALYSIS
MAY 1975 TO FEBRUARY 2022**

EXAMINATION SESSION	BBC		NABOCE		ATEC		NAD		CPA		CPA (T) EQUIVALENT		TOTAL	
	NO.	CUM.	NO.	CUM.	NO.	CUM.	NO.	CUM.	NO.	CUM.	-	-	NO.	CUM.
1 ST SESSION MAY 1975	-	-	04	04	-	-	01	01	NE	NE	-	-	05	05
NOV 1975 – MAY 2013													18,438	18443
78 TH SESSION NOV. 2013	-	2971	-	5746	36	3434	-	1537	377	5,168	-	-	413	18,856
79 TH SESSION MAY 2014	-	2971	-	5746	46	3480	-	1537	478	5,646	-	-	524	19,380
80 TH SESSION NOV. 2014	-	2971	-	5746	43	3523	-	1537	369	6,015	01	01	413	19,793
81 ST SESSION MAY 2015	-	2971	-	5746	42	3565	-	1537	600	6,615	08	09	650	20,443
1 ST Mid-SESSION AUGUST 2015	-	2971	-	5746	-	3565	-	1537	03	6,618	04	13	07	20,450
82 ND SESSION MAY 2016	-	2971	-	5746	42	3607	-	1537	270	6,888	03	16	315	20,765
2 ND MID-SESSION FEBRUARY 2016	-	2971	-	5746	-	3607	-	1537	01	6,889	07	23	08	20,773
83 RD SESSION MAY 2016	-	2971	-	5746	40	3647	-	1537	282	7,171	11	34	333	21,106
3 RD MID-SESSION AUGUST 2016	-	2971	-	5746	-	3647	-	1537	06	7,177	05	39	11	21,117
84 TH SESSION NOVEMBER 2016	-	2971	-	5746	49	3,696	-	1537	420	7,597	19	58	488	21,605
4 TH MID-SESSION FEBRUARY 2017	-	2971	-	5746	-	3,696	-	1537	-	7,597	05	63	05	21,610
85 TH SESSION MAY 2017	-	2971	-	5746	65	3,761	-	1537	410	8,007	17	80	492	22,102
5 TH MID-SESSION AUGUST 2017	-	2971	-	5746	-	3,761	-	1537	02	8,009	04	84	06	22,108
86 TH SESSION NOVEMBER 2017	-	2971	-	5746	39	3,800	-	1537	450	8,459	20	104	509	22,617
6 TH MID-SESSION FEBRUARY 2018	-	2971	-	5746	-	3,800	-	1537	-	8,459	04	108	04	22,621
90 TH SESSION MAY 2018	-	2971	-	5746	28	3,828	-	1537	63	8,522	15	123	106	22,727
7 TH MID-SESSION AUGUST 2018	-	2971	-	5746	-	3,828	-	1537	03	8,525	04	127	07	22,734
88 TH SESSION NOVEMBER 2018	-	2971	-	5746	63	3,891	-	1537	371	8,896	17	144	451	23,185

8 TH MID-SESSION FEBRUARY 2019	-	2971	-	5746	-	3,891	-	1537	02	8,898	01	145	03	23,188
89 TH SESSION MAY 2019	-	2971	-	5746	49	3,940	-	1537	433	9,525	20	165	502	23,690
9 TH MID-SESSION AUGUST 2019	-	2971	-	5746	-	3,940	-	1537	10	9,535	09	165	19	23,709
90 TH SESSION NOVEMBER 2019	-	2971	-	5746	53	3,993	-	1537	325	9,860	17	182	395	24,104
10 TH MID-SESSION FEBRUARY 2020	-	2971	-	5746	53	3,993	-	1537	41	9,901	03	185	44	24,148
91 ST SESSION MAY (AUGUST)2020	-	2971	-	5746	28	4,021	-	1537	354	10,255	16	201	398	24,546
92 ND SESSION NOVEMBER 2020	-	2971	-	5746	14	4,035	-	1537	243	10,498	09	210	266	24,812
11 TH MID-SESSION FEBRUARY 2021	-	2971	-	5746	-	4,035	-	1537	39	10,537	05	215	44	24,856
93 RD SESSION MAY 2021	-	2971	-	5746	29	4,064	-	1537	278	10,815	13	228	320	25,176
12 TH MID-SESSION AUGUST 2021	-	2971	-	5746	-	4,064	-	1537	83	10,898	02	230	85	25,261
94 TH SESSION NOVEMBER 2021	-	2971	-	5746	44	4,108	-	1537	261	11,159	11	241	316	25,577
13 TH MID-SESSION FEBRUARY 2022	-	2971	-	5746	44	4,108	-	1537	71	11,230	04	245	75	25,652

Note: (An extract from May 1975 to February 2022)

CHAPTER THREE
ANALYSIS OF EXAMINATION PERFORMANCE

3.1 A5 BUSINESS LAW

I: PRINCIPAL LEARNING OUTCOME

Principal learning outcome of this paper is to examine candidates' ability to apply theories, practices and laws governing business in providing accounting services and protecting business against unnecessary litigations.

II: STRUCTURE OF THE QUESTION PAPER:

The paper comprised seven questions. Candidates were required to answer five questions.

III: TOPICS EXAMINED AND CANDIDATES' PERFORMANCE

In this examination session, candidates were examined on the following topics:

QUESTION 1: THE LEGAL SYSTEM OF TANZANIA

The candidates were required to use the given information/scenario to give brief explanation on the following:

- (a) Legal systems applicable in Tanzania.
- (b) Reasons for delegated legislation.
- (c) Sources of Laws applicable in Tanzania.

Candidates' performance in this question was satisfactory. Out of 8 candidates who answered the question, 7 (87.5%), candidates passed while the remaining 1 (12.5%) candidates failed. Out of those who passed 2 (25%), 3 (37.5%) and 2 (25%) candidates scored pass, credit and distinction marks respectively.

Most of candidates failed to demonstrate their knowledge on the legal system applicable in Tanzania (i.e. Common law).

**QUESTION 2: CIVIL LAW FOR BUSINESS AND PROFESSIONAL ACCOUNTANTS
(LAW OF TORTS)**

The candidates were required to use the given information/scenario to:

- (a) Identify and explain four (4) types of torts which might have been committed by Mr. Sunguya.
- (b) Describe the two (2) main remedies for the first tort committed on the neighbor's garden, by the visitors.

- (c) Explain four (4) defenses available for tortious liability of uttering derogatory words to another person.

Candidates' performance in this question was satisfactory. Out of 5 candidates who answered the question, 3 (60%) candidates scored pass marks while the remaining 2 (40%) candidates failed. There were neither credit nor distinction marks in this question.

Some candidates failed to discover the defenses available for a tortious liability of uttering derogatory words to another person and ended up giving general defenses in tort.

**QUESTION 3: CIVIL LAW FOR BUSINESS AND PROFESSIONAL ACCOUNTANTS
(LAW OF AGENCY AND THE LAW OF CONTRACT)**

- (a) The candidates were required to use the given information/scenario to:
 - (i) Advise Ms. Annabella of the legal status, so far, of the contract she had entered with the tourists.
 - (ii) What can she do with the fares she received? Explain.
- (b) Identify three (3) duties and rights of an agent in a contract of agency.
- (c) Briefly explain the following:
 - (i) Ostensible authority
 - (ii) Ratification
 - (iii) Appointment of a sub-agent.

Candidates' performance in this question was satisfactory. Out of 5 candidates who answered the question, 3 (60%) candidates passed while the remaining 2 (40%) candidates failed. Out of those who passed 2 (40%) and 1 (20%) candidates scored pass and credit marks respectively. No candidate scored distinction marks in this question.

Some of the candidates failed to identify the duties and rights of an agent in a contract of agency. Furthermore, majority of the candidates failed to explain clearly, ostensible authority, ratification, and appointment of a sub-agent.

**QUESTION 4: WRONGS ASSOCIATED WITH ACCOUNTING PROFESSION
(MONEY LAUNDERING AND TERRORIST FINANCING) AND
EMPLOYMENT LAW**

- (a) Elaborate the link between "money laundering" and "terrorist financing" and their effects.
- (b) The candidates were required to use the given information/scenario to:
 - (i) Advise Ali on what was supposed to be done while he was employed regarding a written contract of employment.

- (ii) Explain to him about his rights and duties during the existence of his employment contract.
- (c) Describe the concept of “unfair termination” of a contract.

Candidates’ performance in this question was satisfactory. Out of 7 candidates who answered the question, 4 (57.1%), candidates passed while the remaining 3 (42.9%) candidates failed. Out of those who passed 2 (28.5%), 1 (14.3%) and 1 (14.3%) candidates scored pass, credit and distinction marks respectively.

Some candidates failed to show that an employment contract can be conducted orally or be put in writing. And if it is conducted orally, an employee must be supplied with a written statement of particulars. Furthermore, most of the candidates failed to describe clearly the concept of unfair termination of an employment contract under the Employment and Labour Relations Act, Cap 366 (RE 2019).

QUESTION 5: THE LAW GOVERNING BUSINESS ORGANISATIONS IN TANZANIA (PARTNERSHIPS)

The candidates were required to use the given information/scenario to:

- (a)
 - (i) Explain the concept of a “partnership.”
 - (ii) Mention and explain the rules that determine liability of a retired partner.
- (b)
 - (i) What is the name given to the act of Suji conveying her interests in the partnership to Neta?
 - (ii) Is the partnership dissolved? Explain.
 - (iii) What are the rights of Neta, if any, should he desire to participate in the management of the partnership and in the distribution of a net profit of TZS.360,000.00 which was realized after her purchase of Suji’s interest?

Candidates’ performance in this question was satisfactory. Out of 7 candidates who answered the question, 4 (57.1%), candidates passed while the remaining 3 (42.9%) candidates failed. Out of those who passed 2 (28.5%), 1 (14.3%) and 1 (14.3%) candidates scored pass, credit and distinction marks respectively.

Some of the candidates failed to show the essential features of a partnership and the legal consequences of admitting a partner without consent of other partners in a firm.

QUESTION 6: THE LAW GOVERNING BUSINESS ORGANISATIONS IN TANZANIA (COMPANIES)

The candidates were required to write short explanation notes on the following:

- (a) Irredeemable debenture
- (b) A charge
- (c) Any two (2) characteristics of a floating charge.
- (d) Types of company charges compulsory for registration under the law.

Candidates' performance in this question was not satisfactory where all 3 candidates who answered the question failed.

Most of the candidates seemed to have problem in explaining the concepts asked, they failed to explain the concept correctly.

QUESTION 7: THE LAW GOVERNING BUSINESS ORGANISATIONS

The candidates were required to use the given matter/cases to:

- (a) Distinguish a "private company" from a "public company."
- (b) What will be your advice on the matter above?
- (c) Examine the legality of the cases above and provide your legal opinion.

Candidates' performance in this question was satisfactory. Out of 5 candidates who answered the question, 4 (80%) candidates passed while the remaining 1(20%) candidates failed. Out of those who passed 3 (60%) and 1 (20%) candidates scored pass and credit marks respectively. No candidate scored distinction marks in this question.

Some candidates failed to provide a clear distinction between private and public companies. Also some of them failed to demonstrate understanding of the separate legal personality of a company; and variation of class rights when issuing shares to new members.

IV: GENERAL OBSERVATIONS

(a) Assessment of the paper

The panel of examiners found the examination to be fair, well balanced containing both easy and moderate questions which were relevant to the candidates' level and was well within the prescribed syllabus.

(b) Overall Candidates performance

Candidates' performance in this examination paper was satisfactory. Out of 8 candidates who answered the examination, 6 (75%) candidates passed while the remaining 2 (25%) candidates failed. Out of those who passed 5(62.5%) and 1(12.5%) candidates scored pass and credit marks respectively. No candidates scored distinction marks in this examination paper.

The candidate's overall performance in the subject is as shown in Table 4

TABLE 4

A5: CANDIDATE'S PERFORMANCE ANALYSIS

CLASSIFICATION OF MARKS	0-39	40-59	60-79	80-100	TOTAL
NO. OF CANDIDATES (FREQUENCY)	02	05	01	00	08
PERCENTAGE	25	62.5	12.5	0.0	100

B1 FINANCIAL MANAGEMENT

I: PRINCIPAL LEARNING OUTCOME

Principal learning outcome of this examination paper is to test candidates' ability to apply financial management knowledge and skills in valuing various assets as well as businesses; in evaluating investment opportunities; in forecasting and planning financial needs of a firm; in deciding on the level of debt financing to use relative to equity capital; in determining the level of working capital to carry in a business and; in deciding on the share of the earnings after tax between retained earnings and shareholders.

II: STRUCTURE OF THE PAPER

The paper had two sections A and B, with six questions carrying 20 marks each. Candidates were required to answer question one in section A and any other four out of five questions in Section B.

III: TOPICS EXAMINED AND CANDIDATES' PERFORMANCE

The following topics were tested in this paper: -

QUESTION 1: FINANCIAL PLANNING AND FORECASTING, WORKING CAPITAL MANAGEMENT, FINANCIAL GEARING AND CAPITAL STRUCTURE AND COST OF CAPITAL

Candidates were required to use the given information/scenario to:-

- (a) Explain why do you think most financial planning begin with sales forecasts?
- (b) Explain the meaning of 'debt factoring' (accounts receivable factoring), distinguishing between 'with recourse; and 'without recourse' agreement.
- (c) Using Miller and Modigliani's Model in a world with corporate tax, estimate the impact of raising TZS.60,000,000 on Madeni's:
 - (i) Market Value of the Company.
 - (ii) Market Value of Equity

- (d) (i) Estimate the company's cost of equity and cost of debt, using both the dividend valuation model and the Capital Asset Pricing Model (CAPM).
- (ii) Estimate the company's overall capitalization rate, using both the dividend valuation model and the Capital Asset Pricing Model (CAPM).

Candidates' performance in this question was not satisfactory. Out of 60 candidates who answered the question, 12 (20%) candidates passed while the remaining 48 (80%) candidates failed. Out of those who passed 11 (18.3%) and 1 (1.7%) candidates scored pass and credit marks respectively. No candidate scored distinction marks in this question.

Most of the candidates failed to produce and apply the required formular.

QUESTION 2: SHORT, MEDIUM AND LONG TERM FINANCING ALTERNATIVES, WORKING CAPITAL MANAGEMENT AND FINANCIAL GEARING AND CAPITAL STRUCTURE.

Candidates were required to use the given information/scenario to: -

- (a) Discuss five (5) factors which determine the appropriate interest rate for a particular financial instrument.
- (b) Calculate the Net Benefit or Cost of the proposed changes in trade receivables policy and comment on your findings.
- (c) By using Earning Per Share (EPS) concept comment on the best financing alternative among given alternatives assuming tax rate is 50%.

Candidates' performance in this question was satisfactory. Out of 60 candidates who answered the question, 26 (43.3%) candidates scored pass marks while the remaining 34 (56.7%) candidates failed. There were neither credit nor distinction marks in this question.

Some candidates failed to adopt an appropriate framework to evaluate the impact of changes in credit policy on firm's profitability. Most of the candidates could not calculate the EPS under the alternative financing systems.

QUESTION 3: INVESTMENT IN SECURITIES AND THE PORTFOLIO THEORY AND SHORT , MEDIUM AND LONG TERM FINANCING ALTERNATIVES.

Candidates were required to use the given information/scenario to:-

- (a) State any two (2) differences between the two categories of risk.
- (b) Should the manager sell the NiaTel shares? Support your answer with calculations.

- (c) Discuss two (2) sources and characteristics of long-term debt finance which may be available to a corporate firm.
- (d) Calculate the expected return and the standard deviation of the following investment strategies and comment on the best strategy to be adopted by Kaswaki:
- (i) **Investment Strategy No.1**
Committing 50% of available funds to the site in Dar es Salaam and 50 to Nakuru?
- (ii) **Investment Strategy No.2**
Committing 75% of available funds to the site in Dar es Salaam and 25% to Nakuru?
- (e) Assuming Kaswaki investors are risk averse recommend a better investment strategy.

Candidates' performance in this question was satisfactory. Out of 59 candidates who answered the question, 28 (46.7%), candidates passed while the remaining 32 (53.3%) candidates failed. Out of those who passed 18 (30.5%), 7 (11.9%) and 2 (3.4%) candidates scored pass, credit and distinction marks respectively.

Most candidates failed to apply the relevant formula to respond to the requirements.

QUESTION 4: INTRODUCTION TO CORPORATE FINANCIAL DECISION ENVIRONMENT, ISSUE OF NEW CAPITAL AND FINANCIAL PLANNING AND FORECASTING

Candidates were required to use the given information/scenario to:

- (a) (i) Explain how shares are bought and sold in the market
(ii) Explain how shares are valued in the market.
(iii) Discuss the differences between weak form, semi-strong form, and strong form capital market efficiency.
(iv) Discuss the significance of the Efficient Market Hypothesis (EMH) for financial manager.
- (b) Describe the principal advantages of a right issue as a financing alternative and outline how the company should set the price for a right issue to secure the acceptance of shareholders.
- (c) (i) Using the percent of Sales Method forecast the values of the following financial indicators for the year 2022:
- Total Assets
 - Fixed Assets
 - Accounts Receivable
 - Accounts Payable
 - Additional Funds Needed

- (ii) Using Regression Analysis predict the external financing requirements for the TRIPLE D Enterprise in Year 2025.
- (iii) Using Regression Analysis predict the inventory values for the TRIPLE D Enterprise in Year 2025 if the projected sales level in that year is TZS.23 million.

Candidates' performance in this question was not satisfactory. Out of 38 candidates who answered the question only 1 (2.6%) candidate scored pass marks while the remaining 37 (97.4%) candidates failed. There were neither credit nor distinction marks in this question.

Most candidates demonstrated poor computational skills.

QUESTION 5: SHORT, MEDIUM AND LONG TERM FINANCING ALTERNATIVES, WORKING CAPITAL MANAGEMENT AND CAPITAL BUDGETING

Candidates were required to:

- (a) Explain and discuss the key differences between an “operating lease” and a “finance lease.”
- (b)
 - (i) Calculate the Net Present Value (NPV) of investing in the new machine and advise whether the investment is financially acceptable
 - (ii) Calculate the Internal Rate of Return (IRR) of investing in the new machine and advise whether the investment is financially acceptable.
- (c) By using calculations determine the effect of the new system on the Economic Order Quantity (EOQ).

Candidates' performance in this question was not satisfactory. Out of 57 candidates who answered the question, 10 (17.5%) candidates passed while the remaining 47 (82.5%) candidates failed. Out of those who passed 9 (15.8%) and 1 (1.75%) candidates scored pass and credit marks respectively. No candidate scored distinction marks in this question.

Most candidates failed to estimate properly the project's relevant cash flows and also some candidates demonstrate weakness in using the EOQ Model.

QUESTION 6: WORKING CAPITAL MANAGEMENT AND INTRODUCTION TO CORPORATE FINANCIAL DECISION ENVIRONMENT

Candidates were required to:

- (a) Explain three (3) reasons for a company to hold cash.
- (b) Discuss how the interests of the agent and the interests of the principal

- can be aligned.
- (c) (i) Calculate the cash operating cycle of A to Z Co. at the start of January 2021.
(ii) Calculate the overdraft expected at the end of January 2021.
(iii) Calculate the current ratios at the start and end of January 2021.
- (d) In order for Jack Shephard to have sufficient funds in his account to fund his retirement, how much should he deposit annually? (rounded to the nearest figure).

Candidates' performance in this question was not satisfactory. Out of 52 candidates who answered the question only 3 (5.8%) candidate scored pass marks while the remaining 49 (94.2%) candidates failed. There were neither credit nor distinction marks in this question.

Most candidates demonstrated poor computational skills, candidates failed to produce the correct formulae to determine the cash operating cycle, current ratio and annuities.

IV: GENERAL OBSERVATIONS

(a) **Assessment of the Paper**

The panel of examiners found the paper to be quite adequate in terms of the questions examined and time allocated for each question. The panel of markers also found the paper to be well balanced, covering almost eighty percent of the topics in the syllabus. The paper had a good mixture of theoretical and computational questions.

(b) **Candidates' overall performance**

Candidates' performance in this question was satisfactory. Out of 60 candidates who answered the question, 28 (46.7%) candidates scored pass marks while the remaining 32 (53.3%) candidates failed. There were neither credit nor distinction marks in this question

The candidates' over-all performance in the subject is as shown on Table 8.1.1

TABLE 8.1.1

B1 CANDIDATES' PERFORMANCE ANALYSIS

CLASSIFICATION OF MARKS	00-39	40-59	60-79	80-100	TOTAL
NO. OF CANDIDATES (FREQUENCY)	32	28	00	00	60
PERCENTAGE	53.3	46.7	00	00	100

B4 PUBLIC FINANCE AND TAXATION

I: PRINCIPAL LEARNING OUTCOME

Principal learning outcome of this examination paper is to test candidates' ability to apply knowledge of public finance, tax laws and principles in the computation of tax liabilities, preparation and filing of tax returns; and in administering compliance with the tax laws; both in the public sector and in the private sector.

II: STRUCTURE OF THE PAPER

The paper had two sections A and B, with six questions carrying 20 marks each. Candidates were required to answer question one in section A and any other four out of five questions in Section B.

III: TOPICS EXAMINED AND CANDIDATES' PERFORMANCE

The following topics were tested in this paper:

QUESTION 1: COMPUTATION OF TAXABLE INCOME (INDIVIDUALS BUSINESS INCOME)

Candidates were required to;

- (i) Calculate depreciation allowances deductible for the Taka Mando for the year of income 2021.
- (ii) Calculate the chargeable income from business for Taka Mando for the year of income 2021.

Candidates' performance in this question was not satisfactory. Out of 20 candidates who answered the question, 5 (25%) candidates passed while the remaining 15 (75%) candidates failed. Out of those who passed 4 (80%) and 1 (20%) candidates scored pass and credit marks respectively. No candidate scored distinction marks in this question.

Most candidates failed to classify depreciable assets and depreciation methods, also failed to know which expense should be allowed and disallowed.

QUESTION 2: COMPUTATION OF TAXABLE INCOME (EMPLOYMENT INCOME)

Candidates were required to;

- (i) Calculate the chargeable employment income of Editha for the year of income 2021.
- (ii) State the differences you would have in the computations above if Editha was employed in an educational NGO and calculate the resultant chargeable income.

- (iii) State and justify whether or not Editha is required to file a return of income assuming that the data above reflect all her income for the year of income 2021.

Candidates' performance in this question was not satisfactory. Out of 17 candidates who answered the question, 3 (17.65%) candidates passed while the remaining 14 (82.35%) candidates failed. Out of those who passed 1(5.9%) and 2 (11.8%) candidates scored pass and credit marks respectively. No candidate scored distinction marks in this question.

Most of the candidates failed to know which of employment income are exempt if received by government employees.

QUESTION 3: PUBLIC FINANCE AND NATIONAL INCOME (GOVERNMENT BUDGET) AND TAX ADMINISTRATION IN TANZANIA

Candidates were required to;

- (a) Explain the meaning of self-assessment system and state any three (3) arguments to justify the use of such system.
- (b) (i) Determine provisional tax paid on 30th December 2020 (excluding penalties and interests).
- (ii) Would your answer in (i) change had the company received non-final withholding payment on 29th September 2020? If yes why?
- (iii) Compute penalty for failure to file provisional return.
- (c) A fellow student asserted that “of all types of government budget, a surplus is an indicator of the government determination and commitment towards improving the economy and will bring of the people of developing countries in particular”.

REQUIRED:

Explain whether this statement is true or not.

Candidates' performance in this question was satisfactory. Out of 12 candidates who answered the question, 8 (66.7%) candidates passed while the remaining 4(33.3%) candidates failed. Out of those who passed 4 (33.3%) and 1 (33.3%) candidates scored pass and credit marks respectively. No candidate scored distinction marks in this question.

Most candidates failed to calculate provisional tax paid on 30th December 2020.

QUESTION 4: CUSTOMS

Candidates were required to use the given information to:

- (a) Explain the main role of customs and excise department.
- (b) Explain the following terms as used in customs.
 - (i) Manufacturing under bond
 - (ii) Duty draw back
 - (iii) Green channel
 - (iv) Smuggling
- (c) One of the duties that an importer of used vehicles to Tanzania is subjected to is the excise duty due to age, and another one is railway development levy.

REQUIRED:

Comment on how each of the two can serve as a means of redistribution of income.

- (d) Discuss on the extent to which import duties can be used to discourage importation of commodities that the state considers undesirable.

Candidates' performance in this question was satisfactory. Out of 16 candidates who answered the question, 12 (75%) candidates passed while the remaining 4(25%) candidates failed. Out of those who passed 5 (31.25%) and 7(43.75%) candidates scored pass and credit marks respectively. No candidate scored distinction marks in this question.

Most of the candidates failed to know key functions of customs and excise department, and some candidates failed to explain the key terms.

QUESTION 5: PUBLIC FINANCE AND NATIONAL INCOME(THEORETICAL CONCEPTS OF TAXATION,PUBLIC EXPENDITURE AND FISCAL AND MONETARY POLICY)

Candidates were required to use the given information to:

- (a)
 - (i) Briefly explain four (4) canons of taxation according to Adam Smith.
 - (ii) With reference to any tax law in Tanzania, explain the extent to which canons/principles of taxation have shaped tax system in Tanzania.
 - (iii) Discuss two (2) factors which indicate that principles of taxation are not always followed in Tanzania.
- (b) Discuss three (3) arguments against foreign aids in developing countries.
- (c) Explain any five (5) determinants of the size of government expenditure.
- (d) Explain any two (2) objectives of fiscal policy.

Candidates' performance in this question was satisfactory. Out of 17 candidates who answered the question only 13 (76.5%), candidates passed while the remaining 4 (23.5%) candidates failed. Out of those who passed 6 (35.3%), 2 (11.8%) and 5 (29.4%) candidates scored pass, credit and distinction marks respectively.

Most of candidates failed to know the four canons of taxations according to Adam Smith, mixed with other and expanded canons/principles of good tax system.

QUESTION 6: VALUE ADDED TAX

Candidates were required to use the given information to:

- (a) (i) Based on the above scenario, what is the tax point for Value added Tax (VAT) purpose?
- (ii) Briefly explain the significance of determining tax point from both consultant and client perspectives.
- (b) (i) With reasons, explain if Tanzania Revenue Authority (TRA) was right to deny KM from claiming the input tax credit which was actually incurred by KM in January 2021.
- (ii) Compute net VAT payable for November 2021.

Candidates' performance in this question was satisfactory. Out of 18 candidates who answered the question, 14 (77.8%) candidates passed while the remaining 4 (22.2%) candidates failed. Out of those who passed 7(38.9%), 6 (33.3%) and 1 (5.6%) candidates scored pass, credit and distinction marks respectively.

Most of the candidates failed to pinpoint the tax point and most of them failed to know which of transactions are exempt or taxable.

IV: GENERAL OBSERVATIONS

(a) Assessment of the Paper

The panel of examiners found the paper to be quite adequate in terms of the questions examined and time allocated for each question. The panel of markers also found the paper to be well balanced with excellent spread of the topics in the syllabus. The paper had a good mixture of theoretical and computational questions.

(b) Candidates' overall performance

Candidates' performance in this question was satisfactory. Out of 20 candidates who answered the question, 12 (60%) candidates scored pass marks while the remaining 8 (40%) candidates failed. There were neither credit nor distinction marks in this question.

The candidates' over-all performance in the subject is as shown on Table8.1.7

TABLE 8.1.7

B4 CANDIDATES' PERFORMANCE ANALYSIS

CLASSIFICATION OF MARKS	00-39	40-59	60-79	80-100	TOTAL
NO. OF CANDIDATES (FREQUENCY)	8	12	00	00	20
PERCENTAGE	40	60	00	0.0	100

B5 PERFORMANCE MANAGEMENT

I: PRINCIPAL LEARNING OUTCOME

Principal learning outcome of this examination paper is to test candidates' ability to apply knowledge and skills of financial and non-financial data analysis in providing information and decision support to management for decision-making, performance evaluation, and control.

II: STRUCTURE OF THE PAPER

The paper had two sections A and B, with six questions carrying 20 marks each. Candidates were required to answer question one in section A and any other four out of five questions in Section B

III: TOPICS EXAMINED AND CANDIDATES' PERFORMANCE

The following topics were tested in this paper:

QUESTION 1: DECISIONS-MAKING TECHNIQUES AND BUDGETARY PLANNING AND CONTROL

Candidates were required to use the given information to:

- (a) (i) Calculate the expected money value of each product and on the basis of this advice KICOLI on the appropriate course of action.
- (ii) Comment on three (3) factors which may be relevant in a practical situation to the final choice between the three (3) available courses of actions.
- (b) Discuss the difficulties encountered when budgeting in public sector organizations compared with budgeting in private sector organizations.

Candidates' performance in this question was not satisfactory. Out of 71 candidates who answered the question only 5 (7.04%) candidates passed while the remaining 66 (92.96%) candidates failed. Out of those who passed 1 (1.41%), 3 (4.23%) and 1 (1.41%) candidates scored pass, credit and distinction marks respectively.

Most of the candidates failed to calculate the Expected Monetary Value (EMV) by not considering the use of profit (contribution) from each condition which will be multiplied by respective probability given. And some of them failed to clearly distinguish budgeting in private sector and public sector considering the nature of each.

QUESTION 2: STANDARD COSTING AND VARIANCES ANALYSIS

Candidates were required to use the given information to:

- (a) Produce an operating statement reconciling actual and budgeted profit using appropriate variances.
- (b) Assuming now that the company uses absorption costing, recalculate the fixed production overhead variances in sufficient details.
- (c) Discuss possible causes for the labour variances you have calculated.

Candidates' performance in this question was satisfactory. Out of 56 candidates who answered the question, 33 (58.93%) candidates passed while the remaining 23 (41.07%) candidates failed. Out of those who passed 17(30.36%), 15 (26.79%) and 1 (1.79%) candidates scored pass, credit and distinction marks respectively.

Some candidates failed to use correct formular in calculating some variances.

QUESTION 3: BUDGETARY PLANNING AND CONTROL

Candidates were required to use the given information to:

- (a)
 - (i) Prepare a flexed budget for the Sanawa outlet.
 - (ii) With reference to your answer from part (i), explain the main weaknesses in the current monthly budget statements issued to the outlets as a basis for managing performance
- (b) Discuss whether an incremental approach to budgeting is appropriate for DPC.
- (c) Explain participative approach to budgeting and potential advantages and disadvantages of introducing this approach at DPC.

Candidates' performance in this question was satisfactory. Out of 57 candidates who answered the question, 38 (66.67%) candidates passed while the remaining 19 (33.33%) candidates failed. Out of those who passed 16(28.07%), 18 (31.58%) and 4 (7.01%) candidates scored pass, credit and distinction marks respectively.

QUESTION 4: COST ACCOUNTING TECHNIQUES AND PERFORMANCE MEASUREMENT AND CONTROL

Candidates were required to use the given information to:

- (a) (i) Prepare the budgeted profit and loss account for the month for Obonyi Limited using absorption costing. Clearly show the valuation of any stock figures.
- (ii) Prepare the budgeted profit and loss account for the month for Obonyi Limited using marginal costing. Clearly show the valuation of any stock figure.
- (b) Calculate and comment on the return on divisional investment, before and after the new investment.

Candidates' performance in this question was satisfactory. Out of 66 candidates who answered the question, 42 (63.64%) candidates passed while the remaining 24 (36.36%) candidates failed. Out of those who passed 24(36.37%), 12 (18.18%) and 6 (9.1%) candidates scored pass, credit and distinction marks respectively.

Most of Candidates failed to calculate return on divisional investment after new investment was done.

QUESTION 5: PERFORMANCE MEASUREMENT AND CONTROL

Candidates were required to use the given information to:

- (a) For each perspective of a balanced scorecard, select the appropriate Critical Success Factors (CSF) which relate to the perspective, suggest ONE Key Performance Indicator (KPI) which will help to measure the CSF and use the KPI to analyze GSCC's performance from 2019 to 2021.
- (b) Explain benefits to an organization such as GSCC for using balanced scorecard to measure performance instead of relying solely on financial measures like profitability.

Candidates' performance in this question was satisfactory. Out of 35 candidates who answered the question, 20 (57.14%) candidates passed while the remaining 15(42.86%) candidates failed. Out of those who passed 11 (31.43%) and 9(25.71%) candidates scored pass and credit marks respectively. No candidate scored distinction marks in this question.

QUESTION 6: BUDGETARY PLANNING AND CONTROL AND DECISION MAKING TECHNIQUES

Candidates were required to use the given information to:

- (a) Briefly explain any six (6) functions of a budget.

- (b) With practical examples, explain how can a Non-Profit Organization (NPO) use Cost-Volume-Profit (CVP) analysis model.
- (c) Briefly explain any seven (7) factors influencing pricing decision in a typical organization.
- (d) Explain how controllability principle is used in the divisional performance measurement.

Candidates' performance in this question was satisfactory. Out of 70 candidates who answered the question, 63(90%) candidates passed while the remaining 7 (1%) candidates failed. Out of those who passed 22(31.43%), 37 (52.86%) and 4 (5.71%) candidates scored pass, credit and distinction marks respectively.

IV: GENERAL OBSERVATIONS

(a) Assessment of the Paper

The panel of examiners found the paper to be quite adequate in terms of the question examined and time allocated for each question. The panel of markers also found the paper to be well balanced. The paper had a good mixture of theoretical and computational questions.

(b) Candidates' overall performance

Candidates' performance in this question was satisfactory. Out of 71 candidates who answered the question, 46 (64.8%) candidates scored pass marks while the remaining 25 (35.2%) candidates failed. There were neither credit nor distinction marks in this question.

The candidates' over-all performance in the subject is as shown on table 8.1.9.

TABLE 8.1.9
B5 CANDIDATES' PERFORMANCE ANALYSIS

CLASSIFICATION OF MARKS	00-39	40-59	60-79	80-100	TOTAL
NO. OF CANDIDATES (FREQUENCY)	25	46	00	00	71
PERCENTAGE	35.2	64.8	00	00	100

C1 CORPORATE REPORTING

I: PRINCIPAL LEARNING OUTCOME

Principal learning outcome of this paper is to test candidates' ability to financial reporting standards and corporate law in preparing, analyzing and evaluating corporate reports by entities, both in the private and public sectors.

II: STRUCTURE OF THE QUESTION PAPER

This examination paper comprised two sections with six questions. Candidates were required to answer four questions. Question one which carried 40 % of the totalmarks was compulsory

III: TOPICS EXAMINED AND CANDIDATES' PERFORMANCE

In this paper, topics examined and candidates' performances were as follows:

QUESTION 1: FINANCIAL STATEMENTS OF GROUP ENTITIES

Candidates were required to use the given information to:-

Prepare the Consolidated Statement of Profit or Loss and Other Comprehensive Income for the Zebra Group for the year ended 30 June 2021.

Candidates' performance in this question was not satisfactory. Out of 97 candidates who answered the question only 5 (5.2%) candidates scored pass marks while the remaining 92 (94.8%) candidates failed. There were neither credit nor distinction marks in this question.

Most of the candidates failed to understand the general concept of consolidation process from goodwill determination to consolidating a subsidiary which changed during the year.

QUESTION 2: FINANCIAL AND BUSINESS ANALYSIS AND REPORTING THE FINANCIAL PERFORMANCE OF ENTITIES (INCOME TAX)

Candidates were required to use given information to: -

(a) (i) Comment on the above four (4) (i.e. 3 (i) - (vi) observations of the CEO.

(ii) Using the above financial statements, calculate the following ratios for Kizota Co. for the years ended 31 March 2021 and 31 March 2020 and comment on the Comparative Performance:

- a. Return On Capital Employed (ROCE)
- b. Net asset turnover
- c. Gross profit margin
- d. Operating profit margin

- (b) (i) How temporary differences are identified as taxable or deductible temporary differences?
- (ii) Discuss, with suitable computations, how the situations (1) to (4) above will impact on the accounting for deferred tax under *IAS 12: Income Tax* in the consolidated financial statements of Pandambili.

Candidates' performance in this question was not satisfactory. Out of 84 candidates who answered the question only 22 (27.4%) candidates passed while the remaining 61 (72.6%) candidates failed. Out of those who passed 22 (26.2%) and 1 (1.2%) candidates scored pass and credit marks respectively. No candidate scored distinction marks in this question.

Most candidates failed to account for the deferred tax.

QUESTION 3: REPORTING THE FINANCIAL PERFORMANCE OF ENTITIES, FINANCIAL INSTRUMENTS (IAS 32), GOVERNMENT GRANT (IAS 20); AND PRESENTATION OF ACCOUNTS AND DISCLOSURE-RELATED PARTY DISCLOSURE

Candidates were required to use use given information to:

- (a) Discuss the correct accounting treatment of the above transactions for the year ended 31 March 2020 and 31 March 2021.
- (b) Discuss In accordance with IAS 24: Related Party Disclosures, identify and explain the related parties in the above scenario.
- (c) Describe the accounting treatment of the above events as per IFRS 9 *Financial Instruments* for the year ended 31 July 2021.

Candidates' performance in this question was satisfactory. Out of 90 candidates who answered the question, 41(45.6%) candidates passed while the remaining 49 (54.4%) candidates failed. Out of those who passed 21(23.3%), 15 (16.7%) and 5 (5.6%) candidates scored pass, credit and distinction marks respectively.

Most of the candidates failed to understand the concept of related parties as per IAS 24 and concept of the accounting for grant and financial Instrument.

QUESTION 4: SHARE BASED PAYMENT(IFRS 2) AND EMPLOYEES BENEFIT (IAS 19)

Candidates were required to use the given information to:

- (a) Identify and briefly explain the three types of share-based payments recognized by *IFRS 2: Share Based Payment*.
- (b) Provide reasons as to why accounting standard setters felt that there was a need for a standard in the area of share-based payments.

- (c) Produce extracts, with supporting explanations from the Statements of Financial Position at 31 March 2018 and 2019 and from the Statements of Profit or Loss for the years ended 31 March 2018 and 2019 that show how transactions will be reflected in the financial statements of Omega.
- (d) Calculate the net actuarial gain or loss and net pension asset or liability that will be included in Pwagu Ltd's financial statements for the year ended 31 March 2021, in accordance with *IAS 19: Employees Benefits*.

Candidates' performance in this question was satisfactory. Out of 87 candidates who answered the question, 44(50.6%) candidates passed while the remaining 43 (49.4%) candidates failed. Out of those who passed 17(19.5%), 18 (20.7%) and 9(10.3%) candidates scored pass, credit and distinction marks respectively.

QUESTION 5: IFRS 5: NON-CURRENT ASSET, IFRS 3: BUSINESS COMBINATION, IAS 38: INTANGIBLE ASSET, IAS 32: FINANCIAL INSTRUMENT, IAS 10, IAS 40, IAS 16 AND IAS 23.

Candidates were required to use the give information to: -

- (a) Advise Kifula on how the above transactions should be correctly dealt with in its financial statement with reference to relevant International Financial Reporting Standards (IFRSs).
- (b)
 - (i) In accordance with *IAS 38: Intangible Assets*, advise the management of Omicron on how the intangible assets would be accounted for in the year ended 30 June 2021.
 - (ii) Prepare extracts from the Statement of Financial Position of Omicron Pharmaceutical Company Ltd as at 30 June 2021 relating to above items.
- (c) Advise the management of Kakakuona Plc on how the transactions would be accounted for in the year ended 31 March 2021.

Candidates' performance in this question was not satisfactory. Out of 76 candidates who answered the question only 1 (1.3%) candidates scored pass marks while the remaining 75(98.7%) candidates failed. There were neither credit nor distinction marks in this question.

QUESTION 6: ACCOUNTING POLICY, CHANGES IN ACCOUNTING ESTIMATES AND ERRORS:(IAS 37) AND IAS 12: INCOME TAX.

Candidates were required to use the given information to:

- (a)
 - (i) Explain circumstances which lead a company to change its accounting policies.
 - (ii) Prepare relevant extract of Statement of Financial Position after correction of errors and adoption of new accounting estimates (including comparative figures) for the year ended 30 June 2019.

- (b) (i) Calculate the corporate income tax liability for the year ended 31 December 2018.
- (ii) Calculate the deferred tax balance that is required in the Statement of Financial Position as at 31 December 2018.
- (iii) Prepare a note showing the movement on the deferred tax account and thus calculate the deferred tax charge for the year ended 31 December 2018.
- (iv) Prepare Statement of Profit or Loss note which shows the compilation of the tax expense for the year ended 31 December 2018.
- (v) Prepare a note to reconcile the product of the accounting profit and the tax rate to the tax expense for the year ended 31 December 2018.

Candidates' performance in this question was not satisfactory where all 51 candidates who answered the question failed.

Most of candidates did not prepare well with IAS 12: Income taxes which contribute well to their failures.

IV: GENERAL OBSERVATIONS

(a) **Assessment of the Examination**

The panel of examiners found that the question had an appropriate mixture of questions, the distribution of marks and the time allocated was adequate. The paper had easy and difficult questions which were all within the prescribed syllabus.

(b) **Candidates' overall performance of the paper**

Candidates' performance in this examination paper was satisfactory. Out of 97 candidates who answered the examination, 46 (47.4%) candidates passed while the remaining 51 (52.6%) candidates failed. Out of those who passed 45(46.4%) and 1 (1%) candidates scored pass and credit marks respectively. No candidates scored distinction marks in this examination paper.

The candidates' over-all performance in the subject is as shown on table 9.1.1

**TABLE 9.1.1
C1 CANDIDATES' PERFORMANCE ANALYSIS**

Classification of Marks	0-39	40-59	60-79	80-100	Total
No. of Candidates (Frequency)	51	45	01	00	97
Percentage	52.6	46.4	1.0	0.0	100

C3 BUSINESS AND CORPORATE FINANCE:

I: PRINCIPAL LEARNING OUTCOME

Principal learning outcome of this paper is to test candidates' ability to apply business and financial theories, concepts and analytical frameworks in evaluating and assessing business strategy, business and financing options as well as financial engineering products and provide advice based on such assessments.

II: STRUCTURE OF THE QUESTION PAPER

This examination paper comprised two sections with six questions. Candidates were required to answer four questions. Question one carried 40% of the total marks was compulsory

III: TOPICS EXAMINED AND CANDIDATES' PERFORMANCE

In this paper, topics examined and candidates' performances were as follows:

QUESTION 1: GLOBAL BUSINESS ENVIRONMENT(MERGERS AND ACQUISITION); FINANCIAL ENGINEERING & PLANNING

Candidates were required to use given information to: -

- (a) (i) Suggest how Chui's Managing Director might have calculated post-acquisition values.
- (ii) Write a short report suggesting a probable post-acquisition share price and advising shareholders in both Chui Ltd and Swala Ltd on whether the bid should proceed.
- (iii) Explain how this new information would affect your estimate of probable post-acquisition share price, and comment on how it might affect Swala Ltd's bargaining position.
- (b) (i) Briefly explain the put-call parity concept.
- (ii) Discuss any three (3) implications of the put-call parity in option pricing.

Candidates' performance in this question was not satisfactory. Out of 136 candidates who answered the question only 01 (1%) candidates passed while the remaining 135 (99%) candidates failed. There were neither credit nor distinction marks in this question.

The implications of put-call parity is not understood by many. Others failed to write/structure the report.

QUESTION 2: INTERNATIONAL INVESTMENT APPRAISAL, GLOBAL BUSINESS ENVIRONMENT

Candidates were required to use the given information to: -

- (a) (i) Determine the net repatriated cash flow for the five years.
(ii) Evaluate the proposed project based on the Net Present Value (NPV).
- (b) (i) Explain the meaning and essence of due diligence.
(ii) Briefly discuss any four (4) items that should be considered when carrying out due diligence.

Candidates' performance in this question was satisfactory. Out of 106 candidates who answered the question, 49 (46%) candidates passed while the remaining 57 (54%) candidates failed. Out of those who passed 38(36%) and 11 (10%) candidates scored pass and credit marks respectively. No candidate scored distinction marks in this question.

Most candidates failed through analysis of all relevant cash flows to be used in the analysis.

QUESTION 3: INTERNATIONAL DIVERSIFICATION AND THE INTERNATIONAL CAPITAL ASSET PRICING MODEL AND BUSINESS VALUATION

Candidates were required to use the given information to:

- (a) (i) Explain the meaning and essence of international portfolio diversification.
(ii) Discuss any four (4) barriers to international portfolio diversification.
- (b) (i) The value of FSK company using the price/earning ratio method. Comment on the growth prospect of the company based on price/earning.
(ii) The value of FSK company using the dividend growth model, assuming that the cost of equity is 13% and a dividend growth rate is 4.5%.
(iii) The amount of Economic Value Added (EVA) and recommend on whether FSK will increase the value of shareholders or not if its net assets is TZS.2,250,000. Use the Weighted Average Cost of Capital (WACC) as 10%.

Candidates' performance in this question was satisfactory. Out of 131 candidates who answered the question, 91 (69%) candidates passed while the remaining 40 (31%) candidates failed. Out of those who passed 73 (56%), 17

(13%) and 1 (1%) candidates scored pass, credit and distinction marks respectively.

Most candidates failed to do valuation using the Economic Value Added Approach (EVA).

QUESTION 4: INTERNATIONAL PARITY RELATIONSHIP AND EXCHANGE RATE FORECASTING AND MANAGING RISK

Candidates were required to use the given information to: -

- (a) (i) Explain the meaning, causes and possible mitigation measure of each of the two risks mentioned above.
- (ii) Briefly comment on the view held by the second director.
- (b) Explain the main activities involved in fundamental forecasting of exchange rates.
- (c) Determine if there is arbitrage opportunity and explain how an arbitrageur might profit from it.

Candidates' performance in this question was satisfactory. Out of 122 candidates who answered the question, 73 (60%) candidates passed while the remaining 49 (40%) candidates failed. Out of those who passed 53 (43%) and 20 (17%) candidates scored pass and credit marks respectively. No candidate scored distinction marks in this question.

Most candidates failed to explain the main activities involved in fundamental forecasting of exchange rates.

QUESTION 5: BUSINESS VALUATION CONCEPTS AND APPLICATION(BOND ANALYSIS) AND FINANCIAL ENGINEERING AND PLANNING

Candidates were required to use the given information to: -

- (a) (i) Estimate the Macaulay duration of each of the two bonds GNT Company is considering for investment.
- (ii) Explain why the durations are similar or different.
- (b) Explain how options based on financial assets are used in portfolio management.
- (c) (i) Advise Explain, with reasons, the decision to be made for each option at expiration.
- (ii) Calculate the profit or loss that the investment bank will make after closing the positions.

Candidates' performance in this question was satisfactory. Out of 97 candidates who answered the question, 43 (44.3%) candidates passed while the remaining 54 (55.7%) candidates failed. Out of those who passed 30 (69.8%) and 13 (30.2%) candidates scored pass and credit marks respectively. No candidate scored distinction marks in this question.

Candidates failed to explain the application of option in portfolio management.

QUESTION 6: BUSINESS VALUATION CONCEPTS AND APPLICATION AND FINANCIAL ENGINEERING AND PLANNING

Candidates were required to use the given information to: -

- (a) (i) Briefly explain the difference between “crypto currency” and the “conventional (fiat) currency”.
- (ii) Discuss any four (4) advantages of using crypto currency system over the use of fiat currency.
- (b) Determine the conversion value of the bond.
- (c) By making appropriate calculations, decide which of the following hedges is most attractive to Carrycan plc:
 - (i) Forward market (i.e. forward exchange contract)
 - (ii) Money market.
 - (iii) Currency options.

Candidates' performance in this question was satisfactory. Out of 88 candidates who answered the question, 41 (46.6%) candidates passed while the remaining 47 (53.4%) candidates failed. Out of those who passed 32 (78%) and 9 (22%) candidates scored pass and credit marks respectively. No candidate scored distinction marks in this question.

Most candidates failed to compute conversion value of the bond and in application of hedging using the money market and currency option.

IV: GENERAL OBSERVATIONS

(a) Assessment of the Examination

The panel of examiners found that the question had an appropriate mixture of questions, the distribution of marks and the time allocated was adequate. The paper had easy and difficult questions which were all within the prescribed syllabus.

(b) Candidates' overall performance of the paper

Candidates' performance in this question was satisfactory. Out of 136 candidates who answered the question, 79 (58.1%) candidates scored pass marks while the remaining 57 (41.9%) candidates failed. There were neither credit nor distinction marks in this question.

The candidates' over-all performance in the subject is as shown on table 9.1.5.

TABLE 9.1.5

C3 CANDIDATES' PERFORMANCE ANALYSIS

Classification of Marks	0-39	40-59	60-79	80-100	Total
No. of Candidates (Frequency)	57	79	00	00	136
Percentage	41.9	58.1	00	0.0	100

C4 ADVANCED TAXATION

I: PRINCIPAL LEARNING OUTCOME

Principal learning outcome of this paper is to test candidates' ability to apply knowledge of public finance, tax laws and financial reporting standards and corporate law in preparing, analyzing and evaluating corporate reports by entities, both in the private and public sectors.

II: STRUCTURE OF THE QUESTION PAPER

This examination paper comprised two sections with six questions. Candidates were required to answer four questions. Question one carried 40% of the total marks was compulsory.

III: TOPICS EXAMINED AND CANDIDATES' PERFORMANCE

In this paper, topics examined and candidates' performances were as follows: -

**QUESTION 1: VALUE ADDED TAX AND INTERNATIONAL TAXATION
(TAXATION OF PERMANENT ESTABLISHMENTS)**

Candidates were required to use the given information of the company to: -

- (a) Compute VAT while payable/repayable if the above transactions were with respect to the month of August 2021. Assume that, the above trader is registered for VAT.
- (b) Comment on whether the company will have a permanent establishment in Tanzania or not.

Candidates' performance in this question was satisfactory. Out of 26 candidates who answered the question, 23 (88.46%) candidates passed while the remaining 3 (11.54%) candidates failed. Out of those who passed 6 (26.08%), 11 (47.83%) and 6 (26.08%) candidates scored pass, credit and distinction marks respectively.

Those who failed were unable to clarify the supplies into taxable and exempt and other failed to use tax function.

QUESTION 2: INTERNATIONAL TAXATION

Candidates were required to use the given information to: -

- (a) Briefly explain concept of international taxation
- (b) Discuss any three (3) objectives of tax laws to have provisions relating to international taxation.
- (c) What are any ten (10) broader issues that tax laws might consider in setting bases for international taxation?

Candidates' performance in this question was satisfactory. Out of 15 candidates who answered the question, 11 (73.33%) candidates passed while the remaining 4 (26.67%) candidates failed. Out of those who passed 7 (63.64%) and 4 (36.36%) candidates scored pass and credit marks respectively. No candidate scored distinction marks in this question.

Poor understanding of international taxation concept to some candidates.

QUESTION 3: TAXATION OF PARTNERSHIP

Candidates were required to use the given information to: -

Compute adjusted Partnerships' business chargeable income and partners' shares of income for the year of income 2021.

Candidates' performance in this question was satisfactory. Out of 21 candidates who answered the question, 19 (90.47%) candidates passed while the remaining 2 (9.52%) candidates failed. Out of those who passed 10 (52.63%) and 9 (47.36%) candidates scored pass and credit marks respectively. No candidate scored distinction marks in this question.

Most of the candidate failed in computation of depreciation allowance particularly classification of assets. Also partners' shares of income distribution was difficult to many.

QUESTION 4: TAXATION OF RETIREMENT FUND

Candidates were required to use the given information to: -

- (a) Determine Total Income of Mafao Social Security Fund for the year of income 2021.

- (b) (i) Compute the income tax recovered by the Commissioner due to withdrawal of approval.
- (ii) Compute the total income tax payable by the fund in the year of income 2021.
- (c) Explain how the gain realized by a person in respect of his interest in an unapproved retirement fund is determined and taxed.

Candidates' performance in this question was satisfactory. Out of 19 candidates who answered the question, 7(36.84%) candidates passed while the remaining 12(63.16%) candidates failed. Out of those who passed 5 (71.43%) and 2 (28.57%) candidates scored pass and credit marks respectively. No candidate scored distinction marks in this question.

Most of the candidates did not know computation of the income tax if the approval is withdrawn.

QUESTION 5: TAXATION OF CHARITABLE BUSINESS AND TAXATION OF CONTROLLED FOREIGN CORPORATIONS AND TRUSTS

Candidates were required to use the given information to: -

- (a) (i) What do you think is the possible justification of such a rule?
- (ii) Differentiate between charitable business and non-charitable business of a charitable organization.
- (b) (i) Comment on the possible justification for performing such a test.
- (ii) Discuss the treatment of the resulting excess or deficit from such a test.
- (c) (i) What is the additional requirement for a charitable organization that cease from being charitable?
- (ii) What is the justification of imposing such additional requirements for a charitable organization that cease from being charitable?
- (d) Calculate Azania plc income tax payable for the year of income

Candidates' performance in this question was satisfactory. Out of 23 candidates who answered the question, 10 (43.47%) candidates scored pass marks while the remaining 13 (56.53%) candidates failed. There were neither credit nor distinction marks in this question.

Most candidates did not know justification of testing if the income generated out of such non-charitable functions exceeds the resources contributed towards such functions. Also they did not know treatment of charity if it ceases to be charitable.

QUESTION 6: TAX ADMINISTRATION

Candidates were required to use the given information to: -

- (a) Explain the causes of tax disputes and recommend measures that can be undertaken to reduce tax disputes.
- (b) Calculate the penalties and interest to be paid, if any, as per tax laws in the country.

Candidates' performance in this question was satisfactory. Out of 25 candidates who answered the question, 20 (80%) candidates passed while the remaining 5 (20%) candidates failed. Out of those who passed 9 (45%), 6 (30%) and 5 (25%) candidates scored pass, credit and distinction marks respectively.

Some candidates failed to recognize tax payable from taxable income and some did not know when penalties is payable and interest is chargeable. And some failed to count duration of non-compliance.

IV: GENERAL OBSERVATIONS

- (a) **Assessment of the Examination**
The panel of examiners found that the question had an appropriate mixture of questions, the distribution of marks and the time allocated was adequate. The paper had easy and difficult questions which were all within the prescribed syllabus.
- (b) **Candidates' overall performance of the paper**
Candidates' performance in this examination paper was satisfactory. Out of 26 candidates who answered the examination, 23 (88.5%) candidates passed while the remaining 3 (11.5%) candidates failed. Out of those who passed 22 (84.6%) and 1 (3.9%) candidates scored pass and credit marks respectively. No candidates scored distinction marks in this examination paper.

The candidates' over-all performance in the subject is as shown on table 9.1.7

TABLE 9.1.7

C4 CANDIDATES' PERFORMANCE ANALYSIS

Classification of Marks	0-39	40-59	60-79	80-100	Total
No. of Candidates (Frequency)	03	22	01	00	26
Percentage	11.5	84.6	3.9	0.0	100

xxxxxx