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# Hello!

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# REVIEW OF PAST EXAMS (Dec 2007 – Dec 2008)

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The objective of this presentation is to review the performance of F6 LSO candidates for the last 3 examination sessions (Dec 2007-Dec 2008). The presentation will focus on specific issues encountered in each of the sessions.

## OVERALL PERFORMANCE

- Pass rate in Lesotho was comparable with the global pass rate in June 2008, only very slightly lower
- Significantly lower than global pass rate in December 2007 and December 2008

In general, the overall performance has never been satisfactory. In comparison with the global pass rate, it was very slightly lower in June 2008 and significantly lower in December 2007 and December 2008. There are a number of reasons contributing to this poor performance. These include among other things, inability to carefully read and understand the question and failure to attempt all the questions.

# What was done well?

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Each of the examination sessions will however be reviewed individually. Areas of the examination where candidates did well and where they did not do well will be highlighted. Candidates will also be advised on what to focus on to improve their performance.

# What wasn't done well?

## December 2007

- Questions 1 and 2 were well answered.
- Tax treatment on long term contracts was correctly dealt with
- Pooling method of depreciation was a problem
- Calculation of PAYE was incorrect for many candidates
- Use of previous corporation tax rate resulted in reduced marks
- Branch taxation was a problem

Questions 1 and 2 were generally well answered by most candidates. However, there were some common errors which resulted in reduced marks. The notable problem areas in question 1 were the calculations for depreciation using pooling method and pay as you earn (PAYE). Candidates seemed to have a problem with the formula for pooling method of depreciation. The PAYE posed a problem as most candidates seemed to not be aware of the correct procedure.

In question 2 some candidates wrongly used the previous corporation tax rate even though the applicable rate was given in the question paper. The wrong tax rate affects not only the calculations for corporation tax liability but also the advance corporation tax (ACT) liability. In the same question, the calculations for repatriated profits were also incorrect.

- Question 3, 4 & 5 were not well answered
- Failure to answer narrative questions e.g. Question 3
- Wrong calculations for fringe benefits tax due to incorrect apportionment
- Calculation of chargeable gains and losses not correctly dealt with.

Question 3, 4 and 5 were not well answered. The requirement for question 3 was in two folds. There were narrative and computational types of questions with approximately 50:50 marks allocated to each type. In most cases, narrative parts were either omitted or incomplete. Some candidates seemed not to know the difference between input and output value added tax (VAT).

Question 4 dealt with fringe benefits tax (FBT). The tricky part seemed to be the apportionment of fringe benefits. In question 5, most candidates demonstrated lack of understanding in basic aspects involved in the calculations of chargeable gains and losses, particularly, the application of indexation rule.



## June 2008

- Questions 1, 2 & 3 were well answered
- Calculation of notional chargeable income was incorrect due to omission of salaries and 15% superannuation fund contributions in question 4
- Omission of wages and salaries, deduction for superannuation fund contributions and foreign tax credit (where appropriate) when calculating partners' tax liability in question 4
- Inappropriate layout of answers resulted in reduced marks in question 5

Questions 1, 2 and 3 were well answered by most candidates. There were some candidates who score low marks but achieved an overall mark because of these first three questions.

Questions 4 and 5 were not well answered by most candidates. In question 4, calculations for notional chargeable income were incorrect in most answers. The common errors identified included omissions of salaries payable and 15% superannuation fund contributions by the partnership to the partners. These resulted in inaccurate distributive shares of partnership income to the individual partners. Again, salaries payable to the partners were excluded in the calculations of individual partner's chargeable income. On the same note, deductions for superannuation fund contributions by partners and foreign tax credit were also excluded when calculating partner's tax liability.

In question 5, inappropriate layout of answers resulted in reduced marks. Candidates should learn to deduct expenses against relevant sources of income.

## December 2008

- Questions 1 and 3 were well answered
- There was a problem in answering 1(a)
- Questions 2, 4 and 5 were badly answered
- The reconciliation part in question 2 was not well understood
- Question 4 involved a lot of theory, was not well attempted
- Calculation of chargeable income was a problem
- Application of incorrect withholding tax rates in question 5 resulted in reduced marks

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Questions 1 and 3 were well answered. However, there was more confusion in 1(a) regarding types of income or benefits excluded from the calculation of chargeable employment income.

Questions 2, 4 and 5 were badly answered. The reconciliation part in question 2 was not well understood. Rather than reconciling the profit for the year and the chargeable income, most candidates wasted a lot of time re-calculating the chargeable income.

In question 4, the calculation of chargeable gain for the new partner to the partnership was incorrect in most answers, and as such resulted in wrong tax payable. On the narrative part of the question most candidates failed to explain the tax treatment when the new partner's interest in the partnership is over and below 50%.

Question 5 involved withholding taxes. Three problems surfaced in this question. Most candidates demonstrated confusion regarding application of correct withholding tax rates. Some of them failed to explain the reason for withholding tax. Again there seemed to be a general lack of knowledge relating to applicable penalties for failure to withhold tax by withholding tax agents.

# LESSONS LEARNED

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- On average pass mark is often achieved in question 2 and to some extent in question 1.
- Good performance in first two questions badly affected by poor performance in the last three questions

It has been observed that on average candidates achieve a pass mark in question 2 and to some extent in question 1. However, most of them seem to score very low marks in the last three questions due to failure to read the question, omissions and provision of incomplete answers. All these result in poor overall performance. This implies that too much of their time and effort is devoted on certain areas of the syllabus.

# What to focus on?

- Cover all the topics covered in the syllabus
- Revise effectively
- Use past papers for question practice as a method of revision

As a way forward, tuition providers should advise candidates to revise all the topics covered in the syllabus effectively. This will help the candidates to be in the position to attempt all the questions set for examination, and to provide quality answers, it be computational or narrative. They should learn to understand the basic principles of different topics covered in the syllabus. Use of past examination papers under examination conditions as a method of effective revision can contribute positively towards candidates' performance. While they are using past examination questions, they should be advised that these are for revision purposes not to reproduce the same answers even where they are irrelevant during examination.

# HOW TO IMPROVE?

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- Learn to read and understand the question before attempting i.e. in December 2007 question 4(a) calculations for FBT were for one month instead of 12 months.
- Attempt all the questions including narrative parts i.e. in December 2008 question 3, the explanation part was often ignored.
- Learn to score easy marks i.e. There is always one mark for stating due date in most questions. This is often ignored.
- All workings must be shown and clearly labeled

The performance for most candidates can improve if they can learn to read and understand the questions before attempting. For instance, in December 2007 question 4(a) calculations for FBT were for one month but most candidates provided calculations for 12 months because they failed to read the question carefully.

It is also crucial to attempt all the questions including narrative parts. This is possible if effective revision can be done before sitting for the examination. Candidates should refrain from ignoring narrative parts as they also carry marks. For instance, in December 2008, the explanatory part of question 3 was ignored by most candidates and low marks were scored to that effect.

It is equally important for candidates to learn to score easy marks at minimal effort, especially when they are running out of time. For instance, in most questions there is always one mark for stating a due date, it be for submission of returns or remittance of payment. However, this part of the question is often omitted by most candidates.

Candidates should also be advised to show all the workings as they are also awarded some marks. Where there are workings, it is easy for the marker to see how the final answer was established. This is particularly important where the final answer happens to be wrong as the marks will be awarded for correct workings. The typical example is the calculations of foreign tax credit. Where the foreign tax credit available is the sum of credit for different types of foreign source income, such as interest dividends, export sales, etc., it is advisable for candidates to show foreign tax credit for each type of income.

To avoid the possibility of some of the workings being overlooked during the marking process, candidates should clearly label their workings.



# FOCUS ON FUTURE EXAMS

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# WHAT IS NEW?

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# WILL THINGS CHANGE?

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## **December 2009**

Nothing new will be examinable in  
December 2009 examination sitting

In December 2009, nothing new will be examinable.

**June 2010**

Taxation for trusts and estates of deceased persons will be examinable from this examination sitting

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However, in June 2010, taxation for trusts and estates of deceased persons will be examinable for the first time. The syllabus and study guide for June 2010 will be amended to incorporate the new topic in due course.

On the question of whether the overall balance between narrative and quantitative marks in the paper is going to be 50:50. The answer is no. The balance and pattern will be the same as in the last four sessions. The 50:50 proportions of marks which I mentioned previously was for that particular question only, that is, question 3(a) of December 2008.

Regarding the length of the paper, the questions are set in such a way that an average prepared candidate can complete the examination in three hours. And from the examiner, the paper goes through a number of people, namely, the assessor and education advisor who have to check whether it is too long or not.

# Thanks!

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Thank you for your attention.

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# Questions?

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