

(NBAA)
THE NATIONAL BOARD OF ACCOUNTANTS AND AUDITORS
TANZANIA

EXAMINERS' AND PERFORMANCE REPORT

9TH MID-SESSION EXAMINATION SESSION – AUGUST 2019

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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 I and C4 Public Finance & Taxation II. 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 this subject. 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.

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 9th 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 9TH MID-SESSION EXAMINATION AUGUST 2019

2.1 Preamble:

The Board conducts its mid-session examinations twice in a year during the months of February and August. This session is the 9th Mid-session examination session in which the examinations were conducted on Tuesday 27th and Wednesday 28th August 2019.

Forty (40) candidates registered and sat the 9th Mid-session examinations at for the three subjects. The candidature distribution this session is as shown below:

Table 1

Subject	No. of entries
A5 Business Law	03
B4 Public Finance and Taxation I	10
C4 Public Finance and Taxation II	31

2.3 Overall Candidates Performance

Overall candidates' performance for the August 2019 examination session is as shown in Table 2.

Table 2: Overall Candidates' Performance 9th Mid-session Examinations August 2019

SUBJECT	NO. PAPERS	PASS	%	FAILED	%
A5 Business Law	03	02	66.7	01	33.3
B4 Public Finance and Taxation I	10	07	70.0	03	30.0
C4 Public Finance and Taxation II	31	25	80.6	06	19.4

Note: There were Forty (40) candidates who sat for the 9th Mid-session Examinations. Out of them: -

- One (01) candidate sat for A5, B4 and C4
- Two (02) candidate sat for B4 and C4
- Two (02) candidate sat for A5 only
- Seven (07) candidates sat for B4 only
- Twenty-eight (28) candidates sat for C4 only

2.4 Examination Results

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

In this 9th Mid-session examinations nine (09) candidates qualified for the award of letters of examination success and CPA (T) Equivalent Certificate.

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

In this 9th Mid-session examinations ten (10) candidates qualified for the award of letters of examination success and CPA (T) Certificate.

2.4.3 Candidates required to repeat failed subjects

In this 9th Mid-session examinations one (01), three (03) and six (06) candidates are required to re-sit A5 Business Law, B4 Public Finance & Taxation and C4 Public Finance & Taxation II respectively.

CPA (T) EQUIVALENT CERTIFICATES FROM NOVEMBER 2014 – FEBRUARY 2019

Table 3: CPA (T) Equivalent cumulative

EXAMINATION SESSION	TOTAL	
	NO.	CUM.
80 TH SESSION NOVEMBER 2014	01	01
81 ST SESSION MAY 2015	08	09
1 ST MID-SESSION AUGUST 2015	04	13
82 ND NOVEMBER 2015	03	16
2 ND MID-SESSION FEBRUARY 2016	08	24
83 RD SESSION MAY 2016	10	34
3 RD MID-SESSION AUGUST 2016	05	39
84 TH SESSION NOVEMBER 2016	19	58
4 TH MID-SESSION FEBRUARY 2017	05	63
85 TH SESSION MAY 2017	17	80
5 TH MID-SESSION AUGUST 2017	04	84
86 TH SESSION NOVEMBER 2017	20	108
6 TH MID-SESSION FEBRUARY 2018	04	112
87 TH SESSION MAY 2018	14	126
7 TH MID-SESSION AUGUST 2018	04	130
88 TH SESSION NOVEMBER 2018	17	147
8 TH MID-SESSION FEBRUARY 2019	01	148
89 TH SESSION MAY 2019	20	168
9 TH MID-SESSION AUGUST 2019	09	177

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

Candidates were required to: -

- (a) Explain, explain how Case Law is formed and applied in Tanzania.
- (b) Discuss the contention "There is a distinction between "a government with a constitution and constitutionalism" and "a government with constitution without constitutionalism".
- (c) Write short notes on the following:
 - (i) The Special Constitutional Court of Tanzania
 - (ii) The doctrine of precedent
- (d) Explain the meaning of the following statement in relation to sources of law:
 - (i) Statutory law
 - (ii) Constitutional law

No candidate answered this question.

QUESTION 2: MONEY LAUNDERING

Candidates were required to:

- (a) Explain which money laundering techniques are commonly used by the offenders?
- (b) Identify and state stages and sources of money laundering.
- (c) Explain the duties of an accountant as provided for under the Anti-money laundering law.

Some Candidates failed to distinguish between stage and source of money laundering.

QUESTION 3: INTRODUCTION TO PUBLIC PROCUREMENT LAW

Candidates were required to:

- (a) Justify the applicability of the Organization for Economic Co-operation and Development (OECD) principles in Public Procurement with the aid of authorities and practical examples.
- (b) State the functions of the Public Procurement Policy Division.
- (c) Explain the circumstances under which the aggrieved person (by the decision of the accounting officers) may refer the matter to the appeals authority for review and administrative decision and the period to lodge the appeal.

No candidate answered this question

QUESTION 4: EMPLOYMENT LAW

Candidates were required to:

- (a) Discuss this statement by examining the development of labour law in Tanzania.
- (b) Show how the courts have formed their opinion through decided cases on whether a person is actually termed an employee or a self-employed as a matter of typical nature of work done by the person.
- (c) Give advice as legal officer after on a given case.

All candidate failed to discuss clearly cause of action and remedies available concerning disputes as provided by the Employment and labour Relations Act, 2004.

QUESTION 5: COMPANY LAW

Candidates were required to:

- (a) Explain the meaning of “liquidation”.
- (b) State the types of liquidation.
- (c) Explain when a company may be wound up voluntarily.

No major weakness was noted in this question, majority of candidates did well

QUESTION 6: COMPANIES

- (a) Candidates were required to:
 - (i) Explain the legal requirements relating to the formation of a private company.
 - (ii) Explain what are the requirements of the Companies Act, 2002 relating to the age of a director in both public and private companies?

- (iii) Explain how directors may be appointed, removed or in any other way cease to be directors.
- (b) Explain how does a debenture secured by a fixed charge differ from a cumulative preference share?

Candidate failed to give detailed information on section (i) concerning legal requirements relating to the formation of a private company.

QUESTION 7: PARTNERSHIP

Candidates were required to: -

- (a) Discuss the liability of the partners on the above facts.
- (b) (i) Papad assigns his partnership to Zombii without the consent of existing partners.
- (ii) Mutu becomes insane.
- (iii) Joti is expelled from the firm by majority of partners without been given reasonable notice and opportunity to explain his position.

Candidates failed to offer intensive information regarding liabilities of a partnership in such cases.

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. It was examiners view that trainers should make efforts of making sure that during training, candidates are emphasized to make relevant support from relevant authorities.

(b) **Overall Candidates performance**

Candidates' performance in this examination paper was satisfactory as two (2) candidates out of three (3) who answered the examination paper passed

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)	01	02	00	00	03
PERCENTAGE	33.3	66.7	0.0	0.0	100

3.2 B4 PUBLIC FINANCE AND TAXATION I

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 six questions in Section B

III: TOPICS EXAMINED AND CANDIDATES' PERFORMANCE

The following topics were tested in this paper: -

QUESTION 1: EMPLOYMENT INCOME.

Candidates were required to: -

- (a) Briefly comment on the rationale of the housing benefit formula with respect to the following:
 - (i) The linkage or relationship between the housing benefit and the level of salary or income of the employee.
 - (ii) The linkage or relationship/correlation of the housing benefit to the market value of the residential house which is provided by the employer or the market rent payable thereon.
- (b) Calculate the taxable employment income of Atupele for the year of income 2016 and the tax liability for the year.

Many Candidates failed to understand the rationale of house benefit in kind (valuation) and also they were weak in numerical skills.

QUESTION 2: CUSTOMS VALUATION AND VAT

Candidates were required to: -

- (a) Explain the following terms as used in customs valuation of imported goods liable to ad-valorem import duty:
 - (i) Transaction value
 - (ii) Transaction value of similar goods
 - (iii) Deductive value
 - (iv) Computed value
- (b) (i) Determine the VAT payable or VAT refund for the month of November 2017 for Mwanamboka Supermarket Ltd.
- (ii) State the due date for submission of the VAT return and payment of the VAT due for November 2017.

Few Candidates failed to explain terms used in customs valuation.

QUESTION 3: INCOME TAXATION AND TAX APPEALS MACHINERIES

Candidates were required to: -

- (a) (i) Outline six factors that guide the decision on whether Wanyama is an employee with respect to his contract with KIFANYA Plc or self-employed.
 - (ii) Calculate Wanyama's income tax liability for the tax year 2014-15 if he is treated as self-employed in respect of his contract with KIFANYA Plc.
 - (b) (i) Section 12(6) of the Tax Revenue Appeals Act, 2000 (as amended), requires the Commissioner General not to refuse to admit any notice of objection to assessment of tax unless under certain conditions exist. Candidates were required briefly to mention any four (4) conditions.
 - (ii) Mention any four (4) types of entries for imported goods as stipulated under section 34 of the East African Community Customs Management Act, 2004.
- (b) Briefly explain how the value of goods for export is determined as per the East African Community Customs Management (EACCM) Act, 2004.

Candidates' struggled with types of entries for imported goods. They failed to calculate tax liability of individual after using wrong tax rate.

QUESTION 4: CUSTOM TAX, PUBLIC FINANCE

Candidates were required to: -

- (a) Determine what will be the price of the tractor at Dar es Salaam Port, if the import duty is 25%, excise duty is 10%, excess excise duty is 30% and VAT 18%.
- (b)
 - (i) Discuss the argument for each classification.
 - (ii) Identify two criticisms in each classification.
- (c) (i) Briefly explain what is a "public debt".
- (ii) Describe recommended approaches in retiring a public debt.

Majority of candidates did not know that tractors are exempt from excess excise duty, they also failed to classify public expenditure and approaches in retiring a public debt.

QUESTION 5: TAX ADMINISTRATION

Candidates were required to: -

- (a) Identify any three (3) offences prescribed by the Tax Administration Act, 2015.
- (b) Compute the depreciation allowance to be granted.

Most of candidates who failed this question had a problem of classification of depreciable assets.

QUESTION 6: BUSINESS INCOME

Candidates were required to use the give information to assist the Company to know how much tax they are supposed to pay for the year.

Most of candidates who failed this question, could not identify which expenses were not allowable.

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 examination paper was satisfactory. Out of 10 candidates who answered the paper 07 (70%) passed this examination paper.

The candidates' over-all performance in the subject is as shown on table 5:

TABLE 5: B4 CANDIDATES' PERFORMANCE ANALYSIS

CLASSIFICATION OF MARKS	00-39	40-59	60-79	80-100	TOTAL
NO. OF CANDIDATES (FREQUENCY)	03	06	01	00	10
PERCENTAGE	30.0	60.0	10.0	0.0	100

3.3 C4 PUBLIC FINANCE AND TAXATION II

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% which was compulsory

III: TOPICS EXAMINED AND CANDIDATES' PERFORMANCE

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

QUESTION 1: INCOME TAXATION (SPECIALISED ENTITIES), PUBLIC FINANCE AND TAX PLANNING

Candidates were required to use given information to: -

- (a) Calculate Partner's taxable income.
- (b) Give four (4) reasons to support the view that the government has to continue to do that.
- (c) Explain to the partners on advantage and disadvantage against the argument that the Government is intending to grant substantial tax incentives to encourage both foreign and local investors to invest in Tanzania.

Candidates failed to allocate partnership income. They also failed to give reasons for continuity of taxation.

QUESTION 2: TAX APPEAL PROCEDURES AND PUBLIC FINANCE

Candidates were required to: -

- (a) (i) Explain the powers of the Commissioner General to raise an adjusted assessment as stipulated in the Income Tax Act, Cap 332.
(ii) Discuss the circumstances that might require the Commissioner General to issue the jeopardy assessment to the taxpayer as per the requirements of Income Tax Act, Cap 332.
- (b) (i) Define the term "National Income" and explain how it differs from "government revenue".
- (c) Differentiate the Gross Domestic Product (GDP) from the Gross National Product (GNP).
- (d) Explain three methods of computing the Gross Domestic Product (GDP).

Majority of candidates did not know the power of the Commissioner raise an adjusted assessment.

QUESTION 3: BUSINESS INCOME

Candidates were required to: -

- (a) Compute the chargeable income of the company for the year ended December, 2018 and for each item under given note which do not require adjustment? provide reason (s) why adjustment is not recommended.
- (b) Briefly explain criteria for the institution to be considered as charitable institution as per the requirements of tax laws in Tanzania.

Some Candidates failed to differentiate allowable and disallowable expenditures, others also struggled with criteria of charitable institution.

QUESTION 4: PUBLIC POLICY, PUBLIC FINANCE AND SPECIALISED ENTITY

Candidates were required to: -

- (a) Discuss the contention that, “The objectives of tax policy are similar to those of public policy in developing countries and overlap with the purpose of the tax system”.
- (b) Assess the limitation of applying this principle in Tanzania context.
- (c) In the ability to pay approach, what should be the sacrifice of each taxpayer and how should it be measured?
- (d) Describe the components of the life insurance as per section 3 of the Income Tax Act, Cap 332.

Candidates failed to explain theory of sacrifice and principle of benefit.

QUESTION 5: PUBLIC FINANCE

Candidates were required to use the given information to: -

- (a) State in details why the national income accounting is very important for a country like Tanzania.
- (b) In the context of the given scenario above, advise the Government on what approaches it could use to manage its public debt.

Candidates’ performance in this question was very satisfactory as all seven candidates who answered this question passed.

QUESTION 6: TAX PAYMENT PROCEDURE

Candidates were required to use the given information to: -

- (i) Calculate the additional tax payable by the company.
- (ii) Calculate the penalties and interest, if any, for non-compliance.

Some candidates who attempted this question failed to count number of months as a result they used annual interest instead of monthly interest

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 as 25 (80.6%) out of 31 candidates who sat for this examination paper passed.

The candidates' over-all performance in the subject is as shown on Table 6.

TABLE 6
C4 CANDIDATES' PERFORMANCE ANALYSIS

Classification of Marks	0-39	40-59	60-79	80-100	Total
No. of Candidates (Frequency)	06	21	04	00	31
Percentage	19.4	67.7	12.9	0.0	100

