

EXAMINATION NO. \_\_\_\_\_



**2015 EXAMINATIONS**

**CERTIFICATE IN FINANCIAL ACCOUNTING PROGRAMME**

**PAPER FA 3 : BUSINESS KNOWLEDGE**

**THURSDAY 3 DECEMBER 2015**

**TIME ALLOWED: 3 HOURS  
2.00 PM - 5.00 PM**

**INSTRUCTIONS: -**

1. You are allowed **15 minutes** reading time **before the examination begins** during which you should read the question paper and, if you wish, make annotations on the question paper. However, you are **not** allowed, **under any circumstances**, to open the answer book and start writing or use your calculator during this reading time.
2. Number of questions on paper - 7.
3. This paper is divided into two Sections: **A** and **B**.  
  
Answer **TWO** questions **ONLY** from Section **A**.  
Answer **THREE** questions **ONLY** from Section **B**.
4. Each question carries 20 marks.
5. Begin **each** answer on a fresh page.
6. Support your answers by underlining authorities quoted, citing statutes and/or cases where appropriate.
7. This paper must **not** be removed from the examination hall.
8. **DO NOT OPEN THIS PAPER UNTIL YOU ARE INSTRUCTED BY THE INVIGILATOR.**

This question paper contains 4 pages

## SECTION A

### Answer TWO questions ONLY from this Section

1. (a) Mention **three** reasons for international specialization. **6 Marks**
- (b) Mention **two** other types of specialization apart from that of countries. **4 Marks**
- (c) Define the following utilities in production:
- (i) Form **2 Marks**
- (ii) Place **2 Marks**
- (iii) Time **2 Marks**
- (d) What is e-commerce? **2 Marks**
- (e) What is indirect production? **2 Marks**
- (TOTAL : 20 MARKS)**
2. (a) State **three** functions of a wholesaler. **6 Marks**
- (b) Define the following:
- (i) Private warehouse **2 Marks**
- (ii) Public warehouse **2 Marks**
- (c) Mr and Mrs Wawa have started Wawa Production Company to export Mangoes to Europe. The mangoes are from their garden under the “greenbelt initiative”.
- Required:**
- (i) What type of industry are Mr and Mrs Wawa in? **2 Marks**
- (ii) State **three** likely problems that Wawa Production Company may face in exporting mangoes to Europe. **6 Marks**
- (iii) Mention any **one** applicable method of selling mangoes to Europe that the company can employ. **2 Marks**
- (TOTAL : 20 MARKS)**

**Continued/.....**

3. (a) Who is an advertising agent? **2 Marks**
- (b) State **three** main roles of an advertising agent. **6 Marks**
- (c) Explain the following as they relate to insurance:
- (i) *Uberrimae Fidei* **2 Marks**
  - (ii) Subrogation **2 Marks**
  - (iii) Contribution **2 Marks**
- (d) What legal instrument mandates joint companies to keep proper accounting records? **2 Marks**
- (e) What **two** ways of raising capital are available to a company listed on the stock exchange market? **4 Marks**
- (TOTAL : 20 MARKS)**

### **SECTION B**

**Answer THREE questions ONLY from this Section**

4. (a) Mention **two** parties in Law of Contract. **4 Marks**
- (b) What is executed consideration? **2 Marks**
- (c) What effects do the following acts have on the creation of a contract:
- (i) Rejection? **2 Marks**
  - (ii) Counter offer? **2 Marks**
  - (iii) Revocation by the offeror? **2 Marks**
- (d) Explain general rules regarding the terms below, giving an example of a relevant case for each:
- (i) Past consideration **4 Marks**
  - (ii) Adequacy of consideration. **4 Marks**
- (TOTAL : 20 MARKS)**

**Continued/.....**

5. (a) What institutions have taken over the role of Building Societies in Malawi? **2 Marks**
- (b) Mention **three** possible problems that the Malawi Government may face in dealing with Company Y, a multinational, operating in this country. **6 Marks**
- (c) Briefly explain how a Unit Trust operates. **4 Marks**
- (d) Wamba intends to sell an item, nsinjiro, to a hotel owned by Mrs Winu.
- Required:**
- What **four** principles of a contract of sale of goods must the two persons satisfy in order to have a contract of sale? **8 Marks**  
(TOTAL : 20 MARKS)
6. (a) What **three** conditions must be satisfied to prove the existence of an agency by necessity? Please list a supporting case for each condition. **12 Marks**
- (b) Explain **three** conditions that would lead to the creation of an agency by ratification. **6 Marks**
- (c) Define ostensible authority of an agent. **2 Marks**  
(TOTAL : 20 MARKS)
7. (a) List **four** examples of negotiable instruments. **8 Marks**
- (b) State **three** duties of a board of directors in a company that ensure the existence of a good system of internal controls. **6 Marks**
- (c) What is money laundering? **2 Marks**
- (d) Define the term “ethics”. **2 Marks**
- (e) Is corruption a civil or criminal offence? **2 Marks**  
(TOTAL : 20 MARKS)

**E N D**