

**THE INSITITUTE OF CHARTERED ACCOUNTANTS IN MALAWI**

**DECEMBER 2015 EXAMINATIONS**

**CERTIFICATE IN FINANCIAL ACCOUNTING**

**PAPER FA3: BUSINESS KNOWLEDGE**

**EXAMINERS REPORT**

**GENERAL COMMENTS**

The exam consisted of seven 20 mark questions, three questions in Section A and four in Section B. Candidates were allowed to answer two question in Section A and Three questions in Section B within the three hour time allocation for the paper.

The format of the paper allows broad syllabus coverage in each sitting and candidates preparing for future sittings should note this. Most candidates attempted the five questions of their choice and those candidates who had prepared thoroughly and had developed their knowledge across the syllabus were able to obtain high marks, but those who had restricted their preparation to a few 'pet' topics were less successful. The issue of ensuring that the syllabus is covered when preparing for the exam is of great importance to future candidates. Broad syllabus coverage does not mean that every topic covered will be tested in depth, but an effort is made to ensure that many topics are tested in each paper.

Questions in section **B** were the least well answered and while questions one, two, four and five were the best answered and attempted by almost each candidate. There is some evidence that candidates are attempting to play 'spot the question' and preparing for specific topics to be tested as was the case with questions in Section B, where thorough knowledge of a topic can gain high marks. Most of the candidates who failed in this exam scored high marks in Section A from questions one and two to be specific. This is a high-risk strategy, and is strongly discouraged. It is on the same basis that a disappointingly high number of candidates were unable to provide adequate answers to Questions in section **B**. Most of the questions this time tested the candidates' knowledge on business law, insurance, law of Agency and also required them to reason and use the knowledge acquired to answer questions as was the case in question one, four and five. This was slightly different from other previous exam sessions where most of the questions required candidates to only state, name, list etc and were also properly mixed as questions were taken from different topics.

Even where topics have been examined in the recent past sittings, candidates should know that this does not preclude a topic from being examined in consecutive sittings, or the passage of a number of sittings before a topic is examined again.

**A few candidates** attempted to contain their answers to two pages, especially answers to questions five and six. In some cases, candidates were giving explanations where it was

not required. This can lead to work being hard to mark, in the process marks may be lost, as it is sometimes impossible for markers to ascertain what the candidate is attempting to communicate. The same comment can be applied to answers which are laid out in an apparently random fashion across the page, or answers which do not clearly indicate which part of which question is being attempted. Candidates are strongly encouraged to present answers in a logical way, well spaced, and clearly labelled to show which question or sub-question is being attempted. Candidates also need to be reminded that answers to each selected question should begin on a fresh page according to the exam paper instruction number five. **Some few candidates did not follow this instruction.**

On the subject of time, candidates should be aware that great efforts are made to ensure that, while the exam is time constrained, it does not put the candidate under undue time pressure. The practices noted above however, can lead to candidates creating their own time pressure, as some were not answering the question asked, but rather one which the candidate wished was asked (**Question 1a, 5d, 6a and 7a**); providing a pre-learned answer; or writing everything that can be remembered about something referred to in the question.

*Candidates are reminded that questions are carefully constructed, and the mark allocation given careful consideration. Reading the question carefully, tailoring the answer to that question, and using the mark allocation as a guide to how much is required will lead to better marks. No marks can be awarded for material that does not answer the question, and no more than the marks indicated on the question paper can be awarded.*

## **SECTION A**

As in previous papers, this section contains three questions which cover those topics not tested in Section B, thereby increasing coverage of the syllabus. Candidates are allowed to answer only two questions. Overall, candidate performance in Section **A** was better as compared to that of Section B.

### **QUESTION 1**

This was the most attempted and fairly answered question in Section A by those candidates who chose it. The question tested the candidates' knowledge on **Specialisation** and **Production**, in particular on international specialisation and utilities in production. They were required in **1(a)** to mention three reasons for international specialisation and also in **1(c)** to define utilities of Form, Place and Time in production. In **1(b)**, they were asked to mention two other types of specialisation. Some candidates lost marks for providing wrong explanations to **Q1b** when the question required them just to list. Future candidates should learn to provide answers as per question requirements. No extra marks are awarded for correct explanation where it has not been asked for but one can lose marks where a wrong explanation is provided where it was not asked for.

Candidates were also in 1(d) asked to define e-commerce and in 1(e) to define indirect production.

Most candidates did well on this question though in 1(a), some confused reasons for international specialization with advantages of international specialization. These types of answers demonstrate candidates' lack of relevant knowledge and poor understanding of the question's requirements. Candidates who chose this question performed poorly in part **1(e)**, but got above average marks from part **(c)**. Overall performance of candidates who chose this question was very good.

## **QUESTION 2**

This was the second most attempted question of Section A and second best answered for those candidates who chose it. Though this was the case, most candidates answered poorly **Q2 (c)**, mostly due to inadequate knowledge on the topic (International trade) and also not clearly getting what the question required. This also revealed that most candidates do not read widely.

The examiner in this question required candidates to express their knowledge of business regarding **wholesale trading, Warehousing and International Trade, in particular functions of a wholesaler and definition of private and public warehouses**. As such in **Q2a**, they were required to state three functions of a wholesaler. While in **Q2b**, they were required to define private and public warehouses. Most candidates who chose this question gave correct answers to part **2a** though most of the candidates did not refer to the question but just gave advantages of wholesaling instead of functions of a wholesaler. Though this approach partly worked, in certain situation candidates could lose marks for such answers. Candidates are being advised to provide answers which correspond to the question and not provide answers for the questions which one wishes were asked.

In **Q2c**, they were required to state the type of industry Wawa Production Company was in, likely problems they would face in exporting Mangoes to Europe and also to mention any one applicable method of selling mangoes to Europe. Overall performance on this part was average.

Overall most candidates who were thoroughly prepared presented good answers, with a number of candidates obtaining good marks.

## **QUESTION 3**

This was the least answered question of section A but it was on average well answered by those candidates who chose it. It tested the candidates' knowledge in **advertising and insurance** in particular on defining an advertising agent, roles of an advertising agent and explaining the insurance terms *Uberrimae Fidel*, Subrogation and Contribution. Some candidates gave general answers relating to law of Agency in **3a** and **3b**. On **3c**, most candidates scored good marks.

They were also required in **3(d)** to state the legal instrument which mandates joint companies to keep proper accounting records and in **3e** to state two ways in which companies listed on the stock exchange can raise capital. Question **3d** was poorly answered while **3e** was ignored by most candidates because it focused on companies listed on the stock exchange. This made most candidates lose some marks.

Though this was the case, most of those candidates, who chose this question, got above average marks of which most came from part (**b & c**). Mostly fewer marks in **3a, 3d** were due to lack of relevant knowledge on the topic and also poor preparation for the exams as some students showed that they had some knowledge of advertising.

## **SECTION B**

This section contains four questions, thereby increasing coverage of the syllabus and questions were asked from Law (law of contract, agency and sale), Malawi legal system. Candidates are allowed to answer only three questions. Overall, candidate performance in Section B was poor as most candidates including most of those who passed the exam performed poorly in the section. Question four and seven were the most attempted in this section and question six, seemed to be the toughest of the section as indicated by the marks scored by the few candidates who attempted it.

### **QUESTION 4**

The examiner was mainly testing the knowledge of candidates **on Law of Contract**. Most candidates selected this question and their performance on this question was slightly above average. The overall performance on this question suggests that most candidates do have some knowledge on matters to do with law of contract though some lost marks in part (**b & c**) where candidates were required to define ‘executed consideration’ and also state the effects of rejection, counter offer and revocation by the offeror on the creation of the contract. This only shows that some candidates do not take time to understand the question requirements but only respond to questions they wish were asked as they already have answers in mind.

They were also required in 4a to mention two parties to a contract and most candidates gave the correct answers, though a few still gave wrong answers. This was the easier part of the question for most candidates who chose it.

The most difficult part of **Q4** was **4d (Past consideration and Adequacy of Consideration)** as most candidates demonstrated lack of knowledge. Very few candidates got full marks from this part of the question.

Candidates need to know that Law of contract is part of their syllabus and therefore examinable. They also need to clearly understand the questions before attempting to answer as marks can easily be lost on questions which they could have earned full marks.

## QUESTION 5

The examiner was mainly testing the knowledge of candidates **on business organizations operating in Malawi and contract of sale of goods**. This was the second most attempted question by candidates for section B and their performance on this question was below average. The overall performance on this question suggests that most candidates have do not have adequate knowledge on matters to do with Sale of Goods Act, in particular law of contract and business organizations operating in Malawi. This was indicated by their answers provided to all sections of the question. They were asked in **5a** to mention the institutions which have taken over the role of Building Societies in Malawi. Very few candidates, actually less than 3% of the candidates who chose this question got full marks. They were also in **5b** requested to mention three possible problems that the Malawi Government may face in dealing with multinational company operating in Malawi. The question's key words were '**...possible problems.....may face**' and not '**would face or is going to face**' meaning that the problems are not 100% a possibility and the answers needed to reflect the same. However the answers showed that the candidates had some knowledge on the subject with a problem of answer presentation. In **5c**, almost all candidates got it wrong indicating that they do not know what a unit trust is and how it operates.

In **5d** they were required to list four principles of a contract of sale of goods two persons must satisfy in order to have a contract of sale. Most candidates gave incorrect answers to this part of the question as they limited their answers to Sales of goods Act instead of dwelling on the main principles of a contract.

Few marks were mainly earned from part **(b) and very few others from part (d)**. Some candidates lost marks for providing wrong explanations to **Q5d** when the question required them just to list. Future candidates should learn to provide answers as per question requirements. No extra marks are awarded for correct explanation where it has not been asked for but one can lose marks where a wrong explanation is provided where it was not asked for.

Some answers provided by the candidates suggest that the topic was not adequately covered; especially in **5b**, as such some candidates provided answers from general knowledge.

The topics especially law is examined in almost all exams and candidates should thoroughly prepare for a question on law and on Sale of Goods Act. Previous experience has shown that questions on law of contract are rarely chosen and performance is generally average.

## QUESTION 6

In this question, the examiner wanted to test the knowledge of candidates on **Law of Agency**. Candidates were required in **6a** to state three conditions with supporting cases

which must be satisfied to prove the existence of an agency by necessity and in **6b** candidates were asked to explain three conditions that would lead to the creation of an agency by ratification. In **6c**, they were required to define ostensible authority of an Agent.

The possible reasons for the poor performance and its less popularity could be lack of knowledge due to non-coverage of the topic or poor preparation for the exam.

Candidates performed poorly on **6b and 6c** while on **6a**, most of them failed to list supporting cases. Others were correctly listing the cases and providing wrong facts about the cases. This resulted in loss of marks. Candidates need to provide answers as per question requirements and nothing more as marks will only be provided for what has been asked for.

General overall response on the question suggests that the topic was not adequately covered by the candidates or they gave it little attention as the topic was also examined in recent sittings. With good coverage of the syllabus, especially on the topic, and good preparation for the paper, this could be one of the easiest questions.

## **QUESTION 7**

This was the third most attempted question of section B and the performance was below average. Lack of proper knowledge and poor preparation for the exam played a big role.

The examiner in **Q7a** required the candidates to list four negotiable instruments and many candidates correctly listed the four negotiable instruments and gave wrong explanations which were not necessary as the question only asked for listing. This resulted in loss of marks already earned. Though this was the case, **7a** was the only part which earned most candidates marks. Parts **7b, 7c, 7d** and **7e** were poorly answered. **Q7e**, required candidates to state if corruption is a civil or criminal offence, from the responses it revealed that most answers were guess work as the candidates who correctly answered it, ended up providing a wrong reason for their choice which was not necessary either as the examiner did not request the candidates to justify their answer.

They were in **7b** required to state three duties of board of directors in a company that ensures the existence of a good system of internal controls. In **7c** and **7d**, they were required to define money laundering and the term 'ethics'. There was some evidence that the topic was covered but poor preparation for the exam could attribute to the poor performance of the candidates. Question **7c** and **7d** were the worst in terms of marks earned. Candidates wrote anything they know/could remember about money laundering and the term 'ethics' including 'Cashgate' related definitions.

As indicated above, the answers given by the candidates indicated coverage of the topic but poor exam preparation was the major problem.

## **Conclusion**

The overall performance in this paper was below average. Students need to note that each question carries the same number of marks and as such, time allocated to each question should also be the same. Most students seem to have spent more time on questions from Section A or the first two or three question they chose thereby writing under pressure the last two questions. This has also been the case in previous sittings. Apart from relevant knowledge and preparation for exams, time management while writing the exams is another obvious problem.