

EXAMINATION NO. _____



2015 EXAMINATIONS

CERTIFICATE IN FINANCIAL ACCOUNTING PROGRAMME

PAPER FA 3 : BUSINESS KNOWLEDGE

THURSDAY 4 JUNE 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 3 pages

SECTION A

Answer TWO questions ONLY from this Section

1.
 - (a) What type of utility involves a combination of different forms of utility? **2 Marks**
 - (b) Mention a statutory corporation in Malawi that is involved in the creation of utility of:
 - (i) Form **2 Marks**
 - (ii) Time **2 Marks**
 - (c) Which government ministry coordinates businesses involved in the creation of utility of place? **2 Marks**
 - (d) Mention **three** types of direct services and their corresponding public or private institution that provides each service. **6 Marks**
 - (e) State **three** reasons why most large scale retailers prefer to operate on self-service basis. **6 Marks**

(TOTAL : 20 MARKS)
2.
 - (a) Mention any **four** types of wholesaling. **8 Marks**
 - (b) Why is it not possible for a country to produce all that it requires? Give **four** reasons. **8 Marks**
 - (c) State **two** roles of transport in commerce. **4 Marks**

(TOTAL : 20 MARKS)
3.
 - (a) How does an exporter get paid through 'open account transactions'? **2 Marks**
 - (b) What is warehousing? **2 Marks**
 - (c) Mention any **one** type of warehouse. **2 Marks**
 - (d) Explain how a partner may enjoy the following benefits in a partnership business:
 - (i) Specialization **2 Marks**
 - (ii) Personal contact **2 Marks**
 - (iii) Consultation **2 Marks**
 - (iv) Shared strain **2 Marks**

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- (e) Mention **one** advantage and **one** disadvantage of a sole proprietorship's lack of legal separation from the owner. **4 Marks**
- (f) How is 'indispensability' of the owner in sole proprietorship a disadvantage? **2 Marks**
- (TOTAL : 20 MARKS)**

SECTION B

Answer THREE questions ONLY from this Section

4. (a) List **three** types of financial institutions whose operations are overseen by the Reserve Bank of Malawi. **6 Marks**
- (b) How do banks provide the following services to their customers:
- (i) Investment advice, **2 Marks**
- (ii) Bankers reference? **2 Marks**
- (c) What is a bearer cheque? **2 Marks**
- (d) Mention any **four** major sources of Malawi law which is received law. **8 Marks**
- (TOTAL : 20 MARKS)**
5. (a) What is law? **2 Marks**
- (b) Mention any **one** party in a criminal trial. **2 Marks**
- (c) Differentiate a sale of goods from barter. **4 Marks**
- (d) List **three** parties in a hire purchase agreement. **6 Marks**
- (e) Mention **three** basic features of a hire purchase agreement. **6 Marks**
- (TOTAL : 20 MARKS)**

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6. (a) Mrs Phebe, while waiting for a minibus, hears Bob, a young man, shouting ‘Kagwambuna! K200! Cheap!’ She then takes a look at the product, and puts it in her bag. Jean, the owner, asks Mrs Phebe to pay K200, and Mrs Phebe submits K500.

Required:

Identify the existence of **three** elements of a contract of sale of goods in the scenario to determine whether or not a contract exists between Mrs Phebe and Jean, the owner of the product. **6 Marks**

- (b) When is an invitation to treat made at a:
- (i) Roadside trader’s place, **2 Marks**
 - (ii) Mobile shop? **2 Marks**
- (c) How is a hire purchase agreement terminated by performance? **2 Marks**
- (d) What is an endorsement of a bill of exchange? **2 Marks**
- (e) Mention **three** requirements of a valid endorsement. **6 Marks**
- (TOTAL : 20 MARKS)**

7. (a) A relationship between principal and agent may be created by ratification.

Required:

Mention **three** conditions which must be satisfied to create such an agency.

- 6 Marks**
- (b) List any **two** sources of authority of an agent. **4 Marks**
- (c) Define the following terms as used in contracts:
- (i) Offer **2 Marks**
 - (ii) Acceptance **2 Marks**
 - (iii) Counter-offer **2 Marks**
 - (iv) Executory consideration **2 Marks**
- (d) When is an offer said to have been rejected? **2 Marks**
- (TOTAL : 20 MARKS)**

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