

**STRICTLY CONFIDENTIAL**

**THE INSTITUTE OF CHARTERED ACCOUNTANTS IN MALAWI**

**DECEMBER 2015 EXAMINATIONS**

**KNOWLEDGE LEVEL**

**PAPER P1: ACCOUNTING FRAMEWORK**

**EXAMINER'S REPORT**

**GENERAL COMMENTS**

The number of candidates attempting this paper continues to decline. 17 candidates attempted the paper this time around compared to 21 who attempted it in June. 6 out of the 17 candidates obtained a pass mark, representing a pass rate of 35%.

**COMMENTS ON INDIVIDUAL QUESTIONS**

**QUESTION 1**

The question contained several short items grouped into parts (a) to (d) worth 40 marks. These items tested the candidates understanding of the general principles and accounting concepts. Parts (a)(i) to (iii) required the candidates to recall basic facts on double entry book-keeping. The candidates were able to recall the facts.

1(a)(iv) asked the candidates to demonstrate the effect of change in the variables of the accounting equation. This was also well answered by the candidates.

1(b)(i) asked the candidates to demonstrate their understanding of the meaning of and difference between "adjusting entries" and "errors" with reference to the trial balance. This was not understood by the candidates.

1(b)(ii) required the candidates to prepare a control account and to correct the errors. This was not well answered. The candidates displayed poor understanding of double entry book-keeping.

1(c) asked the candidates to prepare final accounts of a limited company, to calculate the earnings per share and to prepare a statement of financial position. This part of the question was also poorly

answered. In (d) candidates did not have problems explaining the meaning or rights issue and bonus issue.

## **QUESTION 2**

This question tested the candidates' understanding of the movement of funds in a company. It was attempted by almost all the candidates. However, the candidates failed to calculate the accounts receivable and payable, the total cash received and paid out in (a). They showed little understanding of the preparation of the statement of profit or loss in (b) and the preparation of the statement of financial position in (c). In (d) the explanations of the difference between cash and accruals accounting were not concise. In general, the performance in this question was not encouraging.

## **QUESTION 3**

The question required the candidates to explain the meaning of and demonstrate the understanding of lease and hire purchase. Only 5 candidates attempted it and of these only one scored a pass mark. Part (a) asked the candidates to define the term "lease" and differentiate it with "hire purchase". In (b), the candidates were asked to recall the factors that differentiate an operating lease from a finance lease. The candidates' memory let them down.

In (c)(i) the candidates were not able to calculate the annual finance charge. In (ii) the candidates failed to prepare an extract of the recordings of the transactions in (i), in the statement of financial positions. The candidates demonstrated lack of preparation in this topic.

## **QUESTION 4**

Partnership accounts

The realization account was well prepared except for a common error in which the candidates entered receivables or payables to the debit or credit side of the account. Although the candidates generally had problems preparing capital and bank accounts, 3 candidates scored almost all the marks available.

**QUESTION 5**

Consolidated accounts

- (a) Candidates were required to demonstrate understanding of IAS 27 by defining group, parent, subsidiary, control and minority interest. Some candidates answered the question so well that they scored almost all the marks.
- (b) The concept of rules and effects of cancellation where a parent company acquires shares in a subsidiary was not well understood.

**CONCLUSION AND RECOMMENDATIONS**

This small group was made of candidates with varying capabilities; three or four candidates who were well prepared for the examinations while the rest were not. One candidate attempted only one question, showing that she/he was not ready to sit the paper.

Candidates should prepare adequately before entering for examinations. They should cover the whole syllabus as examiners may set a question from any part of the syllabus.

