

.STRICTLY CONFIDENTIAL

INSTITUTE OF CHARTERED ACCOUNTANTS IN MALAWI

JUNE 2014 EXAMINATIONS

FOUNDATION STAGE

PAPER P3: MANAGEMENT INFORMATION

EXAMINER'S REPORT

GENERAL COMMENTS

The overall performance in the June 2014 examination showed some improvement with a pass rate of 59% from 40 % in December 2013. Some candidates failed to answer the required number of questions (6) while others left a lot of blank spaces in their answer booklets. This was an indication that the candidates were not able to fully answer the questions. Question 3, on measures of dispersion, was the most popular one with all the candidates attempting it while Questions 7, on data processing, was the least popular with only 48% of the candidates attempting it. The performance was not good in question 5 on variance analysis where only 10% of those who attempted the question passed it. The best performance was recorded in Question 1 (compulsory question) where 97% of those who attempted it obtained a pass mark.

Question 1

As usual, this was a compulsory multiple choice question with parts thereto drawn from various topics of the syllabus. There were indications of guess work by some candidates. A few candidates passed this question only and failed the rest of the questions.

Question 2

The question was on control of materials. Candidates displayed lack of knowledge of the formulas needed to calculate the requirements in part (a). For example, in part (a)(ii), on the calculation of the reorder quantity, candidates failed to realize that the question required them to calculate the economic order quantity (EOQ) – hence they needed to use the formula for EOQ. Part (b) on assumptions behind the EOQ formula was fairly well answered.

In part (c) on problems associated with determining the EOQ, candidates merely repeated what they had answered in part (b) on assumptions behind the basic EOQ formula.

Question 3

The question was on measures of dispersion. In part (a), the candidates were required to calculate the mean and standard deviation using the grouped data provided. Some candidates were not aware of the layout of the workings needed before going into the calculation of the requirements.

Part (b) required the candidates to state the features of the median and mode. Some candidates provided features of the mean instead of those of the median.

Question 4

This question was on investment appraisal. Part (a) required the candidates to calculate the payback period, accounting rate of return and the net present value. A number of candidates had problems in determining the cash flows per year. Instead of calculating depreciation and adding it back to profit figures, they took the profit figures as cash flows and went on to discount them. This affected the solutions to the three requirements in part (a). All the same, having missed the cash flows, some marks were still awarded for displaying knowledge of how to calculate the requirements.

Part (b) required the candidates to state the advantages and disadvantages of the payback method of investment appraisal. Candidates didn't have problems with this part. A few, however, confused the pay back method with discounted cash flow (DCF) methods where they talked about the use of present values through discounting.

Part, (c), asked the candidates to state and explain the features of DCF methods. Some candidates gave advantages of DCF methods and not the features.

Question 5

This question was on variance analysis. Part (a) asked the candidates to calculate various variances. The examiner noted that candidates failed to use the right formulas for the variances. They did not know which formula to use for which variance. Again, others calculated the variance per unit and not in total.

Candidates are reminded that when it comes to calculation of variances, unless the question states otherwise, the variances should be calculated in total and not per unit only. Part (b) asked the candidates to prepare a reconciliation statement of the standard profit expected at actual production with actual profit. Candidates needed to use the variances computed in (a). Unfortunately, some candidates came up with totally different variances altogether for the reconciliation. This obviously, could not work as the reconciliation required the use of figures from (a). All the same, some marks were still awarded to candidates who displayed knowledge of how to do the reconciliation.

Part (c) asked the candidates to state the ways in which variance analysis may be made more useful for management. Candidates misunderstood the question. They instead stated the importance of variance analysis which was not what the question was looking for.

Question 6

The question was on marginal and absorption costing. Part (a) required the candidates to prepare profit statements using marginal and process costing. A few candidates failed to calculate the standard cost per unit to use in either case and to find the value of closing stock. In the profit statement using absorption costing, candidates were unable to come up with under or over absorption. In rare cases, candidates produced exactly the same statements for marginal and absorption costing.

Part (b) required the candidates to prepare a reconciliation statement of the profit/loss figures calculated in (a). Again this was a problem to those who were not sure about the differences between absorption and marginal costing. They had problems with the treatment of fixed costs carried forward in stocks when one uses absorption costing unlike marginal costing. The use of either method results in the differences in the profits reported.

Part (c) asked the candidates to state the arguments for the use of marginal costing and absorption costing. The major problem here was the interpretation of the word "arguments". Some candidates continue to interpret it to mean "disadvantages" and therefore they came up with good and correct disadvantages but could not be awarded marks as they did not answer the question.

Question 7

This question was on data processing. Most candidates performed well in this question. A few mixed up the two – batch and on-line processing when distinguishing and when providing features.

CONCLUSION

The performance was generally good in the June 2014 diet. Candidates are encouraged to read the questions carefully before attempting them. A few candidates lost marks because they failed to answer the questions as asked.