

**STRICTLY CONFIDENTIAL**

**THE INSTITUTE OF CHARTERED ACCOUNTANTS IN MALAWI**

**DECEMBER 2014 EXAMINATIONS**

**ACCOUNTING TECHNICIAN PROGRAMME**

**PAPER TC1: ACCOUNTING/1**

**EXAMINER'S REPORT**

**GENERAL COMMENTS**

The overall performance was below average. This level of performance could be attributed to the fact that the syllabus had been revised, which also led to a change in the format of the examination paper. In the new paper, question 1 is compulsory and it carries 40 marks as opposed to the traditional 20 marks. Many candidates scored low marks on the compulsory question and this surely negatively affected the candidates' overall score on the paper.

All things said, examiners noted that the syllabus content for the paper had not changed, and therefore, the questions were set from the same familiar basic topics of accounting. It was also noted that although question 1 was twice as long as the previous questions, the paper's overall level of difficulty was comparable to that of previous sessions. In view of the foregoing, the dismal performance on the paper could be attributed to failure to fully cover all areas of the syllabus by teaching institutions, and poor time management by candidates. Examiners got the impression, from the scripts, that candidates spent all their energies on question 1 and rushed through the rest of the papers.

**COMMENTS ON INDIVIDUAL QUESTIONS**

**QUESTION 1**

The question was on incomplete records, statement of profit and loss, statement of financial position, and on accounting errors. Candidates were asked to calculate total payments made from bank account, payments received from customers, sales, purchases, gross profit, net profits, discounts offered to customers and to list and explain accounting errors. Most candidates struggled with parts (a), (b) and (c). However, their answers were reasonable in parts (d) and (e). Thus candidates appear not have mastered the incomplete records and the double entry principle. Tuition providers need to pay attention to these areas of the syllabus. Even in areas where the candidates scored good marks, examiners noted the following weaknesses:

- (a)(i) - calculation of payments made from the bank account. Candidates presented figures without corresponding narrations.

- (ii) Some candidates produced “T” accounts, but made wrong entries.
  - (iii) The opening overdraft balance was treated wrongly.
- (b) Poor workings resulted in the wrong discounts figure being offered to customers.
- (c) Many candidates failed to clearly state whether or not the mentioned error would affect the balancing of the trial balance.

## **QUESTION 2**

The question, on accounting for non-current assets, was divided into five parts. It was not popular among the optional questions.

In part (a), a good number of candidates failed to calculate correctly the loss on the traded-in machine because they failed to treat correctly the machine’s net book value. However, a few calculated correctly the accumulated depreciation of the traded-in machine.

In part (b), candidates failed to come up with a correct depreciable amount, hence they failed to calculate correctly the depreciation charge for the year ended 31 October 2013.

In part (c) notable problems were as follows for both the machinery cost account and the accumulated depreciation account.

- (i) The cost of K70,000,000 was not indicated as brought down.
- (ii) Candidates failed to treat proceeds (K5,000,000) and the payable balance of K15,000,000 in the cost account.
- (iii) The accumulated depreciation balance of K20,000,000 which was brought forward and the accumulated depreciation of the machine that was disposed of were not treated correctly.

Part (d) very few candidates attempted it. The few candidates who attempted it failed to calculate correctly the depreciation charge as well as the loss for the machine that was traded in.

Part (e) very few candidates attempted it and the performance was dismal.

Overall, the performance on this question was very poor.

## **QUESTION 3: PARTNERSHIP ACCOUNTS**

The question was set from an area of the syllabus that is examined almost all the time. However, it was not very popular with the candidates. The question was divided into two parts.

Many candidates mentioned correctly the three types of a business in part (a). However, they did not indicate “limited” for “limited companies” hence marks were not awarded.

Part (b) was on partnership accounts. The following were noted in the different parts of the question:

- (i) Net profit was not recalculated correctly in (i) because many candidates did not adjust the reported gross profit figure with the expenses and drawings made by the partners.
- (ii) Many candidates treated the partners’ salaries and interest on capital correctly in the appropriation account.
- (iii) The partners’ current accounts were not prepared correctly. The treatment of the respective partners’ opening current account balances and the drawings of K15,000 each posed big challenges among the candidates.
- (iv) Part (iv) was avoided by many candidates. It required them to calculate the total net assets of the partnership.

Overall, the candidates who attempted the question scored very low marks. This was very surprising.

#### **QUESTION 4**

The question covered diverse areas of the syllabus such as benefits of computerized accounting systems, accounting concepts as well as preparation of an income statement. The question was fairly popular.

Issues noted in the candidates’ responses were as follows:

- (i) Many candidates demonstrated good knowledge of benefits of computerized accounting systems hence scored good marks in part (a).
- (ii) Candidates failed to state the critical factors that differentiate between *underlying* and *fundamental* accounting concepts. Candidates were expected to talk about their enforceability. Examples of the respective concepts were also mixed up.
- (iii) Part (c) confused some candidates who ended up preparing a statement of financial position, yet this was not required.
- (iv) The treatment of accruals and prepayments and the movement in receivable allowance were not correct in the income statement.

- (v) A few candidates ended up using items supposed to appear in the statement of financial position in the income statement.

In spite of the shortfalls mentioned above, many candidates scored fairly good marks on the question.

### **QUESTION 5**

The last question has traditionally been a discursive one and it was very popular. However, a few candidates failed to consider the marks allocated to the respective areas of the question to act as a guide as to how much information should be provided as an answer. Some provided long winded answers for 4 marks while others provided too short an answer to make any sense.

The question was divided into five parts and the common problems noted were as follows:

- (i) Critical factors differentiating the two types of accounts were not mentioned. Candidates were expected to state that receipts and payments accounts include cash transactions only while income and expenditure accounts include accruals and prepayments.
- (ii) In part (b), alternative names of the two daybooks were not mentioned. Candidates were expected to state that both were also books of original entry and to explain how the total of each of the respective daybooks is supposed to be treated at the end of each accounting period.
- (iii) In part (c), many explanations for the respective fundamental accounting concepts were not convincing, especially regarding materiality and accruals concepts. However, good explanations for going concern, prudence, consistency, business entity as well as substance over form concepts were noted.
- (iv) FIFO and LIFO were the common methods mentioned and correct explanations were given. Many candidates surprisingly avoided mentioning AVCO and for the few candidates who mentioned this valuation method, poor explanations were provided.
- (v) In part (e) candidates demonstrated in-depth knowledge of the respective users and why each one of them is interested in the final accounts. Hence many scored full marks on this part.

Overall, many candidates scored fairly good marks on the question.

## **CONCLUSION**

Candidates showed signs of ill-preparedness for the examination. Questions on partnership accounts appear in the question paper time and again, yet this time around, it was answered as if it was being examined for the first time. Candidates, in general, scored good marks in question 5, which required them to recall facts. They performed poorly in questions that required application of knowledge. This fact gave the impression that students tend to memorise facts without applying them to real life situations.

## **RECOMMENDATIONS**

1. Candidates/teaching institutions should cover the whole syllabus.
2. Students should improve their language skills.
3. Candidates/teaching institutions should organize revision classes to ensure that they fully understand the material covered in the syllabus.

