

STRICTLY CONFIDENTIAL

THE INSTITUTE OF CHARTERED ACCOUNTANTS IN MALAWI

DECEMBER 2015 EXAMINATIONS

ACCOUNTING TECHNICIAN PROGRAMME

PAPER TC1: ACCOUNTING/1

EXAMINER'S REPORT

GENERAL COMMENTS

The paper covered the areas of the syllabus that are examined almost all the time. It was, hence, disheartening to note that only very few candidates passed the examination. Many candidates failed to demonstrate their preparedness for the examination. Poor presentation and illegible handwriting did not reflect preparedness and professionalism on the part of the candidates. Many candidates displayed lack of understanding of the requirements of the questions and failure to interpret and articulate issues.

A few candidates scored good marks in the following questions: 1(d), 1(c), 4(a), 4(b), 5(a) and 5(c). Many had problems in questions 1(a), 1(b), 1(c), 2(a), 2(b), 2(c), 3(a), 3(b), 3(c), 5(b), 5(d) and 5(e).

COMMENTS ON INDIVIDUAL QUESTIONS

QUESTION 1

The compulsory question on incomplete records was divided into five parts covering distinctive areas of the syllabus.

Part (a) required the candidates to calculate total sales and total purchases from the information provided. Many candidates struggled to come up with balancing figures for credit sales (MK48,812) and purchases (MK25,315). They also missed the balance "brought down" and "carried down" for both accounts. There were also a few candidates who made respective entries on the wrong side of the T account. Total sales and purchases were also not calculated, hence candidates lost marks.

Part (b) required the candidates to prepare an income statement. Total sales and purchases calculated in (a) were also supposed to be used in this part. Cost of sales, gross and net profit were all not correct, if the figures calculated in

(a) were wrong. There was a number of candidates who included items from the statement of financial position in the income statement. The statement was supposed to have the name (Chawezi Khumbo) at the top.

Many candidates also failed to calculate correctly expenses for insurance, fuel and depreciation for fittings. They also failed to account for accruals, prepayments (fuel and insurance respectively) as well as non-related items included in the cost of shop fittings (i.e. MK146 and MK125).

Part (c) required the candidates to compute Chawezi Khumbo's capital into the business. Many candidates, however, failed to apply the principle of accounting equation in order to answer this question correctly. It was also noted that the candidates missed out an opening bank balance of MK2,620 and did not deduct the value of creditors and fuel costs owing (i.e. MK1,475 and MK475 respectively).

Part (d) required the candidates to prepare a statement of financial position. The most notable mistakes included failure to calculate the cost and accumulated depreciation for fittings, mixing opening bank balance with the closing bank balance (MK2,620 against MK8,135 respectively), failure to treat correctly the non-current loan and failure to compute the correct drawings figure.

Part (e) asked the candidates to explain the use of control accounts. Many candidates provided the correct uses of these accounts.

Many candidates failed this question so that this negatively affected the candidates' overall performance.

Question 2

The question was divided into three parts and was on the treatment of bad debts, provision for doubtful debts and types of taxable supplies. Many candidates avoided this question.

Part (a) was subdivided into three parts as follows:

- (i) Asked the candidates to prepare bad debts accounts for three years. Many candidates managed to present correct entries, but some of the narrations were not correct. A few candidates used the figures for the provision for doubtful debts in the bad debts account.
- (ii) Asked the candidates to prepare provision for doubtful debts accounts for each of the three years. Many candidates managed to calculate the

provisions based on the receivables balance and provision percentages as presented in the question. However, they failed to show how the entries were supposed to be posted in the T account.

- (iii) Asked the candidates to prepare the statement of financial position extracts for receivables for the 3 years. Some candidates used bad debts write off figures in the extract, while others failed to come up with net carrying amounts of the receivables for each of the respective years.

Part (b) was also subdivided into 2 parts as follows:

- (i) Asked the candidates to explain the accounting concept that the entity used in accounting for bad debts. Candidates explained the concept being followed to account for bad debts but failed to explicitly explain the prudence concept.
- (ii) As in (i) above, many candidates did not explain clearly why businesses create provisions for doubtful debts, especially to match bad debts as generated by sales in any accounting period.

Part (c) asked the candidates to name three types of taxable supplies and their classification for value added tax (VAT). Many candidates avoided it, clearly demonstrating lack of examination preparedness.

Overall, many candidates scored very low marks in the question, therefore, failed this question.

Question 3

The question was on trading and profit or loss account under different stock valuation methods. It was the second most unpopular question in the paper. Many candidates did not even show workings for sales and purchases, hence they lost marks.

Part (a) was on First in First out (FIFO). Many candidates failed to calculate correctly closing quantities under this method, especially the treatment of the damaged units (2 units at MK4,500 each) hence the valuation was also wrong. Similarly, many failed to calculate the cost of sales figure to be used in the trading profit or loss account.

As for the trading profit or loss account, a good number of candidates failed to include salary cost (MK12,000), rentals cost for the 6 months (MK25,000). Other candidates included repair cost (MK9,000) as an expense when it was only supposed to be used in inventory valuation.

Part (b) was on Last in First Out (LIFO). There were similar problems observed as those in FIFO, especially on closing quantities and closing inventory valuation, calculation of cost of sales and the items in the trading profit or loss as highlighted above.

Part (c) was on Average Cost valuation (AVCO). This was poorly attempted by the candidates. Many did not calculate the average closing balances after each transaction to come up with the correct closing stock valuation.

As for the trading profit or loss account under this valuation method, it had similar problems as already highlighted under FIFO and LIFO above.

Overall, candidates performed poorly in this question.

Question 4

The question was divided into two parts. It was the second most popular question after question 1.

Part (a) was subdivided into two parts. (i) asked the candidates to prepare an income statement and (ii) a statement of financial position for a sole trader. Many candidates scored good marks in both parts of the question. However, there were a few candidates who did not indicate the trading name at the top of both the income statement and statement of financial position.

There were also a number of candidates who did not realize that the depreciation charge for the year was also supposed to be used as accumulated depreciation in the statement of financial position.

Part (b) asked the candidates to determine the adjusted final net profit and to show extracts for the statement of financial position. It was discouraging to note that many candidates avoided this part of the question. The few who attempted it, made correct adjustments and presented correct extracts of the statement of financial position.

Overall, the performance in the question was satisfactory. Almost all candidates scored good marks in this question.

Question 5

The last question has always been discursive. This one asked the candidates to explain accounting terms. The question was divided into five parts.

The issues noted under each term are outlined as follows:

- (a) Accounting equation: many candidates demonstrated knowledge of the accounting equation formula. However, the candidates did not provide an in-depth analysis of the equation's components such as assets or liabilities etc, so as to obtain full marks.
- (b) Elements of accounting: very few were able to state and explain correctly the elements of accounting. There were some who mixed the elements of accounting with accounting concepts or qualitative qualities of financial statements.
- (c) Prepayments and accruals: It was encouraging to note that many candidates were able to differentiate the two. However, they failed to state how they are treated when preparing a set of financial statements; both the income statement and the statement of financial position.
- (d) Depreciable amount, useful life and residual value: Depreciable amount was confused, by a number of candidates, with the actual depreciation charge in the financial statements. Useful and residual value, were clearly explained by many candidates who prepared well for the examination. However, they failed to explain disposal costs on residual values and their treatment in the accounts.
- (e) Ordinary and preference shares: poor explanations for the terms were given and many candidates failed to state the treatment of each type of shares in respect of dividends and voting rights during meetings

Overall, the quality of the explanations fell short of the expected standard because the candidates displayed poor language proficiency. Explanations lacked the key /words/features that would show clear understanding of the terms.

Conclusion

In conclusion, it is disheartening to note that many candidates have not done well in this examination despite the fact that the question paper was fair. Failure of the candidates to do well can be attributed to the following reasons:

- (i) Lack of in-depth syllabus coverage has always been an issue in successive examination diets.
- (ii) Candidates are also encouraged to read examiners reports so that they can learn better ways of answering the questions. Marks are clearly lost due to this lack of adequate examination preparedness and approach.

If candidates go through examiners reports published in the student's newsletter and work on the highlighted tips, there will be notable improvements in future examination attempts.

