

STRICTLY CONFIDENTIAL

INSTITUTE OF CHARTERED ACCOUNTANTS IN MALAWI

JUNE 2014 EXAMINATIONS

ACCOUNTING TECHNICIAN PROGRAMME

PAPER TC1: ACCOUNTING/1

EXAMINER'S REPORT

GENERAL COMMENTS

The performance of the candidates has been below average as only 26% of the candidates have passed the examination.

It is very discouraging to note that the candidates' performance has failed to improve as a result of similar factors which were highlighted in previous examination diets. The main factor for the dismal performance during this examination diet has also been lack of knowledge of the subject matter leading to failure to understand the questions asked. Some of the answers, especially those requiring explanations lacked depth.

It has also been observed that a number of candidates do not adhere to the stipulated examination instructions such as answering questions on a fresh page and ensuring that question numbers are also indicated at the top of each page of the answer booklet. This causes problems to the examiners.

Question 1

The question was divided into two parts. The question was reasonably popular but many candidates were not well conversant with the syllabus area that the question tackled.

The question was on the preparation of a trading account.

In part (a) (i), many candidates failed to present formulas for calculating the cost of goods sold, sales as well gross profits.

In part (a) (ii), the format of the trading account presented by a number of candidates was also wrong hence vital marks were lost in the process.

In part b, there was a number of candidates who failed to come up with correct purchases and sales figures for the period under review (i.e. closing balances for Trade payables and Trade receivables T-accounts). Hence the trading account prepared was also wrong. A few candidates also confused Trade payables and Trade receivables with purchases and sales ledgers respectively.

This being the case, the average mark for the question was below 5.

Question 2

The question was divided into two parts and it was one of the popular questions attempted by the candidates.

Part (a) required the candidates to mention the uses of a journal. Many candidates failed to explicitly express the uses of journals. It was clear that the candidates did not know the use of journals in accounting systems.

Part (b) required the candidates to prepare journal entries. Quite a considerable number of poor answers were noted as incorrect account names as well as wrong entries for some of the transactions were made.

There were also a few candidates who misunderstood the question hence prepared T-accounts for the transactions.

It was also noted that transaction number 4 was not fully done by most candidates, a clear indication that they were not aware of the effects of the transaction to the double entry system.

Overall, candidates failed to earn good marks from a question that was taken from a fundamental area of the syllabus. However, on average, candidates scored better marks than they did in question 1.

Question 3

The question covered an area relating to purchases within an organisation and how the listed transactions are recorded right from the purchases day book through purchases ledger then finally general ledger.

The question was divided into two parts.

Part (a) did not cause many problems to well prepared candidates when calculating purchase figures less trade discounts offered.

In part (b) the common problem areas were as follows:

- (i) The purchases day book was prepared in T format and there was no total amount for all the purchases made during the period.
- (ii) Entries made in the purchase and general ledgers were made on the wrong side of the ledgers e.g. entries in purchases ledger appearing on the debit side of the T account.

The overall performance on the question was mixed. A few candidates scored high marks while a majority got low marks.

Question 4

The question was on a critical area of the syllabus that is regularly examined: partnership accounting. The question, as expected, was very popular.

In part (a) the candidates were required to prepare the partnership's income statement.

Common mistakes noted were as follows:

- (i) The balances in the trial balances were rounded to the nearest thousand. It was discouraging to note mix ups in terms of answers presented. Some candidates confused themselves by failing to indicate whether or not they had rounded up the figures e.g. some figures were presented as rounded whilst others, within the same answer, were not.
- (ii) Transactions such as reduction in provision for doubtful debts, accrued office expense and wages were not treated properly in the income statement. Similarly, most entries in the appropriation account were also not correct.

In part (b) the candidates were required to prepare a statement of financial position. Accumulated depreciation, taking into account the additional depreciation charge for the year, caused problems to many candidates.

Some candidates also failed to indicate proper transactions in the current accounts of the partners despite the fact that all were provided in the question.

This being an area that is examined frequently, one would have expected that candidates would score high marks. But, on the contrary the overall marks were below average.

Question 5

The question required the candidates to record accounting transactions using T-accounts, a very fundamental area of the syllabus.

Common mistakes noted were as follows:

- (i) Names of account names in the T-accounts were in many cases not correct.
- (ii) A few transactions were left out entirely.
- (iii) Wrong posting of the transactions in the respective ledgers e.g. a debit being credited and vice-versa.
- (iv) A few candidates prepared one T-account for all the transactions. In a similar manner, some of the accounts ended up being repeated for the numerous transactions i.e. preparing a separate cash T-account for the different 7 transactions affecting cash.

Overall, well prepared candidates scored good marks.

Question 6

The question was on manufacturing accounts. The question was divided into two parts.

In part (a) candidates with good manufacturing accounts knowledge prepared a correct manufacturing account but there was a considerable number of candidates who did not present the accounts in a correct format, especially the treatment of royalties and indirect manufacturing wages.

Part (b) was quite challenging for a good number of candidates as narrations in the T-account were wrong for most transactions as well as the respective year ends were not indicated in the crates T-account. Marks were hence not awarded for the wrong narrations.

The income statement extract relating to the use of crates and how the balance of the crates account would appear in the books of accounts also caused problems to many candidates.

Question 7

The last question has traditionally been a discursive one.

It is very discouraging to note that many candidates fail to be guided by the number of marks allocated to an item as to how much detail they should include in the answer in order to maximise marks.

Some candidates either wrote too much or too little for 4 marks some answers lacked the necessary detail to earn a pass.

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

In part (a) candidates clearly demonstrated lack of knowledge, especially on bought ledgers. The descriptions provided and comparison with purchase ledgers clearly showed lack of understanding of what function the bought ledger performs.

In part (b) candidates also showed that they were not conversant with similarities between Working capital and Net Current Assets.

In part (c) accumulated fund was not clearly explained. Similarly, capital accounts were not properly explained, let alone a comparison of the two.

In part (d) many candidates failed to state the key features distinguishing trade from cash discounts, in particular, bulk buying and early settlement of debts.

In part e, many candidates also failed to distinguish properly between a bank loan and an overdraft facility. Key features differentiating the two are clearly not understood by most of the candidates especially the predetermined rate of interest and repayment on a specific date in respect of bank loan whilst overdraft repayable on demand by the bank.

Overall, many candidates scored very poor marks on the question.

Conclusion

In conclusion, it is still very evident that a variety of factors noted in previous examination diets continue to be the cause of poor performance amongst candidates.

There is an urgent need on the part of candidates to cover the whole syllabus before attempting the examination.

RECOMMENDATION

Candidates and tuition providers should go through examiner's reports published in the student's newsletter so as to make sure that repetitive problem areas are eliminated. Examiners' reports are also available on the Council's website. They are also sent to individuals on demand.