

**STRICTLY CONFIDENTIAL**

**THE INSTITUTE OF CHARTERED ACCOUNTANTS IN MALAWI**

**DECEMBER 2014 EXAMINATIONS**

**ACCOUNTING TECHNICIAN PROGRAMME**

**PAPER TC5: ECONOMICS**

**EXAMINER'S REPORT**

**GENERAL COMMENTS**

The candidates' performance, in general, was above average as the paper has recorded a pass rate of 56%. This is a good pass rate by all standards.

However, the pass rate would have been higher had the candidates addressed the following:

- Poor language skills

1. Candidates fail to understand requirements of a question due to poor language skills (poor comprehension of English).
2. Candidates provide answers in poor English which sometimes changes the meaning of what they intended to put across.

Markers have difficulties to tell what it is exactly that the candidates want to say. In those circumstances, they do not award marks.

- Poor Handwriting

Some candidates lose marks because markers are unable to read the responses.

- Poor skills in Mathematics

A good number of candidates have problems with questions that require calculations. As a result, many failed question 1(b) and avoided question 7 altogether.

## **COMMENTS ON INDIVIDUAL QUESTIONS**

### **QUESTION 1**

This question required the candidates to show their understanding of the production theory. The candidates were able to define the terms "average product of labour" and "marginal product of labour". Although a few were able to compute the total product of labour, average product of labour and marginal product of labour as was required by part (b), many had problems. They also had problems with part (d)(i) of the question which required them to state three reasons why a firm may want to grow.

This was a standard and basic economics question that required the candidates to demonstrate their understanding of the production theory. The question was fairly balanced since it consisted of explanations as well as calculations. The general performance of candidates on this question was good.

### **QUESTION TWO**

This question required the candidates to show and apply their knowledge of demand and supply. Part (a) of the question required the candidates to explain the difference between change in quantity supplied and change in supply. This was a simple question and it was correctly framed. However, very few candidates got it right. This could arise from the candidates' poor understanding of English and the fact that many seem to memorize more than understand basic concepts and principles of economics.

Part (b) required the candidates to apply their understanding of shifts in demand and supply curves given certain scenarios. Candidates also found this part of the question difficult.

It was only part (c) of the question which asked the candidates to list four determinants of demand that appeared to be easy to many candidates.

### **QUESTION 3**

A standard economics question that required the candidates to demonstrate their understanding of various market structures, particularly monopolistic competition and perfect competition. Part (a) of the question required the candidates to state two differences and two similarities between monopolistic competition and perfect competition. Many candidates did not have problems in tackling this question. However, a few candidates mistook monopolistic

competition for monopoly. They thus gave answers that were supposed to be for monopoly and not monopolistic competition.

Candidates with good mathematical skills were able to calculate the total revenue as was required by part (d) of the question. They were also able to sketch the graph for the total revenue curve. However, they failed to illustrate what the total revenue curve would look like if this were a perfectly competitive market. This is where most candidates lost marks. The question was correctly asked as it had elements of both mathematics and explanations.

#### **QUESTION 4**

This question required the candidates to apply knowledge of circular flow of income. Part (a) of the question required the candidates to name sectors of the economy. Most candidates were able to tackle part (b) of the question which required them to state the collective terms for savings, taxation and imports on one hand, and investment, government spending and exports on the other.

However, they failed to describe a situation where government expenditure is greater than taxation in part (c)(i). This, consequently, made them fail to tackle part (c)(ii) of the question which was a follow up question.

To the surprise of examiners, candidates had problems with part (d)(i) which asked them to define GDP and explain how it differs from GNP. Though this was a straightforward and basic macroeconomic question, candidates failed it.

#### **QUESTION 5**

Question five was a very relevant and practical question in that it asked the candidates to demonstrate their understanding of international trade and its benefits. This appeared to be the easiest question to the candidates as a lot of them got it right. Candidates were able to state the reasons why countries are involved in international trade as required by part (a) of the question. Candidates were also able to name and explain trade barriers used in Malawi as required by part (b) of the question. Part (c) of the question, proved to be a little bit difficult to some candidates as they failed to clearly state five arguments for and five arguments against protectionism. Confusion appeared in that candidates mistook advantages of protectionism for disadvantages of protectionism.

The question was very relevant as it required the candidates to demonstrate their understanding of various macroeconomics issues.

### **QUESTION 6**

This question required the candidates to demonstrate and apply their understanding of monetary policy. Part (a) of the question required the candidates to state four roles played by the Reserve Bank of Malawi, which is the central bank of Malawi. Most candidates ably answered this question. They were also able to define the term monetary policy as was required by part (b) of the question.

However candidates were unable to state two objectives of the monetary policy as was required by part (c) of the question. Part (d) required the candidates to explain the monetary policy transmission mechanism. This question was correctly asked. However, it was surprising to note that the candidates were unable to explain how a tight monetary policy would affect the savings and investment behavior, cash flow, money and credit, and asset prices.

Worse still, very few candidates were able to explain the two main weaknesses of fiscal policy in an economy as required by part (e) of the question.

### **QUESTION 7**

This was a macroeconomic question which required the candidates to demonstrate their knowledge of inflation and trade issues. It was also very well blended as it required candidates to demonstrate their mathematical skills and explanations. This question proved to be the most difficult of them all as evidenced by the fact that some candidates got a score of 0. Very few candidates got (b) and (c) right. Candidates found comfort in parts (d) and (e) of the question which required them to state the problems of barter trade and functions of money, respectively.

### **RECOMMENDATIONS**

1. Candidates and teaching institutions should cover the whole syllabus.
2. Teaching institutions should encourage the candidates to understand the principles and concepts of economics rather than memorize them.
3. Candidates should improve their language skills – English.
4. Candidates should write legibly – good handwriting.