

**STRICTLY CONFIDENTIAL**

**THE INSTITUTE OF CHARTERED ACCOUNTANTS IN MALAWI**

**DECEMBER 2014 EXAMINATIONS**

**ACCOUNTING TECHNICIAN PROGRAMME**

**PAPER TC6: ACCOUNTING/2**

**EXAMINER'S REPORT**

**GENERAL COMMENTS**

The performance at the December 2014 sitting has been poorer than that achieved at the June sitting. The overall pass rate of just over 20% is not encouraging. The poor performance could be attributed to the revision of the syllabus and a slight change in the format of the examination paper.

The current syllabus and examination emphasize practical aspects of accounting. For instance, candidates are expected to know how to pass journal entries for transactions at this level. It is also important to note that the syllabus now uses accounting standards and it is imperative that candidates become acquainted with relevant standards. However, examiners were surprised that candidates performed poorly in questions 1, 4 and 5. Such type of questions have appeared several times in the previous diets.

**COMMENTS ON INDIVIDUAL QUESTIONS**

**QUESTION 1**

This was a compulsory question carrying 40 marks. The performance on this question was the worst. Part (a) asked the candidates to prepare journal entries for given transactions followed by an income statement and then the statement of financial position for Chimodzi Ltd after acquiring a subsidiary. The performance was very poor. There was ample evidence that candidates were not well prepared for journal entries. They were also unable to show the acquisition of a subsidiary in the parent company's statement of financial position. Candidates should know how to journalize transactions. A holder of a diploma in accounting is expected to carry out such transactions in an accounts office.

Part (b) asked the candidates to state four exceptions under which a company may exercise control over another despite holding half or less of the voting powers. Candidates should have listed the exceptions relating to control by agreement, by statute, by holding power to cast the majority vote and power to appoint or remove the majority of board of directors. The overall performance in this question was below average.

### **QUESTION 2**

This question was on partnerships and it asked the candidates to prepare realization account, current and capital accounts and partnership bank account. It was one of the most popular questions. The performance, for once, was good. Some candidates scored all the marks available for the question. However, there were still some problems which included wrong entries like including account payables in the realization account and failure to adhere to instructions which asked the candidates to prepare a combined current and capital account. The wrong entries resulted in having incorrect capital and current accounts of the partners and the bank account of the partnership.

The overall performance in this question was very encouraging.

### **QUESTION 3**

This was also a very popular question. It asked the candidates to prepare a statement of cash flows. The performance was generally good as a few candidates also scored all the marks available for the question. However, the main problem was that candidates failed to comply with the recommended format of a statement of cash flows. Candidates also had problems with the calculation of dividends, taxation, purchase of non-current assets and issue of shares.

### **QUESTION 4**

The candidates were provided with financial data for two companies. They were asked to compare and comment on their performance based on accounting ratios to reflect their profitability, liquidity and efficiency. The performance on this question was average. A majority of the candidates failed to give straightforward answers on the limitations of accounting ratios in comparing the performance of companies. The candidates did not only fail to categorize the ratios, they also were not able to compute them. It was obvious that the candidates were not able to analyze a set of accounts. This topic is vital in the training of an accountant because of its practical nature.

**QUESTION 5**

This was the least popular question.

Part (a) of the question asked the candidates to list documents that are necessary for the preparation of a bank reconciliation and making payment to creditors. It was surprising that many candidates do not know what a document is. The performance was very poor.

Part (b) of the question was on finance lease arrangements and the candidates were asked to calculate finance charges and capital repayment and thereafter to prepare journal entries to record the finance charges and capital repayments. The performance was very poor. The evidence pointed to the candidates' inadequate preparation for the topic.

It is trend now that candidates avoid questions on finance lease. Candidates seem not to understand this topic. Tuition providers are, therefore, encouraged to teach this topic thoroughly in order that candidates show interest in questions set from the topic.

**RECOMMENDATION**

Tuition providers and candidates should strive to cover the entire syllabus. There were signs in the scripts that candidates were comfortable in a few areas of the syllabus and lacked knowledge in other areas.

