

THE INSTITUTE OF CHARTERED ACCOUNTANTS IN MALAWI

DECEMBER 2014 EXAMINATIONS

CERTIFICATE IN FINANCIAL ACCOUNTING

PAPER FA 3: BUSINESS KNOWLEDGE

EXAMINER'S REPORT

GENERAL COMMENTS

The exam consisted of seven 20 mark questions, three questions in Section A and four in Section B. Candidates were allowed to answer any two question in Section A and any three questions in Section B within the three hour time allocation for the paper.

The format of the paper allows broad syllabus coverage in each sitting and candidates preparing for future sittings should note this. Most candidates attempted the five questions of their choice and those candidates who had prepared thoroughly and had developed their knowledge across the syllabus were able to obtain high marks, but those who had restricted their preparation to a few 'pet' topics were less successful. The issue of ensuring that the syllabus is covered when preparing for the exam is of great importance to future candidates. Broad syllabus coverage does not mean that every topic covered will be tested in depth, but an effort is made to ensure that many topics are tested in each paper.

Questions in section **B** were the least well answered and while questions one and four were the best answered and attempted by almost each candidate. There is some evidence that candidates are still attempting to play 'spot the question' and preparing for specific topics to be tested as was the case with questions in Section B, where thorough knowledge of a topic can gain high marks. Most of the candidates who failed in this exam scored high marks in Section A from questions one and three to be specific. This is a high-risk strategy, and is strongly discouraged. It is on the same basis that a disappointingly high number of candidates were unable to provide adequate answers to Questions in section **B**. Most of the questions this time tested the candidates' knowledge on business law, insurance and also required them to reason and use the knowledge acquired to answer questions as was the case in question four, five, six and seven. This was slightly different from other previous exam sessions where most of the questions required candidates to only state, name, list etc and were also properly mixed taken from different topics.

Even where topics have been examined in the recent past sittings, candidates should know that this does not preclude a topic from being examined in consecutive sittings, or the passage of a number of sittings before a topic is examined again.

A **few candidates** attempted to contain their answers to two pages, especially answers to questions one and five. In some cases, candidates were giving explanations where it was not required. This can lead to work being hard to mark, in the process marks may be lost, as it is sometimes impossible for markers to ascertain what the candidate is attempting to communicate. The same comment can be applied to answers which are laid out in an apparently random fashion across the page, or answers which do not clearly indicate which part of which question is being attempted. Candidates are strongly encouraged to present answers in a logical way, well spaced, and clearly labelled to show which question or sub-question is being attempted. Candidates also need to be reminded that answers to each selected question should begin on a fresh page according to exam paper instruction number five. **Some few candidates did not follow this instruction.**

On the subject of time, candidates should be aware that great efforts are made to ensure that, while the exam is time constrained, it does not put the candidate under undue time pressure. The practices noted above however, can lead to candidates creating their own time pressure, as some were not answering the question asked, but rather one which the candidate wished was asked (**Question 1a, 2, 4b and 7**); providing a pre-learned answer; or writing everything that can be remembered about something referred to in the question.

Candidates are reminded that questions are carefully constructed, and the mark allocation given careful consideration. Reading the question carefully, tailoring the answer to that question, and using the mark allocation as a guide to how much is required will lead to better marks. No marks can be awarded for material that does not answer the question, and no more than the marks indicated on the question paper can be awarded.

SECTION A

As in previous papers, this section contains three questions which cover those topics not tested in Section B, thereby increasing coverage of the syllabus. Candidates are allowed to answer only two questions. Most candidates followed the instruction of just answering any two questions from this section. Overall, candidate performance in Section A was better as compared to that of Section B which was very poor. Almost all candidates, who scored more than **50%** in this paper, got more marks from section A.

QUESTION 1

This was the most attempted and fairly answered question in Section A the apparent reason being lack of relevant knowledge. The question required candidates' to display knowledge of **Production**, in particular on types of industries, types of production and specialization. They were required in **1(a)** to mention three types of industries from which Mr. Tipate will have to choose to operate and state the industry to which production of drinks belongs. Most candidates who attempted this question answered poorly hence earning few marks. Most candidates were giving types of primary industry

(extractive, manufacturing and constructive) as answers instead of industry types in general i.e. primary, secondary and tertiary.

For **Q1 (b)**, the candidates were required to state the type of production in which Mr. Tipate will be involved in i.e. whether it will be direct or indirect production. Most of those candidates, who chose this question, got above average marks from part **(b)**. But they had problems with part **(c and d)** of the question which required them to define specialization in production and mention four reasons for specialization by regions. This mostly was due to lack of relevant knowledge on the reasons for specialization by regions.

QUESTION 2

This was the second best answered question of Section A for those candidates who attempted it. Though this was the case, most candidates answered poorly **Q2 (b)**, mostly due to inadequate knowledge on the topic of Stock exchange and its functions and also not clearly getting what the question required. This also revealed that most candidates do not read widely.

The examiner in this question required candidates to express their knowledge of business regarding **Small scale retailing, in particular sole trader** and also listed companies. As such in **2a**, they were required to mention five advantages of operating a business as sole trader in reference to Mrs. Wagwa. While in **2b**, they were required to mention five reasons that a business operating as sole trader would have if it got listed on the stock exchange. Most candidates who chose this question gave correct answers to part **2a** though most of the candidates did not refer to the question but just gave advantages of operating business as a sole trader. Though this approach partly worked, in certain situation candidates could lose marks for such answers. As such, candidates are being advised to provide answers which correspond to the question and not provide answers for the questions which one wishes were asked. Question **2b** was poorly answered which was a clear indication of lack of knowledge on the subject matter. Overall, very few candidates who were thoroughly prepared presented good answers, with a number of answers obtaining good marks.

QUESTION 3

The performance of those that attempted this question was above average. The question tested the candidates' knowledge on **Insurance**, in particular on principles of insurance, classes of insurance and forms of businesses.

Candidates were required in **3(a)** to list three principles of insurance and in **3(b)** sub principles of insurance. Most candidates chose this question and answered well though some few candidates got few marks as they confused principles and sub principles. Part **'a'** and **'b'** were specific but some candidates lost marks for giving answers for part **'b'** in part **'a'**.

Though this was the case, most of those candidates, who chose this question, got above average marks from part (b). But they had problems with part (c) of the question which required them to state how the following classes of insurance, comprehensive policies and fidelity guarantee would aid Mr. Bengo's business. This mostly was due to lack of relevant knowledge on the topic and also poor preparation for the exams as some students showed that they had some knowledge of the classes of insurance in question.

SECTION B

This section contains four questions, thereby increasing coverage of the syllabus and questions were asked from business law (law of contract, agency and sale), insurance, and trade in general. Candidates are allowed to answer only three questions. Overall, candidate performance in Section B was poor. Very few candidates including those who passed the exam got more than 25 marks from the three questions of their choice in section B representing an average pass mark of 8 per question out of a possible 20. Question four was the most attempted in this section and question seven, seemed to be the toughest of the whole paper as indicated by the marks scored by the candidates who attempted it and the number of candidates who attempted it.

QUESTION 4

The examiner was mainly testing the knowledge of candidates **on trade through advertising, utility services and services one can access using an ATM**. Most candidates selected this question and their performance on this question was slightly above average. The overall performance on this question suggests that most candidates do have some knowledge on matters to do with Advertising though some lost marks in part (b) where candidates were required to mention three utility services that Malawians are enjoying by pre-paying. Other candidates gave answers to this part of the question such as utility of place, form, time etc. completely missing the correct answers. Others were giving names of organisations (ESCOM, Water Boards, MTL etc.) providing the utility service instead of naming the utility. This only shows that some candidates do not take time to understand the question requirements but only respond to questions they wish were asked as they already have answers in mind.

Though overall performance was good, some few candidates also had problems with **Q4c** which required them to mention three services which can be accessed using an ATM provided by a commercial bank. Other candidates were naming banks as answers while others were stating advantages of an ATM card. Most of them demonstrated knowledge of the subject but missed the key words in the question 'services one can access using an ATM'. This showed that the candidates do not read widely to enrich their general knowledge.

Candidates are being advised to clearly understand the questions before attempting to answer them as marks can easily be lost on questions which they could have earned full marks. The lost marks could be the difference between passing and failing the exam.

QUESTION 5

The examiner was mainly testing the knowledge of candidates **on contract of sale of goods**. Most candidates selected this question and their performance in this question was below average. The overall performance on this question suggests that most candidates do not have adequate knowledge on matters to do with Sale of Goods Act. This was indicated by poor answers provided to **5b**. They were asked in **5b** to state four rules relating to passing or transfer of property from the seller to the buyer to determine who bears the risk at any point in time. Most candidates gave answers to this part of the question without referring to the question but from their knowledge of rules found in Sale of Goods Act.

Most marks were earned from part **(a)** and **(c)** which required candidates to list four types of goods under a contract of sale of goods. Most candidates listed and gave explanations which were wrong yet the question only asked candidates to list four types of goods. This made some candidates lose marks as it portrays that they don't the answers and that they did not understand the question. Future candidates should to provide answers as per question requirements. No extra marks are awarded for correct explanation where it has not been asked for but one can lose marks where a wrong explanation is provided where it was not asked for.

Some answers provided by the candidates suggest that the topic was not adequately covered; especially in **5b and 5c**, as such some candidates provided answers from general knowledge.

This topic is examined in almost all exams and candidates should thoroughly prepare for a question on Sale of Goods Act. Previous experience has shown that questions on law of contract are rarely chosen and performance is generally average.

QUESTION 6

In this question, the examiner wanted to test the knowledge of candidates on **Law of Agency**. Candidates were required in **6a** to state two duties of a principal to his/her agent. This was poorly answered part of the question together with **6c** mainly due to lack of knowledge though answers to **6b** indicated that the topic was covered. Less than 30% of the candidates who chose this question got this part right. The other possible reason could be poor preparation for the exam.

Candidates performed poorly on **6c** where they were asked to list four **sources of authority of an agent**. Again answers given indicated that most candidates were just guessing the answers and completely had no idea of the sources of authority for an agent.

The wrong answers given ranged from Principal, government, Parliament etc as sources of authority for an Agent. Though this was the case with most of the candidates, some few other candidates performed very well.

General overall response on the question suggests that the topic was not adequately covered by the candidates or they gave it little attention as the topic was also examined in recent sittings. With good coverage of the syllabus, especially on the topic, and good preparation for the paper, this could be one of the easiest questions.

QUESTION 7

This is the least attempted question of the paper. Lack of proper knowledge and poor preparation for the exam played a big role as even the few candidates who chose it, performed poorly.

The examiner is stressing the importance of the candidates to have adequate knowledge on the **law of contract** by requiring them in **7a**, to mention four situations which would lead to the discharge of a contract. General performance was poor on this part of the question. There was some evidence that the topic was covered but poor preparation for the exam could attribute to the poor performance of the candidates. Question **7b** and **7d** were the worst in terms of marks earned. Candidates wrote anything they know/could remember about cases in law of contract.

In Q7c, they were tested on the remedies available for breach of contract. Again Performance was on average poor though the few candidates who prepared well got good marks from the question.

Overall, candidates didn't gain much marks in this question due to an apparent lack of relevant knowledge, resulting in incorrect answers for **Q7a and 7c** and also giving answers for questions which were not asked but rather what they wish was asked like in **Q7b and Q7d**.

As indicated above, the answers given by the candidates indicated coverage of the topic but poor exam preparation is major problem.

This topic is examined in almost all exams and candidates should thoroughly prepare for a question on Law of Contract. Previous experience has shown that questions on law of contract are rarely chosen and performance by candidates is generally average.

Conclusion

The overall performance on the paper was below average. Students need to note that each question carries the same number of marks and as such, time allocated to each question should also be the same. Most students seem to have spent more time on questions from Section A or the first two or three question they chose to write under pressure the last two questions. This has also been the case in previous sittings. Apart from relevant

knowledge and preparation for exams, time management while writing the exams is another obvious problem.