

THE INSITITUTE OF CHARTERED ACCOUNTANTS IN MALAWI

DECEMBER 2015 EXAMINATIONS

CERTIFICATE IN FINANCIAL ACCOUNTING

PAPER FA4: BUSINESS ACCOUNTING

EXAMINERS REPORT

INTRODUCTION

The paper was generally well done by most students. It was evident that those who prepared well passed with good grades. Students are advised that the only way to pass exams is to be well prepared for the exams.

It was also evident that most students did well in questions involving figures than the discursive questions. Students are advised especially at this stage that questions with figures or essays are part of the accounting career and they therefore have to be well prepared for all types of questions.

Candidates should be reminded of the basic examination instructions like start answering a new question on a separate page and ensuring that their hand writing is legible, neat cancellations and many more.

It was also observed that choice of question matters. This paper is divided into two sections, Section A is compulsory and carries 40 marks while in Section B candidates were required to choose any three out of four questions each carrying 20 marks.

QUESTION 1

This question was compulsory carrying 40 marks. This question was about preparation of financial statements.

Part (a) of the question required the candidates to construct a trial balance from a list of various account balances. Many candidates did well on this question but few account balances like carriage inwards and outwards posed problems to candidates.

This is followed by preparing journals with narratives to correct some errors and extracting a trial balance after correcting the errors.

The final section of the question related to preparation of Statement of profit or loss and later the Statement of the Financial position. Candidates were able to pick items relating to respective financial statements.

There is need for candidates to familiarize themselves with statement of profit or loss and the statement of financial position especially in dealing with accruals and prepayments if they are to succeed in similar questions.

QUESTION 2

This was a discursive question that tested candidates' knowledge on a number of accounting terms defining them and explaining how they are treated or presented in the statement of profit or loss and the statement of financial position.

This was one of the questions which requires candidates to adhere to instructions. Marks were allocated to definition, treatment in statement of profit or loss and the statement of financial position.

The majority of the candidates had problems in providing the definitions but were comfortable with the presentation in the statement of profit and loss as well as the statement of financial position. The concept of accrued interest receivable was the most challenging requirement to the majority of the candidates.

Where a transaction is not recognized in any of the financial statement, most candidates were silent and this made them to lose marks.

QUESTION 3

This question required candidates to prepare a non-current asset schedule from given information. Candidates with no knowledge about the topic failed miserably. Some candidates demonstrated their knowledge by scoring good marks, including a candidate getting 20 marks. This seems to be a problem with syllabus coverage. It appears some of the candidates were not taught on how to prepare a non-current asset schedule.

Non-current asset is a very important topic for this level and even for future accounting subjects. There is need for candidates to master this topic.

QUESTION 4

This was not a popular question as has always been the case in the past

It demonstrated that students might not have covered costing principles. Most of those who attempted this question, failed to achieve a pass mark. However, some knowledgeable students managed to get full 20 marks and others 19 marks. In June 2015, many candidates who attempted this question failed. There has been an improvement in the December, 2015 diet as the number of candidates increased and those who passed the subject also increased.

This is an important area of the syllabus with just a few topics and clever candidates always concentrate on this topic as it is a guarantee that at least one question in an exam will come from there.

QUESTION 5

The question centred on bank reconciliations, part (a) requested that candidates provide items used in reconciling bank statements which might not be in cash book.

Part (b) required candidates to prepare an updated cash book, those candidates who presented the whole cashbook again were not penalized by the examiner, however candidates should be aware that taking this route eats into the time they could otherwise use for something else.

Part (c) required the actual preparation of the bank reconciliation statement. Easy marks were scored by plucking the figures and slotting them under the appropriate heading, be it unpresented cheques or bank lodgement. Instances where the a cheque would be dishonored by the banks were well articulated by the majority of candidates.

CONCLUSION

Generally candidates demonstrated good presentation skills in the majority of questions attempted although there's still need for improvement. The pass rate during this diet is very encouraging compared to the immediate past. It is important

that students cover many areas of the syllabus in order to fully prepare for the examinations. This will lead to further improvement in the pass rate.

As always candidates need to cover all areas of the syllabus if they are to improve their chances of passing the exams.