

THE INSTITUTE OF CHARTERED ACCOUNTANTS IN MALAWI

JUNE 2016 EXAMINATIONS

CERTIFICATE IN FINANCIAL ACCOUNTING

PAPER FA 4: BUSINESS ACCOUNTING

GENERAL COMMENTS

The question paper had a balance of computation and discursive questions covering the whole syllabus for this level. Marks were properly allocated to the questions and questions were indeed appropriate for the level. Time allocation to the paper (3hrs) was adequate for the paper as evidenced by the fact that some candidates managed to answer all the questions completely. Majority of the questions required candidates to compute. Only question number four was totally discursive.

QUESTION 1

This question was compulsory carrying 40 marks requiring candidates to construct a trial balance, journal entries without narratives, statement of profit or loss and a statement of financial position

Candidates were required to make adjustments in the final accounts for prepayments and accruals, calculate depreciation for the Non Current Assets using Straight Line and Reducing Balance method.

The question tackled most of the basic concepts of book keeping such that it is worrying to note that most candidates did not perform well in this question. Many candidates struggled with errors that affect the trial balance as well as the depreciation computations given that the methods were different.

There is need, therefore, 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 an inventory valuation question which tested the candidate's ability to apply FIFO and LIFO methods in arriving at closing inventories. With most candidates, easy marks were scored simply by extending the stock issues on a particular day. Most candidates are aware of the advantages of FIFO valuation method while at the same time, most candidates were unable to explain situations where the cost might be higher than the

net selling price. Candidates need to go deeper to understand such situations as they may encounter them at the work place.

QUESTION 3

This was a process costing question requiring the candidates, in part (a), to prepare a process account and to determine the unit cost of producing Mango Juice. This was easily dealt with by the majority of the candidates. Many candidates were not able to prepare the normal loss and abnormal gain accounts as required.

Many candidates again failed to arrive at the proper decision given the two options of further processing and selling scrap supported by computations.

QUESTION 4

This was a discursive question that tested candidate's knowledge on a number of accounting terms, defining them, and stating their treatment and presentation in the profit or loss and the statement of financial position.

Majority of the candidates had problems in providing the definitions but were largely comfortable with the presentation in the statement of profit and loss as well as the statement of financial position. The concept of bad debts written off recovered was the most challenging requirement to most candidates.

QUESTION 5

The question tested candidates' ability to prepare the receivable control account as well as some of the reasons why goods may be returned by a customer. Most candidates displayed good knowledge on the preparation of receivable control account and also the reasons as to why goods may be returned. Similarly, causes of differences between customer and supplier accounts were reasonably articulated by many candidates.

The requirement on the difference between cash and trade discount proved a challenge to most candidates as they did not provide correct distinctions between the two. Similarly the difference between general and specific provision for doubtful debts was not well answered by most candidates.

CONCLUSION

Generally candidates demonstrated good presentation skills in the majority of questions attempted although there's still need for improvement. It is important that students cover many areas of the syllabus in order to fully prepare for the examinations. This will lead to

improvement in the pass rate. Candidates must read and understand the question before attempting the answer to avoid wasting time. Candidates should pay particular attention to detail to avoid using wrong figures in their computations.