

**STRICTLY CONFIDENTIAL**

**THE INSTITUTE OF CHARTERED ACCOUNTANTS IN MALAWI**

**JUNE 2016 EXAMINATIONS**

**ACCOUNTING TECHNICIAN PROGRAMME**

**PAPER TC1: ACCOUNTING/1**

**EXAMINER'S REPORT**

**GENERAL COMMENTS**

The question paper covered all the main areas of the syllabus. As such, it was very disappointing to note that many candidates failed to show that they had covered the syllabus adequately and that they had prepared for the examination. The overall performance, at a little over 20%, was below expectation. A few candidates scored low marks in discursive questions. They concentrated on questions involving the manipulation of figures. Understanding and explaining terms and concepts is important in the preparation of financial statements. Candidates should, therefore, learn to understand accounting terms and concepts.

**COMMENTS ON INDIVIDUAL QUESTIONS**

**Question 1**

The compulsory question was divided into 4 parts covering different areas of the syllabus.

Part (a) required the candidates to record transactions in 10 ledger accounts derived from the information provided for Chimwemwe Banda. Some candidates scored very high marks while others scored lowly. However, in general the cashbook ledger account caused some problems as a good number of candidates did not prepare it in a 2 column format as is the norm.

Other common mistakes made in the ledger accounts, beside the cashbook included; wrong narrations against the amounts of the transactions posted in the ledger accounts, transactions posted to wrong sides of the T accounts, and carried down (c/d) balances were not indicated.

Part (b) required the candidates to prepare a trial balance from the ledger account balances done in (a). Most candidates did not do well, because they

did not indicate the name of the retailer and the period that the trial balance related to. There were also many candidates who indicated ledger account balances on the wrong side of the trial balance.

Part (c) required the candidates to prepare an income statement. Most candidates demonstrated lack of knowledge regarding the proper treatment of return inwards and outwards, respectively in an income statement. Stationery expenditure was also missed out by many candidates. Similarly, many candidates failed to indicate the name of the retailer at the top of the income statement hence, lost marks.

Part (d) required the candidates to prepare a statement of financial position. Most candidates failed to obtain good marks because they used wrong balances from the trial balances for the respective items appearing in the statement of financial position.

Overall, candidates did not do well in this question.

## **Question 2**

The question was on partnership accounts and it was divided into three parts.

Part (a) required the candidates to explain accounting terms relating to partnerships as follows:

(i) Partnership

Many candidates explained very well why partnerships are established (i.e. business with a view to making profits). However, names of people establishing a partnership (i.e. partners) were not mentioned.

(ii) Partnership current account

Many candidates did not mention that capital can be constant from one year to another and that it is also possible to have fluctuating capital accounts in partnerships.

(iii) Partnership current account

It was encouraging to note that most candidates explained what partnership current accounts are and what they contain.

Part (b) required the candidates to state four characteristics of partnerships.

Responses were generally poor, as candidates did not mention the following characteristics:

- Confirmation to the Partnership Act 1890. Many candidates did not mention the requirement to conform to this legislation.
- Personal liability of the partners.
- Existence of limited or general partners.

Part (c) was subdivided into 2 parts and the candidates were required to prepare the profit and loss appropriation, and partners' current accounts.

(i) Profit and loss appropriation account

Common mistakes made by many candidates included wrong deductions for "*Interest on drawings*" or wrong additions for "*Interest on capital*". They also failed to annualize Jane's salary. As for those who prepared the appropriation account in a "*T account format*", wrong entries were posted on the wrong side of the T account.

(ii) Partners' current accounts

Similar mistakes were noted as transactions were either added to or subtracted from some of the figures. Other candidates also included transactions such as capital amounts in the current account.

Overall, many candidates obtained very poor marks in the question.

### **Question 3**

The question was on incomplete records. The candidates were asked to prepare a cash book, debtors control and creditor's control accounts, as well as an income statement and statement of financial position.

In Part a (i), common mistakes included the following:

- Cash book entries prepared by most candidates lacked 2 columns as is the norm for 2 column cash book.
- Many candidates failed to show the proper treatment of cash sales amounting to K174,000 which were not banked, and also, many candidates did not show the entry effects in the cash book.

- Opening and closing balances for the ledger accounts were entered on wrong sides of the T accounts.
- Many candidates failed to calculate correctly balancing figures for “Sales” and “Purchases” from the debtors and creditors control accounts.

In Part (b), some candidates failed to correctly treat water bill prepayment balances in the income statement, hence they lost marks. There were also many candidates who left out the depreciation charge for equipment.

In part (c) the candidates were required to prepare a statement of financial position. Some candidates lost marks because they used the opening balances provided instead of closing balances, for selected financial statement line items. Many candidates also failed to calculate correctly the capital balance and a drawings balance, in particular the treatment of the additional drawing of K12,000 from the K174,000 which was not banked. A good number of candidates also treated the bank balance of K63,000 as an overdraft.

Overall, candidates performed poorly in this question.

#### **Question 4**

This question was unpopular among the candidates.

Part (a) required the candidates to explain the specific duties and responsibilities of the regulatory bodies. Answers lacked vital elements of the roles, such as the following:

(i) The Malawi Stock Exchange (MSE)

Many candidates failed to explain the functions of MSE with regards to selling and buying of securities. A good number of candidates stated that MSE was used for trading currencies.

(ii) The Malawi Accountants Board (MAB)

It was surprising to note that many candidates did not know the duties and responsibilities of MAB. They were expected to state that it “*regulates accountants and auditors*” in Malawi and that its oversight functions are regulated under the Public Accountants and Auditors Act.

(iii) The Companies Act (1984)

Many candidates did not mention the requirements that the Act imposes on companies such as the following: keeping proper accounting records, submission of annual returns and the circulation of financial statements and auditors reports.

(iv) The International Financial Reporting Standards (IFRS)

Adherence to IFRS for financial statements was missed out by many candidates.

Part (b) was on Value Added Tax (VAT) and it was subdivided into 3 parts as follows:

In part (b)(i), candidates were required to explain the difference between output and input VAT. Most candidates failed to correctly differentiate the two, particularly the fact that they emanate from sales and purchases respectively.

Part (b)(ii) required the candidates to list three types of supplies under the VAT Act. The answers showed that most candidates did not know the three types of supplies under the VAT Act, which are exempted, zero rated and standard rate supplies, respectively.

Part (b) (iii) required the candidates to prepare four ledger accounts recording transactions which had a VAT element. Most common mistakes made on the entries, included combining "sales and purchases" ledger accounts, recording the transactions on wrong sides of the T account. Other candidates included the VAT element in the transactions posted in the sales and purchases ledger accounts, as well as, in Z and X Limited ledger accounts, respectively. The separate VAT account was not attempted by many candidates.

Overall, the performance was very poor in this question.

### **Question 5**

Question 5 has traditionally been a discursive one. It was divided into five parts and candidates were required to explain purposes of accounting terms.

The following were the common issues noted under each of the following terms:

(i) Financial accounting and management accounting

Most candidates failed to distinguish between *external* and *internal* use of the two types of accounts mentioned, above. They also failed to state

that financial accounting is regulated by IFRS and that it also has to conform to specific format whilst management accounting does not have such restrictions.

(ii) Elements of accounting information:

It was surprising to note that candidates failed to identify the elements.

(iii) Gross loss

Very few candidates explained correctly the circumstances leading to gross loss, but failed to provide an example, to show how a gross loss would appear in the financial statements. Some candidates ended up mentioning expenses instead of cost of sales, as being the cause for gross loss.

(iv) Bank statement

The candidates explained the nature of bank statements, but the answers lacked important details such as who issues bank statements and the frequency of issuing them.

(v) General journal

Many candidates could not state that the general journal is a book of original entry. They also could not state that the main use was to correct errors.

Examples of transactions recorded through the general journal were also not provided.

Overall, the candidates scored poor marks because they did not state the key features of each of the terms.

## **Conclusion**

In conclusion, it is still very discouraging to note that many candidates have not done well in this examination although the question paper was fair.

Failure by the candidates to do well can be attributed to the following reasons:

- (1) Lack of in depth syllabus coverage has been an issue in every examination diet. Candidates and tuition providers are encouraged to read examiners' reports and also ensure that the syllabus is adequately covered before the examination.

- (2) Failure to prepare well for examinations has also been an issue in successive examination diets. Marks are clearly lost due to lack of adequate examination preparations.

Candidates are encouraged to go through examiners' feedback published in the Students' Newsletter and work on the highlighted corrections and examples, there will be notable improvement in future examination diets.