

STRICTLY CONFIDENTIAL

**THE INSTITUTE OF CHARTERED ACCOUNTANTS EXAMINATION
COUNCIL**

CERTIFICATE IN FINANCIAL ACCOUNTING

DECEMBER 2019 EXAMINATIONS

FA 3 BUSINESS KNOWLEDGE

EXAMINER'S REPORT

GENERAL COMMENTS ON THE PAPER AND STUDENT PERFORMANCE

December 2019 paper was well balanced. Each of the seven questions was not restricted to a particular topic of the syllabus. Candidates are encouraged to use the latest Business Knowledge (FA 3) manual from the Institute of Chartered Accountants in Malawi (ICAM) for their studies in order to excel in examinations. The seven questions were divided into sections A and B. Section A had three questions requiring candidates to answer any two, and section B had four questions requiring candidates to answer any three. The overall performance of the students was poor compared to the June 2019 sitting.

Few candidates continue to ignore the instruction of beginning each answer on a fresh page and continue writing the next answer to a different question on the same page.

The habit of paraphrasing the question before answering, still continues; this is a time waster - time that could be well-spent tackling other questions.

Few candidates continue to write more questions than required in a section, or excess points than required in a question; marks are awarded to the first required number of questions or points. The extra write-up is a time waster.

GENERAL COMMENTS ON THE DEGREE OF DIFFICULTY OF THE PAPER COMPARED TO PREVIOUS DIET

The current paper was of the same level of difficulty as those of previous diets. For those that rely on revisiting past papers, the temptation to paraphrase memorized texts and apply on a question that did not demand that information was apparent in the candidates' responses.

The examiner strongly feels that candidates were less prepared to tackle business law questions.

COMMENTS ON INDIVIDUAL QUESTIONS

SECTION A

Candidates were required to answer any **two** questions from the **three** provided.

Question 1

The question tested candidates' knowledge on production and trade.

In part (a) candidates were required to describe four production facilities. Production facilities is another name for factors of production. 1 mark was awarded for the correct naming of a facility, and 2 marks for discussing the facility.

Part (b) required candidates to mention a type of producer and an example to earn 1 mark for a type and 1 mark for an example.

Part (c) required candidates to describe or make known what they understand by the term departmental store. This is a retail trade term and correct response was awarded 2 marks.

Question 2

This question assessed candidates' knowledge on outsourcing, retail and wholesale trade.

In part (a) candidates were expected to name four factors that affect retail trade as discussed on page 18 of the ICAM manual.

Part (b) required candidates to state three advantages of outsourcing in a scenario-based question and each point was worth 2 marks.

Part (c) required candidates to define 'supermarket' for 2 marks.

Part (d) demanded candidates to demonstrate their knowledge of how a primary wholesaler differs from a secondary wholesaler for 4 marks.

Question 3

This question assessed candidate's knowledge and understanding on two areas; public warehouses and limited companies.

Part (a) required candidates to describe four types of public warehouses for 2 marks each.

Part (b) required candidates to state two main or major functions of public warehouses. 2 marks were awarded for each function.

In part (c) candidates' understanding of three reasons for voluntary winding up were tested, each reason earning 2 marks.

Part (d) required candidates to state the reason for compulsory winding up for 2 marks.

SECTION B

In this section, candidates were required to answer any **three** questions from the **four** provided.

Question 4

The question was on liquidation of a company, multinational company as business organizations, specific functions of commercial banks on Bills, and law of contract.

In part (a) candidates were to discuss two functions of a liquidator in a scenario-based question for an award of 4 marks.

Part (b) was for candidates to discuss four advantages that a host country gets from a multinational company for an award of 8 marks.

Part (c) specifically requested candidates to discuss the role of commercial banks on collection and discounting of Bills for an award of 4 marks.

Part (d) was on law of contract, testing knowledge on the two presumptions that are there when one has an intent of going into a contract. Each assumption was worth 2 marks.

Question 5

The question covered areas of agency law and contract law. It is noteworthy that the area of tenders as part of law of contract was the focus in parts (a) and (b).

In part (a) candidates were to define the word tender in law of contract for 2 marks.

Part (b) required candidates to state the general rule and the exception to the general rule on invitation for tenders for an award of 2 marks each.

Part (c) listed four factors that affect the validity of a contract for candidates' discussion. Each discussion was worth 2 marks.

Part (d) was on agency law. Candidates were to discuss three conditions to be met that would make ratification lawful. Each condition was worth 2 marks.

Question 6

The question tested candidates' knowledge on sale of goods contract, Bill of Exchange as negotiable instrument, agency law, and corporate governance.

Part (a) required candidates to show the difference between a sale and a contract for work and materials to earn 4 marks. This was in relation to *Robinson and Graves (1935)* case.

Part (b) required candidates to discuss the above case in terms of the facts and the hearing for 4 marks.

Candidates had to define 'Bill of Exchange' in part (c) and earn 2 marks.

Part (d) had three corporate governance terms for candidates to define and earn 2 marks for each correct definition.

In part (d) candidates had to define the term ratification in law of agency. It was worth 2 marks.

Question 7

The question was on corporate governance, negotiable instruments, and international trade.

In part (a) candidates were to discuss three issues in regard to Independent Auditors Code of Best Practices in a scenario-based question. Each issue was worth 2 marks.

In part (b) candidates had to identify three main players in the Cadbury Report for a mark each, and discuss each player for 2 marks each.

Part (c) was a 1-mark question requiring candidates to state in a simple word the term given to an act in a Bill of Exchange transaction. In other words, the question gave the definition and required candidates to give a term for that definition.

Part (d) candidates were to define visible trade in an international trade setting.

Part (e) required candidates to state a condition when goods would be released to a holder of a bill of lading for 2 marks.

RATIONALE / LEARNING OUTCOMES BEING ADDRESSED BY THE QUESTIONS

Question Number	Learning Outcome
1(a)	1(b)
1(b)	1(c)
1(c)	2(b)
2(a)	2(c)
2(b)	1(d)
2(c)	2(b)
2(d)	2(e)
3(a)	3(b)
3(b)	3(b)
3(c)	4(b)
3(d)	4(b)
4(a)	4(b)
4(b)	4(c)
4(c)	3(c)
4(d)	7(a)
5(a)	7(a)
5(b)	7(a)
5(c)	7(a)
5(d)	Law of Agency(a)
6(a)	8(a)

6(b)	8(a)
6(c)	Negotiable Instruments (b)
6(d)	Corporate Governance (c)
6(e)	Law of Agency(a)
7(a)	Corporate Governance (a)
7(b)	Corporate Governance (b)
7(c)	Negotiable Instruments (c)
7(d)	2(h)
7(e)	2(i)

COMMENTS ON CANDIDATE UNDERSTANDING OF THE ACTION VERB AND OTHER TERMS USED IN THE QUESTION.

Candidates need to understand action verbs in examination questions to respond positively.

Question 1(a) had the verb ‘describe’. To describe was intended to make known to someone who does not know the thing being described.

In part 1(b) candidates were to ‘mention’ and give an example; this was a listing and not a discussion question.

Part 1(c) was an explanation question. The correct explanation was to talk of ‘one roof’ issue and ‘ownership’ issue.

In 2(b), ‘reasons’ and ‘encourage’ were terms to guide a candidate to state the ‘advantages of’ the issue at hand.

In 3(b), ‘main’ was a guiding word, and this meant marks were awarded to ‘main’ uses as spelt out in the ICAM Business Knowledge manual, and not any other seemingly good use.

In parts 3(c) and 3(d), the terms voluntarily (willingly) and compulsory (forced) were key to the required responses. A few candidates mixed up the words.

In 4(a), Mr Wezi Phiri would be working in Wazwe Transporters as a liquidator, and the functions required are those of a liquidator and not of an accountant for the said company.

In 6(a), to ‘illustrate’ is to ‘show’, and this was not demanding the facts of the case. Facts were required in 6(b).

COMMENTS ON CANDIDATES PERFORMANCE

Question 1

In part (a) some candidates discussed utilities. The ICAM Business Knowledge manual clearly states that production facilities are ‘factors’.

Part (b) candidates lost a mark for discussing wrongly. Discussing was also time waster for a question demanding listing. Another challenge was giving examples of types of producers; nouns were supposed to be used than verbs (doing words). For example, a farmer is an example of a primary producer but not farming.

For part (c) few candidates discussed the ‘store’ as a warehouse; maybe from the vernacular use of the word store to mean storeroom.

Question 2

In part (a) a few candidates discussed issues pertaining to small scale retailers in terms of duties, advantages and disadvantages, this did not earn them marks.

Part (c) made some candidates to confuse supermarket with other large-scale retail shops. Full marks were awarded to correct floor space area and discussion on issue of self-service.

Question 3

In part (d) some candidates discussed winding up in a manner that indicated that the term was not understood, for example, discussing winding up in a flourishing business.

Question 4

Part (c) saw a few candidates using the words debtor and creditor interchangeably in answering the question, and missed the point as these words are opposites/antonyms.

Question 5

In part (d) most candidates did discuss issues to do with agency of necessity which were irrelevant when looking at the three conditions for ratification of agency.

Question 6

Part (a) required candidates to ‘illustrate’. To illustrate was to show or demonstrate the difference or distinction between a sale and contract for work and materials.

Question 7

In part (a) issues regarding Independent Auditors Code of Best Practice was best tackled by only few candidates. Some wrongly discussed principles/reference points of corporate governance, Turnbull guidelines, or role and functions of audit committees.

POPULARITY OF QUESTIONS

In section A, most candidates attempted question 1. Question number 3 was the least popular question in section A. In section B, most candidates attempted questions 4, 5, and 6. Question numbers 6 and 7 were worst done.

OPTIMUM OR EXPECTED CORRECT SOLUTION

The suggested solutions provide the examiner’s expectations to the December 2019 diet Business Knowledge paper.

WHAT DO YOU FEEL ARE THE POSSIBLE FACTORS RESPONSIBLE FOR STUDENT PERFORMANCE OBSERVED?

Poor coverage of Business law, remains a major cause of poor performance by most candidates.

RECOMMENDATIONS TO:

Candidates

Candidates should cover business law topics if they are to pass this paper.

Candidates should aim to understand the concepts so that they are able to apply them.

Tuition Providers

Tuition providers should provide qualified tutors to disseminate business law knowledge to students

