

FINANCIAL ACCOUNTING – PAPER 1

1.0 General Performance

- Overall performance was poor. The pass rate dropped to 38.76% from 40.66% in the previous sitting.
- Candidates displayed insufficient preparation for the examination. This was demonstrated by the careless mistakes they made, low scores, and lack of seriousness while attempting questions. For instance, the theory questions were attempted by giving only one sentence statements, instead of writing short precise notes.
- In a few cases, some candidates went wrong ('misfired') on the questions attempted.
- Most candidates attempted the first two or three questions fully then the last questions were scantily attempted. This is an indication that the candidates spent most time on the first attempted questions.

2.0 PERFORMANCE IN INDIVIDUAL QUESTIONS

2.1 Question 1:

- This consisted of a set of 20 multiple-choice questions covering the entire syllabus.
- Performance in this question was average; the majority of candidates scored half of the marks allocated. In a few cases, there was the likelihood of guesswork. The problem areas were subscriptions, inventories and provisions.

2.2 Question 2:

- This was a compulsory question which required candidates to prepare: a manufacturing account showing prime cost and factory cost of production, an income statement distinguishing between administration and selling costs, and a statement of financial position for a manufacturing company.
- The question was well attempted; candidates exhibited adequate knowledge of the preparation of the financial statements for a manufacturing concern.
- It was the most well answered question.
However,
- Some candidates could not differentiate between prime costs and factory costs in the manufacturing accounts.
- Failure to classify expenses into administration and selling expenses
- Lack of adequate knowledge of where to place work in progress inventory. This was demonstrated by some including it under the raw materials.
- Treatment of accrued and prepaid expenses was often left out when apportioning the expenses.

2.3 Question 3:

- Required candidates to prepare all relevant accounts of a partnership on dissolution.
- This question was attempted by few candidates and was poorly answered.
- Most candidates mistook dissolution for revaluation, and ended up preparing a revaluation account instead of a realisation account.
- The few candidates who prepared a realisation account failed to close it off to the bank account.
- The majority of candidates failed to draw up the individual asset accounts and those who did could not close them off to the bank account.
- Capital and current accounts were also not properly closed off.
- Other candidates ended up preparing statements of comprehensive income and financial position implying they totally did not know what to do.

2.4 Question 4:

- This question required candidates to: (a) outline 4 factors that cause non-current assets to depreciate; (b) outline factors responsible for depreciation of: (i) a motor cycle, (ii) leasehold land, (iii) a petroleum well and (iv) a patent; (c) prepare accounts to record the transactions in the: (i) motor vehicle account, (ii) provision for depreciation account and (iii) motor vehicle disposal account.
- The majority of candidates attempted this question but was poorly answered.
- The candidates exhibited lack of knowledge in depreciation and disposal of non-current assets.
- Only a few candidates knew the causes of depreciation.
- Candidates displayed little knowledge of double entry and could not draw up the T-accounts for motor vehicles, accumulated depreciation and motor vehicles disposal account.
- The biggest challenge was the calculation of depreciation for each year, and hence most candidates could not compute the correct accumulated depreciation.
- The opening balances for accumulated depreciation were debited instead of being credited!

2.5 Question 5:

- Required candidates to prepare statements of: comprehensive income and financial position for the year ended 31 May 2011.
- The question was popular, but was poorly answered.
- The majority of candidates lacked adequate knowledge in the preparation of the financial statements from incomplete records.
- Candidates could not compute the correct balances from control accounts to post to the financial statements.
- There were many entries missing in the statement of financial position and therefore attracting low scores.

2.6 Question 6:

- Required candidates to briefly describe the following underlying concepts in the preparation of financial statements: going concern, accruals, offsetting, prudence and consistency.
- This was a popularly attempted question, and performance was average.
- Many candidates though, could not describe the offsetting and prudence concepts.
- Most candidates wrote one sentence statements instead of short and precise notes on the accounting concepts, and consequently earned low marks.

2.7 Question 7:

- Required candidates to explain the following terms in relation to a limited liability company: limited liability, authorised (or nominal) capital, bonus issue of shares, rights issue of shares, and paid-up capital.
- Few candidates attempted this question but it was well answered.
- The few candidates who did this question displayed adequate knowledge of the common terms in company accounts.