

THE INSTITUTE OF CHARTERED ACCOUNTANTS OF PAKISTAN	
EXAMINERS' COMMENTS	
SUBJECT Business Management and Strategy	SESSION Certified Finance & Accounting Professional (CFAP) Examination - Winter 2016

General:

Performance in this paper was below expectations. The past trend of preparations being confined to studies of selected topics was apparent in a large number of answer scripts. Lack of ability to frame answers according to the scenario and the requirements of the questions was also witnessed quite frequently. Writing unnecessarily lengthy answers without considering the marks allocation was another reason for poor performance as the time thus wasted seemed to create time pressure. If the students go through the suggested answers published by the Institute, they would note that they are to the point and on average, about 2 to 3 lines are enough to earn each mark. The remaining time including the 15 minutes reading time should be utilized in planning the answers so as to include all but relevant points only.

Comments on the replies to the individual questions are presented below:

Question 1(a)

The overall performance in this part was poor as most of the candidates failed to read and understand the requirement of the question which was to discuss the matters of significance in the given scenario, other than those which were already mentioned therein. Consequently they repeated the same points as were already discussed in the question.

Question 1(b)

Replies to the question regarding ingredients of mission and vision statements were quite satisfactory. However, many students offered long-winded explanations to this three mark question resulting in inefficient utilization of valuable time.

Question 2(a)

This question required possible reasons for high rate of turnover of Customer service representatives of a Bank despite the fact that it was offering above market salaries and emoluments. The answers were mostly satisfactory although in this question also many students discussed lower salaries as one of the reason. An important point i.e. lack of training of the representatives was rarely mentioned.

Question 2(b)

In this part of the question, the candidates were supposed to discuss the reasons for increasing importance of senior executives of HR in the formulation of corporate level strategies. The overall performance was below average. Several replies were off-the-mark. A sizeable number of the students were not of aware of the critical roles that senior HR managers perform at the highest echelons of management in overall management and development of human resources, i.e. developing cohesive organizational structures according to the objectives of the business entity, formulating strategies for reward systems and policies for career path development and succession planning. Many students highlighted basic human resource functions and responsibilities which are performed by the lower level staff, which were totally irrelevant.

Question 3

This question consisted of three scenarios and in each case, the candidates were required to identify the degree of risk probability and the impact factor. The question was quite easy but a mixed performance was witnessed. Students with clear concepts easily scored high marks. However, quite a number of students did not seem familiar with the terms risk probability and impact factor and wrote irrelevant answers which mostly included measures to mitigate the risks and the importance of risk management.

Question 4

In this question seven brief scenarios and the candidates were required to match these with appropriate concepts/principles which were also mentioned separately in the question. The performance was good. A common error was in part (vi) regarding a person who was keen to improve his performance by adopting new ideas and concepts and receiving objective feedback on the performance. The correct answer was 'pragmatist' but surprisingly, quite a number of students stated 'activists'.

Question 5

The overall performance in this question pertaining to the role of employee development methods in the career path planning of talented employees for assumption of senior management positions, was below average. A substantial number of students didn't have any idea and wrote totally irrelevant things such as how to motivate employee, how to retain them etc. Most of the other students were able to identify correctly only few of these employee development methods or were not able to offer meaningful explanations of the roles of these methods. There was undue stress on the point of training with very little coverage of the remaining points.

Question 6

In this question the requirement was to discuss some of the weaknesses of price cutting strategy to counter competition. This was an easy question based on a very straight forward scenario but quite surprisingly, the overall performance was quite poor. The pertinent facts that Superb Tiles Limited enjoyed a good reputation for the superior quality and durability of its products and the competitor was a new entrant in the industry were not considered by a large number of the students. Besides, the demand for tiles is not highly elastic because customers purchase tiles only when they 'need' them and do not increase the frequency of their purchases merely due to their availability at low prices. Many candidates were of the view that price cutting strategy would necessarily result in lowering of the quality of tiles which showed inadequate understanding of the price cutting strategy in the context of the question.

Important aspects such as lowering of profit margins, sustainability of the strategy in the long run, etc. were rarely discussed.

Question 7

The response to this question regarding Critical Success Factors for a nationwide courier company was average. Most of the answers were based on 'general awareness' of the operations of courier companies. Many students mentioned irrelevant point because they did not take into consideration the vital point that the company was already a market leader.

Question 8(a)

Performance in the question regarding Balanced Scorecard was disappointing. It was quite clear that most of the students had not read the topic even once. About 17 percent of the students did not attempt this question whereas a further 25% of the students could not secure any mark. Even those students who did attempt this question were mostly able to list only the four perspective points of Balanced Scorecard approach viz. financial performance, customer knowledge, internal operational processes and learning & growth.

Students are advised to refer to the suggested answers published by ICAP to seek guidance regarding this question.

Question 8(b)

Replies to the question regarding characteristics of fragmented industry/business were also not on track. Replies such as an industry which has facilities at several locations and industries which have different and distinct fragments indicate lack of awareness of the concept and selective study on the part of the students. In this case also, the students are advised to refer to the suggested answers published by ICAP.

Question 9(a)

Replies to the question regarding 'whistle-blowing' were satisfactory. However, a number of students missed the vital points that the malpractice/misconduct/corruption or illegal behavior may be reported within or outside the organization and whistle-blowing is mostly resorted to when the erring individual(s) occupy position of authority.

Question 9(b)

The candidates were required to explain why professionals such as auditors, lawyers and medical practitioners owe greater fiduciary responsibilities and special obligations to their clients. The overall performance was quite poor. Instead of sticking to the exact requirement of the question, a large number of candidates discussed/mentioned irrelevant material such as importance of moral and ethical values and their role in getting more business.

Question 10(a)

The performance in this part of the question was below average. A number of students misinterpreted the term 'sustainable development' and linked it either with corporate social responsibility or with a firm achieving sustainable long-term profitability through research efforts. In fact, sustainable development means offering of products and services to fulfill current needs of the society without compromising the needs of the future generations. Many students did not seem to have any idea about it and probably, this was again due to selective studies.

Question 10(b)

This question pertained to measures which a socially responsible organization should take for manufacturing safe toys for children. The response was better and several students gave satisfactory replies. However, many students did not interpret the requirements of the question correctly and highlighted points such as refraining from polluting the environment or employing child labour and giving free toys to poor children. The point that the manufacturer should have in place a system to recall the toys from the distributors in the unlikely event of any report that the toy has caused injury to a child was rarely mentioned.

Question 11(a)

Most of the students were able to state correctly the eight design features to make an attractive website for Swat Mountain Resorts and scored good marks. Some students repeated the same points by mentioning them in different words.

Question 11(b)

In this question regarding Decision Support System, a number of students wrongly stated that it facilitates in the making of routine and operational decisions, whereas, in fact, DSS facilitates making of complex and unstructured decisions. The important points that DSS is a computer-based system and can also be used for scenario testing were missed by a number of students. The features of DSS viz. that it should be flexible and user-friendly and also integrate data with analytical models and analysis tools were highlighted by several students but the vital feature of DSS that it has greater analytical power than routine MIS system was mentioned by only a handful of students.

Question 12(a)

In this question regarding Customer relationship management software system the candidates generally mentioned correctly that it collects information for identifying particulars of individual customers such as addresses, contact numbers and purchasing trends. The other pertinent points such as the CRM software system classifies customers in different marketing segments, facilitates rendering special services to important customers and monitors customers' complaints to address the issues which result in more frequent complaints were stated by almost 50% of the students.

Question 12(b)

In this question the candidates were required to explain how files are corrupted by four different viruses i.e. Trojan Horse, Worm, Logic bomb and Time bomb. The answers were mostly satisfactory. In the case of Logic Bomb, a number of stated that it corrupts files based on a specified logic. This type of answers which use a term or part of it to explain the same term are not considered appropriate. Further, many students were confused as regards the difference between a Trojan Horse and a worm and gave similar explanations.

(THE END)