

THE INSTITUTE OF CHARTERED ACCOUNTANTS OF PAKISTAN	
EXAMINERS' COMMENTS	
SUBJECT Business Management and Strategy	SESSION Certified Finance and Accounting Professional (CFAP) Examination - Winter 2017

General:

The overall performance was much below the expectation and the passing ratio was 11% percent as compared to 26% in the previous attempt. Failure to perform well was mainly attributable to lack of knowledge, inability to answer in the light of the given scenario, and poor communication skills. Another important issue was the presentation of the same points in different words. It may be noted that in most of the cases guidance is provided to students as regards the number of points they are expected to produce in their answers. Many candidates try to reach the required number of points by repeating the same issues in different points.

Question-wise comments:

Question 1

This question consisted of three parts. The overall performance in this question was quite poor as only 12% candidates secured passing marks. The performance in each part is discussed below:

Question 1(a)

In this part of the question the requirement was to identify and discuss the strategies for achieving sustainable competitive advantage. The overall performance was quite poor as instead of the broader strategies, the candidates mentioned the steps forming part of that strategy. For example, instead of Cost Leadership strategy they mentioned “reduce the price below those offered by the competitors”, “introduce innovative products”, etc. Moreover, in most cases, the broader objective was listed but how it would be attained was not discussed.

Question 1(b)

In this part, the requirement was to mention the risks associated with each of the strategies identified in part (a). The performance in this part was even worse. Quite obviously, those candidates who could not identify the relevant strategy in part (a) could not obtain any mark in this part as well. Most of the others were also unable to specify appropriate risks. In majority of the cases, generic points like failure to achieve targeted sale, entry of new competitor, etc. were mentioned instead of giving specific risks relevant to each strategy.

Question 1(c)

In this part the candidates were required to identify the most suitable strategy should be pursued by PL. Most of the students performed poorly in this part as they simply identified any of the three strategies but couldn't give proper reasons to support their answers. Most of them failed to use the guideline provided by the question that they were supposed to make necessary assumptions. Some students mentioned more than one strategy also which was totally inappropriate.

Question 2

This question was based on a scenario in which situation relating to two divisions of an organisation was described. The question consisted of two parts which mainly tested the Boston Consulting Group (BCG) Matrix. The overall performance was very poor as some of the candidates were not even aware of the names of the quadrants. The performance in each part, of those who at least had basic knowledge of the topic, is discussed below:

Question 2(a)

In this part of the question, the candidates were required to identify and discuss the relevant quadrant in which each division would fall. Though it was quite evident that the Salon Division was a Cash Cow, some candidates termed it as a Dog. Generally, the candidates explained their choice of quadrant correctly.

Question 2(b)

In this part the strategies for Salon and Cosmetics were to be suggested. Many students lacked understanding and erroneously suggested that cash cow should be injected with more cash as it is giving high profits. Moreover, it is important to have an exit strategy in case of divisions falling under the Question Mark quadrant but this aspect was rarely covered.

Question 3

This question consisted of two independent parts. Performance in each part is discussed below:

Question 3(a)

This part of the question contained a scenario in which a mobile network operator had introduced a package deal in which it was providing a latest mobile phone along with internet and telephone connection. Students were required to identify and discuss the strategy being employed by the company.

Some students performed well but many students struggled in this question as well. Many candidates could not correctly identify the Lock-in strategy and instead stated market penetration strategy which was totally incorrect. Some even suggested strange names like "All you can get" strategy etc. Many candidates who identified the strategy correctly could not give appropriate reason about how they reached that conclusion.

Question 3(b)

In this part, the candidates were required to discuss the measures that may be taken by organisations to survive in a hypercompetitive market. The most common issue with the answers was that candidates mentioned general measures like advertising heavily, hiring competent staff, improving communication, etc. They failed to realise that though importance of long-term measures cannot be denied, a hypercompetitive market requires some swift and short-term measures to really survive. Another common issue was of repetition of the same point. In such cases, generally the candidates identified one key measure like innovative products and kept on explaining it in detail, throughout their answer.

Question 4

In this question the candidates were required to list the Primary value chain activities as suggested by Porter, for a recently established chain of coffee houses. The performance in this question was good and more than 60% candidates secured passing marks. However, some candidates were totally ignorant of the classification suggested by Porter. Some candidates lost marks as they listed the activities pertaining to a business involved in distribution of coffee rather than a chain of coffee houses.

Question 5

In this question the requirement was to discuss the matters which a company operating on a nation-wide basis should consider before deciding to expand globally through franchising. The overall performance remained below average mostly due to the same issue. Many candidates focused on selection of franchisees only. Some answers consisted entirely of a list of the terms of the franchising agreement. On the other hand, some candidates focused only on global expansion, ignoring the franchising aspect.

Question 6

In this question the candidates were required to discuss the factors to be considered while designing a website for an online business relating to hotels and travelling. The performance was satisfactory as 35% candidates secured passing marks. Low performing candidates were generally those who resorted to repetition of the same points. For example, many candidates gave a long list of the contents of the website only. Many candidates focused only on the security issues.

It was also observed that in majority of the answer sheets this was the first attempted question. As a result, many students appeared to have consumed a lot of time which must have affected their later performance.

Question 7

This question consisted of two parts. The overall response was quite good as about 40% of the candidates secured passing marks. Performance in each part is discussed below:

Question 7(a)

In this part of the question the candidates were required to describe the term 'Brand identity'. In most cases the performance was one sided i.e. either the candidates secured full marks or no marks at all. In the latter category were those who presumed that brand identity is the same thing as a brand. It must be noted that the image of a product in the minds of consumers like durability and quality is the definition of Brand but not brand identity.

Question 7(b)

There are four strategies for e-branding which the students were required to write preferably followed by an example. Similar to part (a), many students gave the strategies for branding rather than e-branding.

Question 8

This question was based on a brief scenario about an employee Jawad Shah who was underperforming after initially showing good performance. Though it appeared to be an easy question the overall response was quite poor as only 11% of the candidates secured passing marks. However, almost every student scored some marks whereas most of the candidates secured between 3 to 4 marks. Performance in each part is discussed below:

Question 8(a)

In this part the candidates were required to specify the possible reasons for the poor performance of Jawad Shah. The common error in this was the mentioning of Jawad Shah's domestic problems and Jawad Shah not being happy with the salary. Both of these were not relevant to the case.

Many candidates just mentioned the reasons in one short sentence and did not offer any explanation.

Question 8(b)

The steps which supervisor Fatima may take to resolve this situation were required to be specified in this part. Some students wrote about first warning, second warning etc. and then dismissal as the way to be adopted by Fatima which was totally inappropriate. On the other hand, many candidates only mentioned the reassuring measures and ignored steps such as training, orientation and the disciplinary steps.

Question 9

The requirement in this question was to draft a 'Person Specification' for the position of Marketing Manager containing one essential and one desirable attribute in respect of each category prescribed by Alec Rodger.

Considering the overall performance in the paper, the passing percentage i.e. 27% seems quite reasonable. However, about 50% of the candidates were totally unaware of the concept and could not secure any mark which had serious effect on their chances of passing the paper. This type of question had not been tested for quite some time, and therefore it was quite evident that the candidates' poor performance was due to selective learning. Students are encouraged to cover everything included in the syllabus.

Many students could not secure passing marks despite identifying the categories correctly as they seemed unaware of the essential and desirable aspects / qualities. For example, under the category of "circumstances" most students wrote that the candidate should be unmarried / single or living alone. The correct description should have been that the candidate could work unconventional hours and is available to travel, etc.

Question 10

This question on integrated reporting was poorly attempted and only 14% of the candidates secured passing marks and about 35% of the candidates could not secure any mark. Instead of mentioning the guiding principles of integrated reporting, many candidates tried to describe the report's contents or tried to explain why organisations adopt integrated reporting, which was totally irrelevant. Some candidates considered it as a CSR activity.

While discussing the advantage of integrated reporting many candidates mentioned increased/improved profitability which was incorrect.

Question 11

This question was based on a scenario in which Khadija, a recently qualified chartered accountant was asked by her boss to copy the research work of another firm, in a report which she was supposed to prepare. The requirement was to assess the related threats and specifying the possible safeguards.

Surprisingly, the overall performance remained poor as only 10% of the candidates secured passing marks. However, about 70% of the remaining students scored between 3 to 5 marks. Some students gave the opinion that there was no harm in copying the work since it was not illegal. However, they could not write much after that. Some students gave it a totally different direction. They believed it to be an issue of professional competence and advised Khadija to assess the quality of the report before using it. Some candidates identified self-interest threat instead of intimidation threat. Some candidates discussed violation of the principle of confidentiality which was totally irrelevant. Many candidates misunderstood the requirement of the question altogether. Probably they believed that Khadija had to resolve the issue in any case and wrote pages on how Khadija should explain, convince and persuade her supervisor.

(THE END)