

THE INSTITUTE OF CHARTERED ACCOUNTANTS OF PAKISTAN	
EXAMINERS' COMMENTS	
SUBJECT Business Management and Strategy	SESSION Certified Finance and Accounting Professional (CFAP) Examination - Summer 2018

General:

The overall performance improved in this attempt as passing ratio was 17.6% as compared to 10.8% in the previous attempt. However, the passing ratio was still very low and this performance could have improved by a little more hard work.

The performance suffered mainly on account of poor writing skills and failure to read the requirement of the questions carefully. Another major issue with majority of the students was that they gave long generalized comments before starting to respond to the requirements of the question. This took a lot of their time and their performance suffered in the end as they were left with very little time to plan and produce properly worded answers. Some pertinent examples include question #1 in which many students wrote extensively on the benefits and uses of internet for businesses, question 3 (b) in which students gave examples of a car in addition to the requirement of giving examples related to healthcare, and question # 8 (a) in which they started with lengthy comments on the overall scenario and the threats involved.

Many students started the next answer immediately after the previous answer, leaving no space to add further points. As a result, when the need arose they had to cramp the newly added points or add them at the end of the answer book wasting time in cross referencing.

Another common issue was grammatical errors. Many students had no idea whether they have to write in the present, past or future tense and resultantly, they made errors or their answers lacked clarity. These types of errors become particularly significant when the question is scenario based and the answer has to be written accordingly.

Question-wise comments:

In this question, the candidates were required to discuss whether the internet has strengthened or weakened the Porter's five competitive forces. Though the overall performance in this question was good, the students lost marks on account of the following:

- The fact that the discussion had to take place in the context of retail industry was ignored in most cases.
- Too much and unnecessary emphasis was placed on trading on a global basis which in most cases was not relevant and showed lack of understanding.
- While explaining the threat of new entrants the students mostly mentioned that internet has reduced the barriers to entry but did not specify the reasons thereof.

- Similar types of issues were observed in case of explanations of all the five competitive forces.
- In the case of substitute products, the candidates failed to understand that usually the retailer has no problem in dealing with substitute products as he sells all varieties of products.
- While discussing competitive rivalry most students tended to discuss the same points which they had discussed in the other four cases.

Question 2

This question consisted of three parts. Average performance was witnessed as 30% of the candidates were able to secure passing marks. Part-wise performance is discussed below:

Question 2(a)

This part of the question was based on a scenario relating to a chain of stores that had been unsuccessful while launching its toy section few years ago due to certain quality issues and was now intending to expand into furniture manufacturing business. The requirement was to identify four classifications of quality related cost and mention two costs which the organisation may incur, under each classification.

Generally the candidates were able to give the four classifications correctly. However, casual attitude was observed while giving examples of costs. Many students mentioned raw material and labour cost as the examples, which was incorrect. Had they mentioned raw material and labour incurred on defective/rejected production, the answer would have been correct. Moreover, very few could give correct examples of prevention costs. Further, many students gave the four classifications correctly but did not classify the costs and presented them in a single list.

Question 2(b)

This part required the candidates to discuss the activities/functions performed by a risk specialist. The performance remained average as most of the answers covered only two aspects i.e. identification of risks and implementing controls and risk management policies. Two important functions i.e. assessing the significance of risks and the reporting responsibilities were rarely mentioned.

Question 2(c)

In this part the candidates were required to discuss the risk management approaches under the TARA framework and to recommend the most appropriate approach under the scenario. The performance remained average as most of the students were able to identify the four risk approaches but failed to specify the circumstances/situations where a particular approach would be more appropriate. Moreover, very few candidates could provide proper justification while recommending a particular approach.

Question 3

The overall performance in this question was average as 27% of the candidates secured passing marks. The question consisted of two independent parts and the performance in each part is discussed below:

Question 3(a)

The requirement in this part was to mention three strategies which healthcare centers may adopt to promote the services being offered by them. The performance remained average as the number of students were equally divided between those who did and those who did not realise that a health care center cannot adopt product promotion policies which are adopted by an ordinary commercial organisation. Some students mentioned strategies such as pull and push strategies which were totally irrelevant.

Question 3(b)

In this part of the question, the candidates were required to explain the terms core product level, actual product level and augmented product level. Generally, the candidates were able to explain the last two terms correctly but explanation of core product level, lacked clarity. Further, it was specifically mentioned in the question that examples should be given with reference to the health care center but many students gave other examples like those of restaurants, cars, etc.

Question 4

This question was based on a scenario which described the organisation structure of an organisation which contained five levels and the span of control was three. It consisted of two parts and both were linked to the same scenario. The overall performance was quite poor as only 16% of the candidates secured passing marks. Part-wise comments are given below:

Question 4(a)

In this part the candidates were required to identify and discuss the type of organisation structure prevalent in the organisation. The responses of the students could broadly be categorized into three groups i.e. those who correctly identified that the structure was Tall Narrow, those who either mentioned the term Tall or Narrow and those who identified other types of organisation structures.

Question 4(b)

This part required the candidates to recommend structural changes based on their analysis in part (a) where they had discussed the organisation structure in the context of span of control. Many students did not appreciate this aspect and started discussing matters other than span of control such as creation of departments, appointment of personnel, etc. which were not relevant. Some students even discussed matters such as mentoring and team building which was totally irrelevant. Many students were able to recommend correctly that the organisation should reduce the number of levels and increase the span of control but were unable to provide what benefits would accrue by doing so.

Question 5

In this question, the candidates were required to discuss the essential functions which a CRM may perform to help a restaurant in developing a strong relationship with its potential customers. Though it was a simple question, the performance was below average as only 20.4% candidates could secure passing marks.

In most cases the answers revolved around collection and storage of data and how it can be used for booking online orders. Most of the students did not say anything about analysis of the data and how it would help in formulating effective strategies. Some students were rather careless in the use of words. For example, CRM produces information which helps in formulation of strategies but they stated 'formulation of strategy' as one of the functions performed by CRM. Some students produced definition of CRM which was totally out of context.

Question 6

This question consisted of two independent parts. The overall performance was quite poor as only 16% of the candidates secured passing marks. Part-wise comments are given below:

Question 6(a)

In this part consisting of three marks, the requirement was to identify the circumstances under which pragmatists learn the most, in the context of Honey and Mumford learning style modules. Most of the students could identify just one circumstance and scored less than passing marks, whereas, a number of students did not attempt this part altogether.

Question 6(b)

This question was based on a scenario which described the situation faced by a management trainee appointed by a bank. The performance remained poor as most of the students picked up just one or two points and gave lengthy comments on these points only. Many students only discussed Appraisal system in detail covering two or even more pages. The following points were seldom covered:

- Orientation sessions of management trainees do not seem to have been conducted resulting in over expectations of the trainees.
- Perception of low contribution.
- Bank's policy manual was not being followed with regard to 360 degree approach to appraisals.
- Paying above market salaries without justification is also questionable.
- Absence of appropriate communication channel.

Question 7

In this question, three situations were given. The requirement in each case was to identify the strategy/policy being pursued and two risks associated with such strategies/policies. The performance was very poor. In part (b) majority of the students identified the strategy as Outsourcing probably because they failed to read the question carefully. In part (c) also, various incorrect strategies were identified. Further, the risks were not mentioned with clarity and in some cases were totally irrelevant.

Question 8

This question consisted of three independent parts. The overall performance was quite poor as only 18% of the candidates secured passing marks. Part-wise comments are given below:

Question 8(a)

The performance in this part was very poor. Only few students knew how a mirror test is usually performed. Instead, most of them gave suggestions as to how Ahad Mir should handle the given situation and gave arguments in favour of and against accepting the loan offered by the bank, which was not required at all. Some of them also discussed the type of threat involved i.e. self-interest threat which was totally irrelevant in the context of the requirement of the question.

Question 8(b)

The performance in this part was average. Many students did not have a clear idea of the difference between a principle based approach and a rule based approach. Some of them seemed to understand the difference but could not explain it properly. Some students even discussed the importance of following the principles in the conduct of business. Some students listed and even discussed the types of threats which have been identified in the code of ethics, which was totally irrelevant.

Question 8(c)

The performance in this part was average. The requirement was to discuss the key objectives of a whistle blowing policy and the rules that should be followed to achieve those objectives. Most of the students were unable to distinguish between objectives and rules and used them interchangeably. Many students discussed totally irrelevant things like importance of SOP and procedures manual.

(THE END)