

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

General:

The overall performance in this paper was better than the previous attempt as 24% candidates secured passing marks as compared to 18% in the previous attempt.

Most of the students could not perform well despite having reasonable knowledge of some basic concepts as they failed to apply them in the given scenarios. Many students wrote the same points again and again and presumed that they have written enough. Consequently, many important points were ignored.

Question-wise comments:

Question 1

This question required thorough understanding of the Strategic Clock as mentioned by Bowman. According to the given scenario, a leading fashion designer had three product lines. Relevant details were provided in the question. The question consisted of two parts. The overall performance was rather poor as only 23% of the candidates could secure passing marks. This was mainly because many candidates lacked knowledge of Bowman's Strategic Clock. Other issues are discussed in the part-wise comments given below:

Question 1(a)

The requirement here was to identify and discuss the strategic position of each product line in the Strategic Clock. Most of the students managed to correctly identify the strategies for Daily wear and Fragrances but failed to do so in the case of Bridal dresses. Moreover, Bowman's strategic clock model looks at the product positioning on the basis of the product's price and its perceived value. Instead of discussing the product positioning on this basis most of the students just repeated the details given in the question with very little value addition.

Question 1(b)

This part of the question required growth strategy for each product line in terms of Ansoff's Matrix. Some students gave answers with respect to BCG matrix.

Most of the students who answered with respect to the Ansoff's growth matrix, correctly mentioned the Market penetration strategy for Daily wear. However, many of them were not sure as to what exactly should be done.

Similar situation was witnessed in the case of Bridal dresses also as most students identified Product development *strategy* correctly but could not specify what could be done to implement the strategy.

As regards Fragrances, many students stated that this product line should be abandoned. In fact, closing down a product line must be the last resort. In the given situation, there was a need to rethink the strategy of relying on high end customers and look for other geographical markets or different customer segment.

Question 2

This question was about product life cycle. It consisted of three parts. The overall performance was similar to question #1 i.e. only 23% of the candidates secured passing marks. Performance in each part is discussed below:

Question 2(a)

In this part, the candidates were required to discuss the benefits of life cycle costing. The performance was not satisfactory as majority of the candidates were unable to discuss the benefits because of lack of conceptual understanding as they tried to mention the benefits of product costing rather than life cycle costing. Even among those who had grasp over the concept, quite a substantial number of students did not discuss an important benefit i.e. the life cycle costing may assist in developing the pricing strategy that would cover the cost and achieve desired level of profits. Some candidates discussed cash flow management which was not a relevant benefit in this context.

Question 2(b)

This part of the question required the candidates to list the costs that the company might have to incur in each phase of product life cycle. The performance remained average as a number of students lacked clarity. For example, they mentioned marketing costs in different stages without specifying the purpose. In many cases it is important to specify the reason for which a cost is being incurred e.g. in Introductory phase marketing and advertising cost is incurred to raise product awareness while in Maturity phase such costs are incurred to extend the maturity of the product. Some students mentioned cost of decommissioning of plant / machinery and merger or acquisition of competitor's entities under the Decline phase of the product life cycle, which was totally incorrect. Some students did not list the 'Introductory phase'.

Question 2(c)

The requirement in this part was to suggest strategies that the company might adopt to extend the Maturity phase of the product life cycle. The performance remained average as majority of the candidates only identified one or two strategies correctly. Repetition of the same strategy with slight change in words and phrases was observed in large number of answers.

Question 3

This question was about vision and mission statements. It consisted of two parts. The overall performance was satisfactory as 53% of the candidates secured passing marks. Performance in each part is discussed below:

Question 3(a)

In this part the candidates were required to list the various purposes of vision and mission statements. The performance was good as majority of the candidates were able to identify the purposes correctly. However, some students got confused and discussed the contents instead of the purposes.

Question 3(b)

In this part the candidates were required to comment on the possibility of developing the vision and mission statements which were similar to those of the largest listed company involved in the same business. Performance in this part of the question was not satisfactory. Though almost every student wrote correctly that mission and vision statement of the other company must not be copied, very few students were able to justify their answer with proper reasoning.

Question 4

This question was based on the topic of virtual supply chain. It consisted of two parts. The overall performance was below average as only 30% of the candidates secured passing marks. Performance in each part is discussed below:

Question 4(a)

This part required definition and benefits of virtual supply chain. Majority of the candidates were able to provide the correct definition but failed to provide the benefits of virtual supply chain. Many candidates focused only on the buying aspect of virtual supply chain and neglected the other benefits such as improvement in information flow with suppliers and customers, cost and time savings and reduction in probability of errors.

Question 4(b)

This part had two sub-parts. In sub-part (i) the candidates were able to secure passing marks by providing correct definitions of e-purchasing and e-payment. However, only few students could define e-sourcing correctly.

In sub-part (ii) the candidates were required to give two examples of data validation checks to be applied in the given situation. The performance remained poor as only few candidates were able to provide correct examples. Majority of the candidates provided incorrect examples such as firewalls, passwords, etc. which are not data validation checks.

Question 5

This question contained a scenario based on an organisation named City Express (CE) which operates inter-city bus service. The candidates were required to carry out a SWOT analysis and suggest any eight non-financial performance indicators.

Question 5(a)

This was an easy question and 51% of the students passing marks. In the SWOT analysis, the students correctly picked the Strengths and Weaknesses but were not very clear about Opportunities and Threats. Somehow, majority of the students took introduction of new inter-city train services by GOS as an opportunity incorrectly presuming that the contract would be given to CE. Many students were confused between weaknesses and threats. Restriction on fixation of fares and reliance on Government of Sindh (GOS) for subsidies were considered as threats whereas these were weaknesses. Similarly, non-preferential treatment of GOS in future dealings was a threat rather than a weakness.

Question 5(b)

Students failed to score good marks in this part. Non-Financial Performance Indicators (NFPIs) are the quantitative measure of either an individual's or an entity's performance that is not expressed in monetary units. The performance was mixed. Many candidates performed well but almost an equal number performed poorly as well. The most common error was that the candidates picked items from the question but did not convert them into performance measure. For example, 'new routes' was mentioned instead of number of new routes started. Similarly, 'customer complaints' was mentioned instead of number of customer complaints. Some candidates did not understand that performance measure should be measurable and incorrectly included items such as dependability, customer service, etc.

Question 6

This question consisted of three parts. All the three parts of the question were quite simple but surprisingly the overall performance was very poor and only 16% of the candidates secured passing marks. Performance in each part is discussed below:

Question 6(a)

In this part of the question, the candidates were required to discuss the basic principles in formulating the CSR policy. The performance was average. A large number of candidates did not care to understand the essence of the question and went on discussing the various steps that might be taken to formulate and implement the companies CSR policy. Some students seemed to think that CSR is all about environmental protection and mentioned all the points pertaining to it, whereas on the other hand many students ignored it altogether. Some students were of the view that CSR policy should be based on the views of the stakeholders i.e. it should be directed towards those matters which are favoured by the stakeholders, which was totally incorrect.

Question 6(b)

This part of the question required the candidates to discuss how corruption by the government officials results in failure of a country to achieve its economic objectives. The performance was quite poor as most of the candidates did not appreciate the demand of the question and went on describing the menace of bribery and its impact on the society instead of the economy. Many students commented on political issues which was totally irrelevant.

Question 6(c)

In this scenario based question, the candidates were required to identify and discuss the fundamental principles of code of ethics of ICAP that had been compromised in the given situation. The performance was average. Generally, the students identified the relevant fundamental principles correctly. However, a substantial number of students lacked clarity and mixed up the definitions of Integrity, Objectivity and Professional Behaviour. Some students instead of identifying the fundamental principles relevant to the given situation stated all the principles and lost all the related marks.

Question 7

This question was based on a short scenario pertaining to a footwear retailer who was considering to introduce e-business store. The question consisted of three parts. The overall performance was good as 61% 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 discuss the barriers which the business may have to encounter in developing the e-business store. Majority of the candidates were able to secure good marks by highlighting the barriers such as it might be expensive, e-business may not be suitable for footwear, time to establish and creating awareness, requirement of updation and continuous availability, etc.

Question 7(b)

In this part the students were required to explain the benefits that could accrue to the business by associating with an e-intermediary. This part was very well attempted and the candidates were able to display good knowledge of this trend which is gained immense popularity over the years. However, some students misunderstood the situation totally and considered it as a merger and discussed the advantages of mergers and acquisitions.

Question 7(c)

The requirement in this part was to give four examples of e-intermediaries. Majority of students scored full marks in this question by giving correct examples. However, some candidates were unable to secure marks as instead of naming the intermediaries they suggested how to advertise on the internet.

Question 8

This question consisted of two parts. The overall performance was poor as only 23% of the candidates secured passing marks. Performance in each part is discussed below:

Question 8(a)

In this part of question, the candidates were required to list the factors that might hinder an organization from carrying out effective recruitment selection. The overall performance in this question was quite good as majority of the students mentioned the important factors.

However, some students did not understand that the requirement was only to list the factors. They only mentioned one or two factors along with lengthy explanations and lost easy marks.

Question 8(b)

This part of the question contained a scenario in which details were provided with regard to a training program introduced by a school for its teachers.

In sub-part (i) the candidates were required to identify and discuss the factors that might act as barriers to the achievement of the objectives of the training program. Performance remained poor. Many students did not read the scenario carefully and mentioned unrelated points. For example, most of the students mentioned that the school was not spending enough money on training or that management was against the training; whereas there was no indication in the scenario about these conditions. Many students mentioned deficiencies which are generally found in training programs without relating these to the given scenario; for example lack of good trainers, lack of or poor quality of learning material, etc.

In sub-part (ii), the candidates were asked to offer their views about the management's policy of giving preference to external recruitment. This part was reasonably well attempted. However, many candidates only mentioned just one or two points in support of their decision and could not secure high marks.

(THE END)