

THE INSTITUTE OF CHARTERED ACCOUNTANTS OF PAKISTAN MULTI SUBJECT ASSESSMENT EXAMINATION EXAMINERS' COMMENTS	
SUBJECT Management Professional Competence	SESSION Winter 2019

Passing %

Question-wise												Overall	
1(a)	1(b)	1(c)	1(d)(i)	1(d)(ii)	1(e)	2(a)	2(b)(i)	2(b)(ii)	2(b)(iii)	3(a)	3(b)		3(c)
50%	25%	15%	77%	27%	2%	75%	73%	30%	12%	30%	77%	40%	34%

General Comments

The passing percentage in this session has declined to 34% as compared to 41% in the previous session. The performance on numerical parts of the questions was relatively much higher (as high as 77%) as compared to less than satisfactory performance (as low as 2%) on parts of the questions requiring interpretation of numerical results, evaluation of the existing strategies and recommendations on future course of action. This has been the trend in all previous exams of MSA-2 as well. Examinees are therefore, advised to refer suggested answers to understand how to analyze and discuss the given case studies to meet the performance expected from them at this level of exams.

Question-wise common mistakes observed

Question 1(a)

- Many examinees restricted the comparison of divisional performances in terms of calculating ratios and interpreting the resultant ratios as to which division performed better.
- Some examinees only discussed whether the particular ratio had increased or decreased as compared to last year and did not interrogate the probable factors contributing to that increase or decrease in the ratio.
- In many cases, recommendation of matters to be addressed by the board and divisional management was too general and had remote or no link to the given case study.
- Some examinees offered the same recommendation (achievement of cost efficiencies) with different wordings to meet the requirement of recommendation of four matters in the question.

Question 1(b)

- The advantages of supplier integration, sharing of inventory information and ease of coordinating system updates by offering a single e-business platform were missing in most of the answers.
- Many examinees restricted the discussion of e-marketing opportunities to access to wider audience and data mining only whereas other important e-marketing opportunities such as customized offers to individual customers, improved customer feedback and customer survey engagement were missing.

Question 1(c)

- Many examinees were clueless and opted for guesswork.
- Some examinees discussed types of benchmarking and benefits of benchmarking in general instead of benefits specific to improve product integrity and staff turnover.
- Only few examinees used the given scenario to discuss the benefits of benchmarking to improve staff turnover.

Question 1(d)(i)

Discussion of reservations on directors' assumptions mostly restricted to the expected growth of sales and constant profit margins over the life of investment.

Question 1(d)(ii)

- Many examinees could not differentiate between suitability, acceptability and feasibility and therefore, discussed factors under these headings interchangeably.
- Some examinees offered the similar discussion with different wordings under the headings of suitability, acceptability and feasibility.

Question 1(e)

- Most of the examinees were clueless in this part of the question as large number of examinees either did not attempt this part or failed to obtain any marks.
- Some examinees discussed the implementation of Code of Conduct for PBPS in general rather than specific to suppliers of PBPS.
- Many examinees could not use the information given in the case study properly and most of their discussion was based on self-generated assumptions.

Question 2(a)

- Many examinees restricted their answers to identification of expansion methods only without comparing them in terms of probable pros and cons under the given scenario.
- Some examinees could discuss one or two methods only.

Question 2(b)(i)

- While computing net cash flows, some examinees ignored the scrap value which was to be realized at the end of year 4.
- Some examinees either ignored or incorrectly computed forecasted exchange rates.
- While computing costs of bank loan as well as irredeemable bonds, many examinees used pre-tax interest amount instead of post-tax interest amount.
- While computing cost of irredeemable bonds, many examinees used cum-interest market value instead of using ex-interest market value.
- Many examinees either skipped or made invalid discussion in respect of additional relevant consideration associated with the project.

Question 2(b)(ii)

Most of the examinees suggested that the project should be financed by combination of debt and equity but could not discuss the practical considerations such as availability of debt finance, matching issues and quality of security in case of debt finance and issue cost, control dilution and more regulations to comply with, in case of equity finance.

Question 2(b)(iii)

- Many examinees did not consider that timing and size of the dividend are within the control of the entity so it can wait until the exchange rate is relatively favorable and remit accordingly.
- Most of the examinees identified the hedging methods only and did not comment on their suitability under the given scenario.

Question 3(a)

- Most of the examinees did not realize that KCL was in service business and would have significant intangible assets not being part of balance sheet. Therefore, premium return should also be included in the asset-based valuation method to account for those intangible assets.
- While determining valuation based on P/E ratio, many examinees used industry's P/E ratio and ignored the information about doubling SGIL's P/E ratio to account for above industry average growth rate of SGIL.
- Many examinees performed the calculations only and did not comment on appropriateness of those valuation methods in the given scenario.

Question 3(b)

- Many examinees discussed the tax implication of one scenario only i.e. acquisition of 100% shareholding and ignored the tax implication of other possibility i.e. acquisition of less than 100% shareholding.
- While discussing tax implication in case of 100% shareholdings, some examinees ignored tax implication of inter-company dividend.

Question 3(c)

- Many examinees failed to mention the obvious integration risks involved in the given scenario like loss of key personnel and risks related to systems' integration.
- While discussing change management program, most of the examinees restricted their answers to discussion of staff participation only and ignored other important points such as retention of key staff and clarity of direction.

(THE END)