

**INSTITUTE OF CHARTERED ACCOUNTANTS OF PAKISTAN**

**EXAMINERS' COMMENTS**

<b>SUBJECT</b>	<b>SESSION</b>
Managerial and Financial Analysis (MFA)	Certificate in Accounting and Finance (CAF) Autumn 2022

**Passing %**

Question-wise									Overall
1	2	3	4	5	6	7	8	9	46%
70%	08%	65%	64%	22%	62%	35%	35%	46%	

**General comments**

The overall result is 46% which is better than the previous session's result of 37%. It was commonly observed that examinees performed reasonably well in the numerical parts of the paper. However, the performance in the application of theoretical concepts was not satisfactory. In particular, Q2 and Q5 were poorly performed. It is therefore advised that instead of rote learning, the students should understand the underlying concepts and relate it to practical scenarios.

**Question-wise common mistakes observed**

**Question 1**

MCQs at serial (iv), (vii), and (x) were the least well-performed.

**Question 2**

- Many examinees gave generalized examples and did not identify the relevant approach. Therefore, it could not be determined which approach the examples were related to.
- Examinees could not cover most of the required approaches that could be used to influence the government to rethink its decision to ban imports.

**Question 3**

Many examinees were confused when relating the "Is it fair?" and "Is it right?" questions to the scenario. They incorrectly related them to fairness discussion under the "Is it right?" question and vice-versa.

**Question 4(a)**

Examinees were generally able to identify the five elements of Porter's primary value chain, however, many did not explain each element.

**Question 4(b)**

Examinees were able to recommend a value addition activity. However, many of them did not identify the activity's position in Porter's primary value chain.

**Question 5(a)**

Many examinees mixed up the life cycle phase for Product A and Product D. Product A was identified as the "Growth phase" and Product D as the "Introductory phase" when in fact it was the other way around.

**Question 5(b)(i)**

- Many examinees were unable to identify the cost correctly.
- Some examinees even gave an example of marketing or advertising cost despite the fact that the question specifically asked for a cost other than marketing or advertising.

**Question 5(b)(ii)**

- Most of the examinees were unable to identify a promotion strategy for each product.
- A number of examinees resorted to the general discussion without relating it to the product.

**Question 6**

- Most examinees failed to account for the effect of inflation correctly. Some applied it from year 2 onwards, while some did not compound the inflation from year to year.
- Many examinees failed to properly calculate last year's depreciation. Instead of applying the regular written-down value percentage, they took the entire remaining balance as tax-deductible depreciation, without taking into account the scrap value.
- Some examinees failed to correctly calculate depreciation based on the reducing balance method. They deducted the estimated scrap value from the cost of the machine to determine the depreciable value from year 1 onwards.
- Many examinees failed to ignore the due diligence cost and the interest cost on the loan.

**Question 7**

- Some examinees did not correctly calculate the sales value. They either applied the 12% price increase on both contracted and other sales of K-100 or failed to apply it altogether.
- Many examinees did not calculate the production budget correctly. Most of them failed to account for the fact that K-50 required half of the machine hours as compared to K-100 and therefore arrived at incorrect internal production and external purchase figures for K-100
- Many examinees also failed to properly account for the fact that labour was hired under a contract by which MS was bound to pay for a minimum number of hours. This had implications on the labour rate for both minimum hours and overtime hours.
- Some examinees did not apply the inflation anywhere in their calculations.

**Question 8**

- Some examinees did not round up the number of futures contracts to 17 considering that futures markets do not usually allow partial contracts
- Majority of the examinees did not provide the gain/loss in terms of ticks which was one of the requirements of this question
- Some examinees also could not calculate the loss in rupees as they failed to correctly identify the selling and buying rates.

**Question 9(a)**

- Many examinees were not able to correctly calculate the market value of equity.
- Some examinees used the book value of equity to calculate the WACC.

**Question 9(b)**

- Under project finance by equity, in order to calculate WACC, a number of examinees used separate costs of equity for the exiting equity and the newly issued equity which was incorrect
- Under project finance by convertible debt, examinees made various mistakes while calculating the IRR. For example, they did not apply the tax saving on interest, or/and they discounted it over 3 years instead of 4.

**Question 9(c)**

Students generally performed well in this part of the question.

***(THE END)***