

INSTITUTE OF CHARTERED ACCOUNTANTS OF PAKISTAN

EXAMINERS' COMMENTS

SUBJECT	SESSION
Managerial and Financial Analysis (MFA)	Certificate in Accounting and Finance (CAF) Autumn 2023

Passing %

Question-wise										Overall
1	2	3	4	5	6	7	8	9	10	48%
59%	13%	65%	83%	26%	15%	56%	35%	36%	59%	

General comments

The overall result is 48%, fairly consistent with the previous session's result of 50%. This slight reduction is mainly due to comparatively lower performance in the numerical components of the examination.

Question-wise common mistakes observed

Question 1

MCQs at serial (v), (xi), (xii), and (xiii) were the least well-performed.

Question 2(a)

- While examinees were able to identify many SWOT factors, they did not offer any discussion, even briefly, on each of the factors.
- Some examinees confused strengths with opportunities and weaknesses with threats.

Question 2(b)

Examinees did not relate the strengths and threats as required by the question; instead, they proposed other methods to address the identified threats.

Question 3

- Examinees were able to answer most of Tucker's 5-question. However, they failed to provide any explanation, e.g., the potential impact of not taking action under each of the questions.
- Some examinees did not offer advice as required by the question.

Question 4

Examinees generally performed well in this question. However, many examinees took long-distance commutes as a substitute for short-distance ones and incorrectly concluded that the threat of substitutes was high.

Question 5

- A large number of examinees did not attempt this question.
- Examinees were not aware of the difference between public-private key encryption and regular encryption and attempted to answer the question with an incorrect understanding.
- Accordingly, examinees were also not able to identify the issues as well as suggest corrective measures.

Question 6

- A large number of examinees did not attempt this question.
- Suave was a premium clothing brand targeting adult men aged 18 to 40 and now wanted to narrow its focus to a specific age group within the target age range. All three segments were not suitable for Suave because they were either cost-conscious (and hence not brand-conscious) or outside of the target age range. Examinees failed to account for it while discussing the suitability of the three segments and gave incorrect answers.
- As a result, examinees suggested irrelevant segments like children's or ladies' clothing as possible new segments.

Question 7

- Examinees failed to account for the fact that there were several receipts and payments in September that were incorrectly taken by them in October.
- Examinees also failed to correctly calculate the markup and account for it in the cash budget.
- Some examinees even prepared a cumulative cash budget for the quarter instead of a month-wise budget as required by the question

Question 8

- Examinees failed to correctly calculate the market value without the new investment by discounting the dividends and the terminal value. Instead, they took the terminal value of the dividend as the market value.
- Examinees did correctly calculate the new shares after accounting for the right issue.
- Examinees did not calculate the change in the market value of equity as a result of the project and incorrectly concluded the viability of the project based only on the cost of capital.

Question 9

- Many examinees failed to account for the fact that the standard contract size is 1 ton and accordingly 26 contracts have to be sold.
- Some examinees used incorrect spot market rates to calculate the profit on future contracts. Similarly, examinees also used the incorrect rate for forward contract.
- Many examinees demonstrated their lack of conceptual understanding of hedging risks while suggesting the best strategy in case the price of rice increases from the current rates. They suggested that the optimal strategy was either future or forward when the best strategy was a no-hedge strategy.
- Examinees who correctly suggested a no-hedge strategy did not provide the reasons that might prevent the execution of this strategy, as required by the question.

Question 10

- Many examinees did not perform any calculations regarding the contribution foregone as a result of taking the project.
- Many examinees failed to account for the sale of the extra 600kg of raw material SB in their decision to undertake the project.
- Many examinees failed to apply the inflation percentage from the first year as required by the question. Instead, they applied it from the second year.

(THE END)