

INSTITUTE OF CHARTERED ACCOUNTANTS OF PAKISTAN	
EXAMINERS' COMMENTS	
SUBJECT	SESSION
Managerial and Financial Analysis (MFA)	Certificate in Accounting and Finance (CAF) Spring 2023

Passing %

Question-wise										Overall
1	2	3	4	5	6	7	8	9	10	50%
69%	37%	53%	65%	17%	32%	75%	16%	68%	51%	

General comments

The overall result is 50%, which is slightly better than the previous session's result of 46%. This improvement can be primarily attributed to the slightly better performance in the numerical components of the examination, while the performance in the theoretical segment remained consistent with the previous session.

An observation was made that a significant number of examinees did not attempt Q5 on statistics and Q8(b) on working capital. This observation indicated that students had adopted a selective approach while preparing for their exams, focusing on specific areas while neglecting others.

Question-wise common mistakes observed

Question 1

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

Question 2

- Many examinees were not aware of the order of Johnson and Scholes's six-step approach and the steps were presented out of sequence.
- Many examinees were not able to relate the scenario given to the six steps.

Question 3(a)

Examinees were not able to properly explain what outsourcing is and/or provide a clear justification for outsourcing.

Question 3(b)

Examinees were unable to provide a proper explanation of disruptive technologies, with some even mistakenly identifying viruses and similar entities as disruptive technologies.

Question 4

Examinees were able to correctly identify the fundamental principle that was violated. However, many of them were not able to properly explain it.

Question 5(a)

- A high number of examinees did not attempt this question.
- Examinees were unable to relate the t-statistic with the rejection region for a 5% significance level and evaluate the significance of the relationship in the results.

Question 5(b)

- A high number of examinees did not attempt this question.
- Examinees failed to apply the formula correctly, resulting in their inability to calculate the revenue in the event of launching four marketing campaigns.

Question 6

- Examinees were unable to correctly relate the provided information to the specific PESTEL factors. For instance, the legal factor was mistakenly grouped under the political factor.
- Many examinees conducted a general PESTEL analysis without considering the specific situation of SBS.

Question 7

- Examinees incorrectly accounted for the effect of inflation. Some applied it only from year 1, while others failed to compound the inflation from year to year.
- Some examinees overlooked the receipt and payment of loans, as well as the research and interest costs associated with the loan.
- Many examinees mistakenly included the loss of rental income as part of taxable income, leading to an incorrect calculation of the tax expense.

Question 8

- The majority of examinees only completed part (a) of this question. Many of them failed to consider the impact of retained profit for the year on the additional finances required.
- A significant number of examinees did not attempt part (b) of this question. Among those who did, many encountered difficulties in applying algebraic logic correctly to reach the solution.

Question 9(a)

Many examinees were not able to identify the other categories of financial risks. Instead of identifying the categories of financial risks, they mistakenly provided general categories of risk i.e. pure risk and speculative risk.

Question 9(b)

Some examinees chose incorrect deposit and borrowing rates when calculating the funds required. Additionally, some examinees neglected to calculate the effective exchange rate.

Question 10

- Many examinees failed to recognize that the market risk premium was already provided in the question, and they were not required to calculate it. Those who attempted to calculate it arrived at a cost of equity that was lower than the risk-free rate of return.
- Instead of calculating the dividend, many examinees used EPS to determine the market value of share capital based on the Gordon/Dividend growth model.
- When calculating the IRR of the redeemable preference share, many examinees incorrectly applied tax benefits to the preference dividend.
- Many examinees were unaware that the market value of the company as a whole is inversely proportional to the WACC. Several examinees concluded that an increase in WACC would lead to an increase in the market value of the company.

(THE END)