

INSTITUTE OF CHARTERED ACCOUNTANTS OF PAKISTAN

EXAMINERS' COMMENTS

SUBJECT	SESSION
Managerial and Financial Analysis (MFA)	Certificate in Accounting and Finance (CAF) Spring 2024

Passing %

Question-wise									Overall
1	2	3	4	5	6	7	8	9	54%
72%	57%	16%	45%	18%	50%	78%	47%	34%	

General comments

The overall result is 54%, which is better than the previous session's result of 48%. The improvement in the result can be attributed to the comparatively better performance in the numerical components of the examination.

Question-wise common mistakes observed

Question 1

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

Question 2(a)

- Examinees were not able to fully explain the required strategies. For example, they identified that outsourcing involves giving some internal tasks to outsiders but failed to specify that these tasks are generally administrative or management tasks in nature.
- Some examinees confused the strategies of restructuring and de-layering and could not differentiate between the two correctly.

Question 2(b)

Examinees again confused the strategies of restructuring and de-layering when suggesting the right strategy for Spicy Foods (SF).

Question 3(a)

- Instead of relating the given situation to perform a PESTEL analysis, examinees gave unrelated or generalized factors under each of the PESTEL constituents.
- Some examinees did not identify the impact of the factor identified on the automobile industry and could not attain the full allotted marks. For example, under environmental factors, many examinees mentioned that electric cars are good for the environment

because they do not emit greenhouse gases. They did not specify its impact on the automobile industry in general and electric automobiles in particular.

Question 3(b)

- Examinees confused strengths with opportunities and weaknesses with threats.
- Many examinees could not identify any weakness.

Question 4

Examinees were confused between the concepts of resources and competencies. Moreover, they struggled to distinguish between the two types within each category: threshold and unique resources, and threshold and core competencies.

Question 5

Examinees were unaware of the concepts of end-point ethics and rule ethics. They gave completely irrelevant answers by discussing points like ethical principles and its compliance threats.

Question 6

- Examinees failed to include normal defective units as part of the cost of production and accordingly calculated an incorrect selling price resulting in incorrect sales figures.
- Examinees also failed to correctly calculate the revised production units and the revised normal defective units and accordingly computed incorrect sales and cost figures.

Question 7

- Examinees failed to apply the cost of equity formula correctly.
- Examinees failed to calculate the post-tax cost of debt under Option I. They also used pre-tax interest amounts for the purpose of calculating IRR for determination of the cost of debt under Option II.
- Examinees did not demonstrate by calculation that the redemption value was more than the conversion value.

Question 8(a)

- Examinees selected the incorrect 1-month KIBOR rate instead of the 6-month KIBOR as the borrowing to be hedged was for 6 months.
- Examinees did not calculate the effective interest rate and also did not appropriately conclude whether the option should be exercised.

Question 8(b)

Instead of deducting the option premium against the exercise price, examinees deducted it from the spot rate, which demonstrated their lack of understanding in this area.

Question 9

- Examinees failed to realize that two years had already passed since the original estimates were projected, and the revenues and costs for those two years were sunk costs and therefore irrelevant for decision making.
- Examinees failed to apply the correct inflation/increase percentages while computing the sales and cost figures.
- In the case of discontinuation of production, examinees incorrectly discounted the calculated figures despite all of the amounts being realized or paid immediately.

(THE END)