

<b>THE INSTITUTE OF CHARTERED ACCOUNTANTS OF PAKISTAN</b> <b>MULTI SUBJECT ASSESSMENT EXAMINATION</b> <b>EXAMINERS' COMMENTS</b>	
<b>SUBJECT</b> Management Professional Competence	<b>SESSION</b> Winter 2020

### Passing %

Question-wise														Overall	
1(a)(i)	1(a)(ii)	1(b)	1(c)	1(d)(i)	1(d)(ii)	1(e)	2(a)	2(b)(i)	2(b)(ii)	2(c)	2(d)	3(a)	3(b)		3(c)
57	37	38	63	38	10	2	76	67	45	65	8	28	64	7	30

### General Comments

The passing percentage in this session has declined to 30% as compared to 34% in the previous session. The poor performances in taxation and ethics sections reflect the selective studies as large number of examinees seem underprepared while answering the Sales Tax implications in Question 1(e), Income Tax implications in Question 2(d), Response to Ethical issue in Question 1(d)(ii) and Corporate Social Responsibility Program in Question 3(c).

It is also noted that examinees are not utilizing the given time effectively. The parts of the questions, in particular those attempted at the beginning of the exams, are answered at length and the remaining parts are answered in haste in almost illegible handwriting to make up the time. It is advisable to plan the answers according to the requirements and weightage given to each part of the question.

### Question-wise common mistakes observed

#### Question 1(a)(i)

- Evaluation of net present value (NPV) was restricted to calculation of percentages of sales, gross profit and other expenses only.
- Assumptions used in the NPV of the project were generally questioned without reflecting on why those assumptions were questionable.
- Some examinees prepared the cash flows based on self-assumptions.

#### Question 1(a)(ii)

- Examinees did not use Suitability, Acceptability and Feasibility Framework and therefore, missed many important factors while evaluating the proposed strategy.
- The proposed strategy was wrongly classified as forward integration wherein it was vertical integration.
- Many examinees restricted their answers to the discussion of financial feasibility only.

- Examinees discussed the impact of proposed strategy on existing shareholders and customers but discussion of impact on new shareholders and existing employees was missing.

**Question 1(b)**

- Some examinees restricted their answers to calculation part only and ignored the evaluation part.
- Valuation of new shares to be issued was wrongly grossed up under price earnings method.
- Changes in working capital were not accounted for while computing operating cash flows under free cash flow to equity method.
- NPV of proposed project was not added to the NPV of free cash flows to determine the total value of company under free cash flow method to equity.

**Question 1(c)**

- Many examinees restricted their answers to the discussion of use of big data for e-marketing purposes only.
- There was lot of repetition of same points with different wordings, in particular the discussion of personalized marketing services to the existing customers.
- Discussion on using big data to analyze customer trends for better production plans, better understanding of market segments and performance management was mostly missing in the answers.

**Question 1(d)(i)**

- Examinees restricted their answers to the extent of discussing the likely impact only and failed to discuss the existing ethical stance of Arish Clothes.
- The discussion of likely impact due to demotivated staff such as strikes, poor quality work, etc. was missing in most of the cases.

**Question 1(d)(ii)**

- Many examinees could only recommend one action and some repeated the same recommendation [particularly recommendation of communication to customers] with different wordings to meet the requirement of two recommended actions.
- The recommendations offered were restricted to single statements only with very few examinees could discuss the rationale behind that recommendation.
- The discussion on role of leadership in setting ethical culture, setting-up code of ethics and its independent review was missing in most of the cases.

**Question 1(e)**

- More than 50% examinees either did not attempt this part or failed to obtain any marks.
- Examinees failed to realize that FT was already a manufacturer and setting up of an online store would require it to register as retailer as well. Therefore, the discussion of sales tax implications on retailer was altogether missed out.
- Some examinees left their answers to the statement that FT would now require to charge sales tax @ 17% on all of its sales through online store.

**Question 2(a)**

- Some examinees only mentioned whether the probability and impact could be high or low without mentioning why these could be high or low.
- Action under outsourcing operation was least well-answered.

**Question 2(b)(i)**

- Share split was not considered in the computation of growth rate.
- Many examinees did not de-gear and re-gear the cost of equity while computing the revised WACC.
- Some examinees failed to explain the assumptions implicit in calculating the impact of the borrowing on the WACC.

**Question 2(b)(ii)**

- Examinees only mentioned types of hedging instruments without explaining their significance under the given case study.
- Many examinees only recommended the hedging strategy without explaining the rationale behind that recommendation.

**Question 2(c)**

- Examinees did not consider information regarding headcount impact under Appendix-1 and failed to discuss the key aspects of change management program in this regard.
- Some examinees discussed general change management issues, such as language and cultural barriers, without giving the due consideration to the given business scenario.

**Question 2(d)**

- More than 60% examinees either did not attempt this part or failed to obtain any marks.
- Income tax implications of claiming expenses, tax paid at import stage and treatment of tax deducted by the outsource partner in Myanmar were missing in many answers.

**Question 3(a)**

- Many examinees did not consider BCG matrix and failed to analyze the product portfolio accordingly.
- Some examinees opted to copy the information from the question with very few value added points.
- Discussion on dividend payout ratios and intangible assets was missing in many answers.
- Many examinees failed to conclude that KPL's existing cash flow crisis was a short-term rather than a long-term concern as it was investing in the future products.

**Question 3(b)**

- 'Six Is' of e-marketing were discussed in general and only few examinees could discuss it from the perspective of KPL.

*Examiners' Comments on Management Professional Competence  
MSA-2 Examination Winter 2020*

- Some examinees could not differentiate among 'interactivity', 'individualization' and 'integration'.

**Question 3(c)**

- Many examinees restricted their answers to the statements that being corporate citizen, the entity should carry out CSR activities.
- Discussion on finance director's 'Pristine capitalist' perspective was missed out.
- Examinees did not relate the answer with the given case scenario that is 'Charitable provision of products' and the risks associated with it.

***(THE END)***