

THE INSTITUTE OF CHARTERED ACCOUNTANTS OF PAKISTAN

EXAMINERS' COMMENTS

SUBJECT	SESSION
Management Professional Competence	Multi Subject Assessment – 2 Examination (MSA-2) - Summer 2021

Passing %

Question-wise											Overall
1(a)	1(b)	1(c)	1(d)	1(e)	2(a)	2(b)	2(c)	3(a)	3(b)	3(c)	
54	30	6	31	66	62	11	22	42	48	45	32

General comments

The passing percentage in this session has increased to 32% as compared to 30% in the previous session. As noted in the past, in this session also, examinees did not utilize the given time effectively. The parts of the questions, in particular those attempted at the beginning of the exams, were answered at length and the remaining parts were 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)

- Examinees restricted the evaluation of financial performance to the extent of computation of ratios and commenting on whether these have increased or decreased from previous year and whether these are higher or lower than other company given in the question.
- Computation and evaluation of inventory ratios, quick ratio and interest coverage ratio were missing in the majority of the answers.
- Examinees restricted calculation of shareholders' return to dividend yield only and ignored the impact of capital growth.
- Examinees did not compute gearing ratio correctly and resultantly evaluated it incorrectly as well.
- Discussion of employee engagement score lacked the substance in most of the answers.

Question 1(b)

- Instead of evaluating the proposed balanced scorecard, examinees restricted their answers to the suggestions of what other metrics should also be included in the proposed balanced scorecard.
- Only handful of examinees could evaluate metrics of 'average price compared to competitors' and 'time to gain approval for new products' correctly.

Question 1(c)

- Examinees appeared clueless in answering this part of the question. Instead of assessing the effectiveness of the current board structure, examinees attempted to evaluate individual profiles of directors and ended up with either weak or invalid assessment.
- Some examinees were of the view that existing board was well-structured and therefore ended up with giving benefits of having a good structure of board of directors.
- Discussion on lack of balance (in terms of qualification and experience) and lack of financial interest were hardly touched on.

Question 1(d)

- Examinees focused their answers to the probability and means through which directors could fraudulently amend the financial statements to achieve the targets of bonus.
- The presence of 37.5% of remuneration based on performance which could result in motivating the directors to improve the performance was rarely discussed.
- Examinees correctly pointed out that most of the targets were focused on financial perspective only. However, they failed to evaluate why and how it could affect the performance of the company in the long-run.

Question 1(e)

- Examinees discussed the provisions of section 59AA on group taxation (100% owned group) which was not required as it was mentioned in the question that board of directors were considering acquiring 50% to 60% shareholdings only.
- The discussion of tax implications on transfer of shares between companies and disposal of shares below 55% of holding during the period of five years was missing in many answers.

Question 2(a)

- There was lot of repetition. Improved targeted marketing and personalization, in particular, repeated under various paragraphs with different wordings.
- Many examinees opted to offer single statements such as increased customer loyalty and retention but failed to capitalize on how these can be achieved by using data analytics and digital marketing.
- Some examinees attempted to answer this part from the perspective of 'six I's' of e-marketing and ended up with lot of irrelevant discussion.

Question 2(b)

- Many examinees appeared clueless as how to approach the answer to this part of the question. Some examinees wasted time in useless computations.
- Reduced shipping costs and lead time were only points that were correctly discussed by most of the examinees.
- Benefits of efficient facilities to support e-commerce and better reputation were hardly discussed by any examinee. Likewise, discussion on increased fixed cost and working capital requirements as risks was missing in most of the answers.

Question 2(c)

- Only handful of examinees could work out cost of factoring and cost of overdraft financing correctly.
- Many examinees concluded their answers on the basis of computation of cost of factoring and cost of overdraft financing only.
- Evaluation of the proposal from the perspective of arguments in the favor of and against the factoring under the given case scenario was missing in most of the answers.

Question 3(a)

- Examinees discussed the risk of cyber security at length despite the fact that it was clearly mentioned not to discuss it in this part of the question.
- Same risks such as competition and reliance on one customer were repeated under different paragraphs with different wordings.
- Some examinees first listed down the risks and then offered general strategies without referring to which strategy was mitigating what risk.
- Mitigating strategies such as business continuity plan, increase customer loyalty and expansion into new territories were least identified and discussed in the answers.
- Only few examinees could compute the ratios to support the discussion of risks and mitigating strategies.

Question 3(b)

- Examinees attempted to estimate the value of ordinary share capital of Logical Company by using discounted cash flow method. Since information was not available for this method, many examinees ended up with self-assumed discount rate and related figures.
- Examinees restricted their answers to the numerical part only and ignored to discuss the limitations of valuation methods.

Question 3(c)

- Examinees restricted their answers to discussion of consequences of cyber security incidents only and ignored the discussion of possible causes and recommended actions to prevent them.
- Examinees listed down the causes and then offered general recommended actions without referring which action would reduce likelihood of what cause.

(THE END)