

**THE INSTITUTE OF CHARTERED ACCOUNTANTS OF PAKISTAN**

**EXAMINERS' COMMENTS**

<b>SUBJECT</b>	<b>SESSION</b>
Management Professional Competence	Multi Subject Assessment – 2 Examination (MSA-2) - Winter 2021

**Passing %**

Question-wise															
1(a)	1(b)	1(c)	1(cii)	1(d)	1(e)	1(f)	2(a)	2(b)	2(c)	2(d)	3(a)	3(b)	3(c)	3(d)	<b>Overall</b>
48%	44%	14%	10%	49%	26%	36%	30%	21%	60%	26%	72%	02%	84%	56%	33%

**General comments**

The passing percentage in this session has slightly increased to 33% as compared to 32% in the previous session. The good performance was noted in the questions that required numerical workings and analysis (financial performance analysis and determination of acquisition value) or examine regularly (corporate governance requirements). However, the poor performance was exhibited on questions that are less frequently examined (focused approach to marketing, marketing segments and consideration of real options in acquisition).

It has been communicated in the past as well that many examinees do not utilize the time effectively and offer answers that are either too lengthy (in particular to questions that are attempted at the start time of exam) or too short (questions that are attempted at the end) without giving due consideration to the requirements and marks weightage given to the questions.

**Question-wise common mistakes observed**

**Question 1(a)**

- The given financial information was not utilized effectively as large number of examinees failed to consider the business mix ratios of food, takeaway and beverages.
- Some examinees restricted the comments to the extent of repeating the same reason for decline in most of the ratios that is the impact of the coronavirus pandemic and failed to discuss the other probable reasons.
- The commentary, in many cases, was largely focused on what management should have done rather than discussion on measures that management had already taken and how these had impacted the performance of business.
- Discussion on maintenance and depreciation was least satisfactory as many examinees simply stated that the reasons for increase should be inquired from the management.

- For non-financial performance analysis, appendix 2 was not appropriately used as some examinees offered discussion on either self-made assumptions or discussed ethical dilemma being faced by one of the owners of the business.

**Question 1(b)**

- Instead of evaluating the need of setting an objective of growth from the perspective of key stakeholders, examinees focused on general discussion on why a business needs to set objectives of growth.
- Examinees restricted the evaluation from the perspective of owners only and could not offer evaluation from the perspective of other key stakeholders such as employees, customers, etc.

**Question 1(ci)**

- The requirement of the question was not understood and answers were mostly offered from the perspective of digital versus non-digital marketing.
- The discussion of how focused marketing would impact the business was barely touched upon by the examinees.

**Question 1(cii)**

- Examinees failed to utilize the information given in the case as well as appendix 2 regarding the key customers and what segment they represent.
- Generalized answers were offered that had barely any relevance to the given case scenario. For example, many examinees suggested to segment the customers on the basis of age which did not make much sense as there was no such indication in the question that people of particular age visit the restaurants.

**Question 1(d)**

- The requirement of share in equity by venture capitalist and related consequences were missed by many examinees.
- The discussion of exit strategy of venture capitalist and its likely impact on business was barely touched on by the examinees.

**Question 1(e)**

- Some examinees restricted their answers to the extent of final decision without evaluating the given information from various perspectives before giving the final verdict.
- Large number of examinees offered irrelevant or inadequate suggestions such as convert the stolen money into debt, partial compliance with company's policy, dismiss the employee with some financial support, etc.

**Question 1(f)**

- Many examinees did not consider the requirements of Section 95 of Income Tax Ordinance, 2001 and lost substantial part of the required answer.
- Some examinees missed out the requirement of tax implications on the members of AOP.

**Question 2(a)**

- Examinees did not evaluate the redemption value of bond from the perspective of conversion into ordinary shares.
- Many examinees restricted their answers to the extent of determination of IRR only.

**Question 2(b)**

- Suggestion for divisional structure was mostly correctly pointed out. However, few examinees could only capitalize on it by offering adequate discussion on how it would be beneficial in the context of given case scenario.
- Shared service centres for finance, product design, IT and human resources were correctly highlighted by many examinees but barely any examinee could offer adequate justification for this suggestion.
- Some examinees suggested matrix structure but could not offer any valid justification.

**Question 2(c)**

- There was lot of repetition of the same points with different wordings. For instance, wide scale transformational change was discussed under numerous paragraphs.
- Changed reporting lines, lack of diversity and heavy local dependence were the least discussed points in the answers.

**Question 2(d)**

- There was repetition of same point that is impact of 'fracking' under multiple paragraphs.
- Impact on supply chain and disruption to workforce were least discussed issues.
- The suggestions were mostly restricted to plantation only.

**Question 3(a)**

- The determination of value of intangible was missed out by most of the examinees.
- For free cash flows, some examinees either ignored adjustment of interest or tax expense.
- The perpetuity factor was wrongly computed by some examinees.
- Many examinees ignored the information provided for adjustment of P/E ratio.
- The bidding strategy was restricted to the recommendation of value only as factors supporting that strategy were missed out in many answers.

**Question 3(b)**

- Examinees seemed to be incognizant of the concept of 'real options'. Many examinees wrongly construed it as the issues that a business may face due to acquisition and discussed post-acquisition challenges.
- Some examinees even offer discussion on 'put options' and 'call options'.

**Question 3(c)**

A good performance was observed in that part of the question. However, some examinees wasted time in providing the entire provisions of corporate governance without offering the consideration to the given case scenario.

**Question 3(d)**

- The information pertaining to regular purchases and variable purchases were altogether ruled out by large number of examinees.
- Examinees offered general discussion on different hedging instruments without relating them to the given case scenario.

***(THE END)***