THE INSTITUTE OF CHARTERED ACCOUNTANTS OF PAKISTAN EXAMINERS' COMMENTS	
SUBJECT Management Professional Competence	**SESSION** Multi Subject Assessment – 2 Examination (MSA-2) – Summer 2022

Passing %

Question-wise													Overall
1(a)	1(b)	1(c)	1(d)	1(e)	1(f)	2(a)	2(b)	2(c)	3(a)	3(b)	3(c)	3(d)	
46%	30%	80%	62%	33%	3%	75%	28%	82%	25%	38%	49%	15%	35%

General comments

The passing percentage in this session has slightly increased to 35% as compared to 33% in the previous session. Good performance was noted in questions which either required numerical workings or examined the regulatory requirements pertaining to corporate governance. However, poor performance was noted in the question related to the area of taxation.

Question-wise common mistakes observed

Question 1(a)

- Examinees did not use the given financial information for determining the value of Mangwani Shrimp using the earnings based and cash flow based valuation methods.
- Some examinees ignored the value of intangible assets and the compound annual growth rate (CAGR) while carrying out the asset based and dividend based valuation respectively.
- While determining an appropriate bidding strategy for SFS, examinees recommended a valuation range but were not able to give appropriate justification to their recommendations.

Question 1(b)

- While evaluating the strategic proposal to acquire Mangwani Shrimp from the acceptability aspect, examinees restricted their responses to the Khan Family's perspective only and did not evaluate the proposal from the perspective of other key stakeholders i.e., Kohli brothers' employees and customers of Mangwani Shrimp.
- Some of the examinees did not evaluate the strategic proposal to acquire Mangwani Shrimp from the suitability aspect.

Question 1(c)

Good performance was observed in this part of the question. However, some examinees were not able to provide appropriate justification to their recommended expansion strategy i.e., joint venture or outright acquisition.

Question 1(d)

- Examinees correctly identified most of the key post-acquisition issues, however, some of the examinees were not able to give appropriate recommendations to manage the identified risks.
- Some examinees either gave irrelevant answers or repeated the same issues.

Question 1(e)

- Examinees restricted their answers to the extent of identifying the usage of antibiotics as unethical and completely ignored other related considerations such as lack of disclosure to the public, Punjab Department of Fisheries and SFS.
- Examinees offered many irrelevant or inadequate recommendations to SFS such as conducting extensive medical research on customers who have consumed the treated shrimps and discontinuing use of antibiotics in future.

Question 1(f)

Examinees were not able to identify that Mangwani Shrimp is filing its tax return as a small company and that it can opt to be taxed as a Small and Medium Enterprise (SME) under the provisions of the Income Tax Ordinance, 2001. Further, examinees did not discuss the possible tax implications on Mangwani Shrimp if it opts to be taxed as SME.

Question 2(a)

Good performance was noted in this part of the question. However, some of the examinees were not able to calculate effect of change in inventory turnover on DC's working capital requirement.

Question 2(b)

Examinees correctly determined the impact of raising further capital through debt or equity on DC's current gearing level. However, most of the examinees were not able to cover some of the key considerations pertaining to raising debt finance e.g., life of the project, debt covenants and the requirement to pay interest on debt capital; and equity finance e.g., dilution of ownership, increased scrutiny in future and ongoing compliance costs.

Question 2(c)

- Good performance was observed in this part of the question. However, some examinees wasted time in writing irrelevant provisions of the Listed Companies (Code of Corporate Governance) Regulations, 2019 without giving due consideration to the given case scenario.
- Few examinees also covered various other corporate governance frameworks which were not required.

Question 3(a)

Examinees were not able to identify the following possible uses of big data which could contribute to forming SSP's marking strategy for the sub-Saharan African target market:

- identification of the most favourable market segments;
- detection of political trends towards sugar taxes or other unfavourable legislative developments;

- identification of attitude towards foreign suppliers;
- individual profiling to focus on customers' particular sensitivities.

Question 3(b)

Most of the examinees correctly identified the elements of the marketing mix, however, examinees were not able to advise how the identified elements of the marketing mix would need to be adapted in a manner more suited for the new target market i.e. sub-Saharan Africa.

Question 3(c)

- Examinees did not discuss that in order to hit the bonus targets, certain expenses like salaries, training, bad debts, research and development may have been 'managed' by the executive management staff in ways detrimental to SSP in the long run.
- Examinees did not comment on the reliability of management accounts in the given scenario since in order to attain the annual profit targets, there exists a risk that expenses might have been understated.

Question 3(d)

- Examinees offered a general discussion on the importance of hedging instead of assessing various hedging strategies by weighing respective advantages and disadvantages.
- Examinees did not mention that SSP may have to pay an expensive premium upfront if it decides to hedge through call and put options, however, such a strategy would maintain SSP's access to upside risk whilst limiting downside to the amount of premium paid.

(THE END)