

THE INSTITUTE OF CHARTERED ACCOUNTANTS OF PAKISTAN
EXAMINERS' COMMENTS

SUBJECT Management Professional Competence	SESSION Multi-Subject Assessment – 2 Examination (MSA-2) – Winter 2022
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Passing %

Question-wise													Overall
1(a)	1(b)	1(c)	1(d)	1(e)	1(f)	2(a)	2(b)	2(c)	2(d)	3(a)	3(b)	3(c)	
76%	76%	49%	66%	19%	17%	47%	19%	27%	33%	45%	56%	35%	46%

General comments

The passing percentage in this session has significantly increased to 46% as compared to 35% in the previous session. Good performance was noted in questions that required numerical workings, whereas the performance in the questions related to ethics and taxation was below average.

Question-wise common mistakes observed

Question 1(a)

Good performance was observed in this part of the question. However, some examinees failed to mention that the Islamabad courier market is highly competitive, and courier companies are under pressure to maintain their prices low to sustain their business volume.

Question 1(b)

Good performance was observed in this part of the question. However, some examinees did not calculate the debt-equity ratios using market values, which was necessary to compare ICL's gearing levels with the industry average of 65%. Additionally, examinees were not able to provide appropriate justification for their recommended funding strategy.

Question 1(c)

Examinees correctly identified different hedging strategies, however, they did not carry out a detailed and comprehensive evaluation. Examinees focused on the advantages of each hedging strategy and did not cover the respective disadvantages.

Question 1(d)

The examinees entirely focused on the advantages of different options available to develop an online brand. They completely ignored the discussion of the disadvantages of the identified options, which was necessary for a comprehensive assessment.

Question 1(e)

- Examinees failed to point out the ethical considerations surrounding the couriers' status as self-employed workers such as fairness of the arrangement, impact on ICL's image, etc.
- Examinees did not identify the ethical issues related to the forced hire of the new scooters.
- Examinees gave invalid recommendations focusing on the course of action to be taken by the couriers themselves, rather than recommending an appropriate course of action for ICL.

Question 1(f)

- Examinees did not identify tax implications on ICL's expansion plan, such as impact of depreciation / amortization expense of software, hardware, charging stations and scooters.
- Examinees failed to identify tax implications if ICL continues to treat couriers as freelancers and focused entirely on withholding tax deductions.
- Examinees did not discuss the tax implications of financing expansion through debt or equity.

Question 2(a)

- Examinees correctly determined the value of combined entity i.e. Rs. 1,200 million; however, they failed to determine the correct number of shares to be issued in exchange.
- Some examinees were not able to calculate dividend growth percentage i.e., 10% per annum.

Question 2(b)

- Examinees simply stated the current organisation structures of DSL and NML, and did not evaluate DSL's existing organisation structure in light of the proposed acquisition of NML.
- Examinees did not recommend suitable changes required to be made in the existing organisation structure, thus ignoring the second requirement of this part of the question.

Question 2(c)

- Examinees did not draft comprehensive outline of a suitable change programme and restricted their answers to one or two valid considerations.
- Examinees failed to provide appropriate justification for the suggestions given by them.

Question 2(d)

Examinees failed to discuss that issue of further debt or equity seems unlikely given the current covenant limits and pending reverse takeover, therefore, decision to withhold/reduce dividends is appropriate. Further, examinees did not cover Modigliani and Miller's dividend irrelevancy theory.

Question 3(a)

Examinees made good attempt at the numerical part of the question. However, they lacked depth in their analysis of the impact of accepting the new contract on the short-term and long-term results of GHF's business. Specifically, they failed to discuss certain significant impacts such as theft reduction in the short-term and the positive outlook for less harmful products in the long-term.

Question 3(b)

Examinees did not discuss that the proposed contract has several dimensions that could have an impact on GHF's corporate social responsibility programme including the following:

- Worker redundancy may damage GHF's reputation as workers would suffer significantly;
- Decline in profitability would reduce GHF's ability to support socially beneficial causes;
- Assisting development of less harmful alternative may be good for GHF's CSR credentials.

Question 3(c)

- Examinees did not mention that inclusion of the operational management in the Committee will improve risk identification and selection of suitable risk responses.
- Examinees did not identify that the committee related work may overload operational managers thereby reducing their focus on other operational matters.

(THE END)