

THE INSTITUTE OF CHARTERED ACCOUNTANTS OF PAKISTAN

Certificate in Accounting and Finance Stage Examination

Business Insights and Analysis

Examiners' Comments

Spring 2026

PASSING %

Question-wise									Overall
1	2	3	4	5	6	7	8	9	
72%	31%	89%	21%	60%	77%	50%	68%	5%	53%

GENERAL COMMENTS

Performance in this session was comparable to that of the preceding attempt. While foundational knowledge was adequately demonstrated across most areas, many examinees struggled with careful reading and interpretation of question requirements, often providing technically sound but misdirected answers. The working capital question was a particular concern, with performance falling well below the overall average, largely due to errors in cost classification and the treatment of expansion-related adjustments. Improvement in examination technique, particularly in planning responses and addressing all parts of a question, remains an area requiring attention.

QUESTION-WISE COMMON MISTAKES OBSERVED

Question 1

- MCQs at serial (iv) and (ix) were the least well-answered.

Question 2

- Examinees frequently listed sustainability-related matters from the scenario without classifying them under the three ESG pillars as specifically required by the question. Since the question explicitly asked for classification, merely identifying the relevant matters — without attributing each to the correct Environmental, Social, or Governance category — was not sufficient to earn marks.
- While examinees were able to correctly conclude that the sustainability claim was unjustified and amounted to greenwashing, they limited their justifications to environmental shortcomings and did not address social and governance failures.

- While many examinees were able to correctly identify the importance of sustainability to NWL, they fell short when it came to recommending appropriate actions to better align the company with a recognized sustainability framework.

Question 3

- Examinees frequently struggled to distinguish between internal and external factors, which is a fundamental requirement of SWOT analysis. This manifested in misclassifications such as listing external threats as internal weaknesses, or internal strengths as external opportunities.
- Examinees were generally unable to demonstrate how MLPL's specific strengths could be leveraged to address the identified threats. Rather than drawing on the strengths established in their SWOT analysis, many examinees suggested generic, out-of-scenario measures — for example, proposing a shift to electric vehicles to address rising fuel costs — which had no basis in the information provided and did not reflect the intent of the question.

Question 4

- Examinees frequently made errors in classifying activities under the three relevant primary value chain categories. Common misclassifications included placing the safety certification process under outbound logistics, whereas it forms part of operations, as it occurs before the completion of the finished product. Similarly, the issuing of materials through central stores was incorrectly placed under operations, whereas it constitutes part of inbound logistics as it precedes the actual manufacturing process.
- Examinees failed to evaluate all three options before arriving at a recommendation. Many examinees assessed only one option — and often incompletely or incorrectly at that — before jumping to a conclusion. Since marks were allocated for the analysis of each option, examinees who did not address all three options lost a significant portion of the available marks, regardless of whether their final recommendation was correct.

Question 5

- Examinees evaluated the profitability dimension from a short-term perspective only, concluding that non-disclosure was profitable simply because it avoided an immediate financial loss. They failed to recognize that in the long term, non-disclosure exposes the company to regulatory penalties, reputational damage, and potential loss of business.
- Examinees often confused the 'fairness' and 'rightness' dimensions of Tucker's Five-Question model, providing interchangeable or near-identical answers for both. Fairness asks whether the decision treats all affected parties — such as regulators, hospitals, and patients — equitably, whereas rightness asks whether the action is consistent with broader ethical and moral principles. These are distinct dimensions and should be addressed separately.
- Examinees also failed to provide a clear overall recommendation as required by the question. Having evaluated each dimension of Tucker's model, examinees were expected

to synthesize their findings into a definitive conclusion that the non-compliance should be disclosed.

Question 6

- Examinees failed to recognise that the ordinary share price of Rs. 78 was quoted cum-dividend. As a result, many did not deduct the recently announced dividend of Rs. 8 per share to arrive at the correct ex-dividend price of Rs. 70, leading to an overstated market value of equity and an incorrect cost of equity under the Gordon Growth Model.
- Examinees also made errors in determining the number of rights shares (1-for-4 on 80 million shares = 20 million shares) and/or the correct issue price, which represented the nominal value of Rs. 10 plus the premium of Rs. 40, giving an issue price of Rs. 50 per share — not just the premium of Rs. 40.

Question 7

- Under the options hedging strategy, many examinees failed to evaluate the 'do not exercise' scenario, which formed a necessary part of a complete options analysis. Examinees also frequently selected a call option rather than a put option, demonstrating a misunderstanding of the hedging requirement — as an exporter expecting to receive USD, STL needed the right to sell foreign currency, which is provided by a put option, not a call.

Question 8

- Examinees incorrectly included the sunk cost of Rs. 15 million feasibility expenditure as part of the initial capital outflow, rather than excluding it as an irrelevant cost. This error not only overstated the initial investment but also had a cascading effect on subsequent calculations, resulting in incorrect figures for depreciation, residual value, and profit on disposal of the production facility.
- Examinees overlooked the maximum annual capacity of 9,000 units. As demand in Year 5, growing at 12% per annum, exceeded this limit, sales volume had to be capped at 9,000 units rather than the unconstrained demand figure. Failing to apply this cap resulted in overstated figures for revenue, variable costs, and contribution margin in Year 5.

Question 9

- Examinees based their trade receivables calculation on total sales rather than credit sales only. Following expansion, credit sales were expected to be 25% of total sales, and the receivables balance should have been computed on this amount alone.
- Examinees failed to correctly determine the revised fixed manufacturing overhead. The pre-expansion fixed overhead rate of Rs. 2,050 per unit was derived based on a production volume of 280,000 units, giving a total fixed overhead of Rs. 574 million. Since fixed overheads do not vary with volume, the correct approach was to add the incremental Rs. 85 million to this base, arriving at a revised total of Rs. 659 million. Instead, many examinees erroneously multiplied the pre-expansion rate of Rs. 2,050 by the post-

expansion volume of 390,000 units, resulting in an overstated fixed overhead figure of Rs. 799.5 million.

- In calculating trade payables for raw materials, examinees used the full raw material cost, inclusive of import duty. Since import duty was payable immediately on arrival and did not attract a credit period, it should have been excluded from the trade payables calculation.
- Examinees omitted the additional sales promotion expense from trade payables, even though it represented a cash outflow subject to a 30-day payment period and should therefore have been included as a current liability.
- Examinees also made errors in computing the work-in-process (WIP) balance. Several examinees ignored WIP entirely and did not include it as part of current assets. Those who did attempt it applied conversion costs at 100% completion rather than the correct 50%, resulting in an overstated WIP figure.

(THE END)