THE INSTITUTE OF CHARTERED ACCOUNTANTS OF PAKISTAN

Certified Finance and Accounting Professional Stage Examination

Strategic Business Finance

Examiners' Comments **Summer 2026**

PASSING %

Question-wise					Overall
1	2	3	4	5	
67%	19%	12%	35%	18%	32%

GENERAL COMMENTS

The result of the SBF Examination – Summer 2026 is 32%, which is consistent with the last session result of 31%. It was observed that many examinees lacked the required Excel skills. Consequently, they either used incorrect formulas or failed to apply brackets correctly. Poor time management was also evident. Performance in the theory and analytical parts of the paper was particularly weak.

QUESTION-WISE COMMON MISTAKES OBSERVED

Question 1

- Increase in sales volume was incorporated from Year 2027 instead of Year 2028.
- Sales for Years 2030 and 2031 were inflated by 3% instead of 4%.
- Impact of inflation was applied on variable expenses, though the requirement was simply to take them as 30% of sales.
- Impact of inflation on fixed expenses was taken from year 2028 instead of year 2027. Moreover, similar to the mistake in the calculation of sales, fixed expenses for Years 2030 and 2031were inflated by 3% instead of 4%.
- Advance annual rent was inflated. Moreover, the timing implications of the annual rent being payable in advance were frequently overlooked, with many examinees treating the rent as an end-of-year operating cash flow.
- The effect of capital allowance was not taken into account while calculating Pakistan tax. Moreover, Pakistan tax was computed on cash flows rather than on USD profits.
- Ungeared WACC was not calculated, and 18% was used for discounting base case NPV.
- While computing ungeared WACC, the formula was applied incorrectly. Moreover, an incorrect tax rate was used.
- Terminal value was taken as 5 times the net profit instead of cash operating profit. Similar types of errors were made in the calculation of 8% additional Pakistan tax.
- Post-tax value of interest was added instead of the present value of tax saved on interest.
- Recommendation was not provided.

Question 2 (a)

- Various hedging techniques, long-term debt options and/or equity options were listed and explained.
- A suggestion to take a long-term loan to match the asset's life was made even though the cash shortage was expected to be resolved in the short term, i.e., within 6 months.

Question 2 (b)

- 1% margin over the primary benchmark interest rate was ignored.
- The wrong FRA was selected.
- Under futures, it was suggested to buy now and sell later.
- In futures, the number of contracts was not computed correctly. Various types of mistakes were made in its calculation.
- While computing interest cost under futures, the remaining basis was calculated by dividing 50 basis points by 4 months instead of 5.
- Gain on the futures was not computed correctly.
- A call option was used instead of a put option in the case of hedging through options.
- November-dated options were selected instead of October-dated options.
- The explanation part was skipped.
- No conclusion and recommendation were given.

Question 3 (a)

- Net assets after investment were not computed or computed incorrectly by adding the projected profit for 2027 to the net assets before investment, instead of adding the amount of investment of PKR 1,800 million.
- Earnings after investments were computed incorrectly by adding the projected profit for 2027 to the existing pre-tax earnings.
- Historic growth rate was computed wrongly.
- In cash flow valuation, the non-cash expenses of PKR 300 million were deducted from pre-tax operating profit instead of being added.
- Asset beta was re-geared by using net assets before investment instead of net assets after investment.
- The issue price was not calculated.

Question 3 (b)

- All types of risks were stated, rather than limiting the discussion to financial risks, which could impact the company's valuation.
- Risks faced by the shareholders of the family were mentioned.
- Increase in gearing was mentioned as a risk, whereas no new debt was being obtained.

Question 3 (c)

- An offer at a fixed price was rejected by citing the reason that the offer may not be fully subscribed. Very few realized that this risk is usually covered by appointing underwriter(s).
- Suggestions were given without mentioning the reasons supporting such recommendations.

Question 4 (a)

- Share capital was used instead of total equity in computing the weighted average cost of capital.
- Risk-free rate of return was used in place of the coupon rate of the debentures for computing cost of debt.
- Pre-tax cost of debt was used.

Question 4 (b)

- Number of right shares to be issued was computed by dividing the amount required by face value.
- Revised earnings were calculated without taking the impact of taxation on the additional income earned due to issuance of right shares.
- Number of new shares to be issued and the terms of issue were not calculated.

Question 4 (c)

- Share capital was used as equity, ignoring the retained profits.
- Revised earnings and revised equity were computed incorrectly.
- Cost of equity computed in part (a) was used in both the options.
- Asset Beta was re-geared by applying the existing values.
- Gearing was computed by dividing debt by equity instead of dividing debt by the sum of debt and equity.

Question 5 (a)

- Earnings were used instead of dividends to calculate the expected price.
- Growth formula was applied on earnings/dividend for 2027.
- Incorrect reasons were given for the difference in the two valuations.

Question 5 (b)

Many examinees failed to discuss the practical considerations relevant to the introduction of a dividend policy and instead suggested inappropriate actions, such as distributing dormant assets, offering discounts on company products to shareholders, or issuing debentures free of cost, etc.

(THE END)