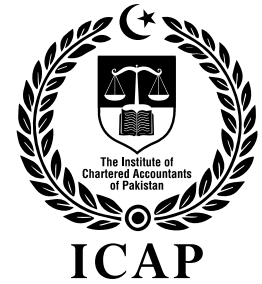


**Certified Finance and Accounting Professional Stage Examination
(Transitional Scheme)**



4 June 2026
100 marks

CRN:

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Name:

INSTRUCTIONS

Please carefully read the following instructions:

1. You are required to access your answer working area by using your Student ID and Password as mentioned on your Admit Card.
2. The overall duration of the exam is 3 hours and 30 minutes, which includes the 15-minute reading time and an extra 15 minutes of time that has been allocated due to the introduction of computer-based examinations.
3. All **seven** questions are compulsory. There is no specific time allocated for individual questions.
4. An auto-save function runs every minute. Further, your answers are saved automatically when you navigate between questions or click on the > (**NEXT**) or < (**BACK**) symbols.
5. Each question provides a designated answer area with a Rich Text Format (RTF) editor for writing your answers. You must answer each question within its respective RTF editor only. **Answers written in another RTF editor instead of the designated RTF editor for the question or more than one questions answered in a single RTF editor shall not be considered for marking.**
6. Below the RTF editor, a spreadsheet is provided to facilitate examinees in doing rough calculations or other workings. **However, please note that any work performed in the spreadsheet will not be considered for marking. To ensure your work is considered, you must copy and paste it from the spreadsheet to the RTF editor.**
7. You may use MS Excel for rough working. However, please remember that any work performed in this application cannot be copied into the examination software, and vice versa. Furthermore, any such work will not be uploaded with your exam for marking.
8. You may use pen and paper for rough work, but please note that pen and paper work should only be done on the last two pages of the question paper that are specifically allocated for this purpose. Remember that any rough work done on these pages will not be uploaded with your exam for marking.
9. An external calculator can be used, provided it is included in the list of permissible calculators issued by ICAP.
10. During the exam, access to any website other than exam software website is strictly prohibited. Engaging in such activities will be considered a violation under the policy on the use of unfair means.

QUESTION 1

Shifa Medico (Private) Limited (SML) is a family-owned pharmacy chain established in 2014. It operates six branches: three in Lahore and three in Faisalabad.

SML earns revenue from three sources: prescription medicines, over-the-counter (OTC) health products, and a home delivery service that was introduced in 2023. Prescription medicines generate relatively higher margins, while OTC products attract walk-in customers. A significant proportion of medicines, particularly branded pharmaceuticals and specialised products, is either imported directly or sourced from local distributors whose prices are linked to the US Dollar. Therefore, depreciation of Pak Rupee directly increases SML's cost of sales.

SML also has introduced several sustainability initiatives. These include biodegradable and recyclable packaging, a monthly medicine take-back programme for safe disposal of unused or expired medicines, and free health screening camps in both cities.

Extracts from SML's financial statements and customer feedback are provided below:

Statement of Profit or Loss for the year ended 31 March 2026

	2026	2025
	----- Rs. in '000 -----	
Revenue		
Prescription medicines	890,000	780,000
Over-the-counter (OTC) products	420,000	390,000
Home delivery services	95,000	45,000
Total revenue	1,405,000	1,215,000
Cost of sales		
Cost of medicines and supplies	(820,000)	(685,000)
Packaging materials	(25,000)	(5,000)
Home delivery costs	(55,000)	(18,000)
Gross profit	505,000	507,000
Operating costs		
Staff costs	(185,000)	(155,000)
Community and sustainability programmes	(17,000)	(3,000)
Administration and other costs	(140,000)	(120,000)
Operating profit	163,000	229,000

Statement of Financial Position as at 31 March 2026

	2026	2025
	----- Rs. in '000 -----	
Cash and bank balances	12,000	41,000

Customer Feedback

SML collects customer feedback through in-store tablet surveys and online forms linked to delivery receipts. The following table summarizes average scores from approximately 800 responses received during the year ended 31 March 2026:

Category	Lahore	Faisalabad
Product availability	4.1 / 5.0	3.4 / 5.0
Staff knowledge and service	3.8 / 5.0	3.2 / 5.0
Eco-packaging and sustainability	4.5 / 5.0	4.3 / 5.0
Pricing and value for money	3.2 / 5.0	2.8 / 5.0
Home delivery experience	4.0 / 5.0	3.5 / 5.0
Overall	3.8 / 5.0	3.2 / 5.0

Additionally, selected descriptive reviews submitted by customers are as follows:

Raza Ahmed, Lahore, Overall rating: 4.2 / 5.0

I have been a regular customer at the Gulberg branch for over two years. The staff are knowledgeable and explain dosage instructions clearly. The new eco-friendly packaging is a thoughtful initiative, and the free health screening camp was genuinely useful community service. However, prices have increased noticeably over the past year. This may encourage elderly patients and customers on long-term prescriptions with fixed incomes to consider cheaper alternatives.

Fatima Malik, Faisalabad, Overall rating: 2.9 / 5.0

I visited the D-Ground branch twice to fill a prescription for my mother, but the medicine was out of stock both times. I had to buy it elsewhere, which was inconvenient. When I asked about a generic substitute, the staff member could not advise confidently. I appreciate the recyclable packaging, but it does not compensate for poor service and product availability. I have heard from a neighbour that the Lahore branches are better managed, which makes me question whether the same standards are being maintained across both cities.

Required:

- (a) Assess the financial performance of SML for the year ended 31 March 2026. **(09 marks)**
- (b) Assess the non-financial performance of SML for the year ended 31 March 2026, using each of the customer feedback categories and descriptive reviews. Provide recommendations where appropriate. **(09 marks)**

QUESTION 2

ThermaSmart Pvt. Ltd. (TPL), an electronics manufacturer and supplier, is preparing to launch a new smart inverter air conditioner in Pakistan's urban consumer market. The industry is highly competitive, with firms competing on price, energy efficiency, reliability, after-sales service, installation support, and product features. These factors significantly influence customers' purchase decisions.

The market is served by three key competitors: CoolMax, EcoAir, and ChillPro. CoolMax operates in the premium segment and is widely regarded as the most reliable brand, supported by a strong in-house service network. EcoAir competes on superior energy efficiency and targets customers who focus on long-term cost savings; however, its service network is only moderately developed. ChillPro competes aggressively on price but is associated with weak durability and poor after-sales support, resulting in low repeat purchases.

TPL's product is positioned in the mid-range price segment and offers advanced smart features, such as remote monitoring and usage analytics. However, market research indicates that most customers place greater importance to reliability, after-sales service, and installation support than to smart features. TPL currently relies on third-party service providers for customer support, resulting in inconsistent service quality and limited control over the customer experience, particularly outside major cities. Multi-brand retailers, who influence a significant proportion of purchase decisions, tend to recommend brands with reliable service support to minimize post-sale issues.

TPL has also identified a smaller but growing segment of tech-oriented customers who value smart features. Although this segment offers future growth potential, it currently represents a limited share of total demand. Due to resource constraint, TPL can pursue only one of the following options before launch:

- Option A: Enhance smart features and target the tech-oriented segment
- Option B: Reduce price to compete with low-cost brands
- Option C: Develop an in-house after-sales service network

Required:

- (a) Assess TPL's alignment with the factors influencing customer purchase decisions. Classify each factor as weak, moderate or strong. **(05 marks)**
- (b) Evaluate the three options and recommend the most appropriate strategy. Justify your answer using the information provided. **(10 marks)**

QUESTION 3

Kamran is a senior management accountant at Horizon Manufacturing Limited. The board of directors was evaluating a major capital investment in an automated production line. Kamran prepared the financial analysis for the board paper using a spreadsheet model and submitted it without having the figures independently reviewed.

After the submission, Nadia, a junior member of Kamran's team, discovered a formula error while filing the working papers. Although the error appeared minor in isolation, it had materially overstated the projected returns, making the investment seem significantly more attractive than it actually was. Nadia brought the issue to Kamran's attention; however, he decided not to inform the board because he did not want to damage his professional reputation. Nadia felt uncomfortable with this decision but decided that she would escalate the matter if the board approved the investment.

At the board meeting, the directors concluded that the investment involved excessive strategic risk and decided not to proceed. Relieved at the outcome, Nadia believed there was no longer a need to escalate the matter. She later met with Kamran, who promised to involve the team in the preparation and review of figures before making future submissions.

Three months later, Kamran submitted a financial feasibility report for a potential acquisition to Sara, his manager. Sara identified several errors and asked Nadia to correct them and resubmit the report. While making the correction, Nadia identified several additional errors that Sara had not identified and brought them to Kamran's attention. Kamran instructed her to correct only the errors Sara had seen and leave the remaining errors, as he did not want to appear incompetent in front of his manager.

Required:

- (a) Evaluate whether Nadia acted appropriately when Kamran decided not to inform the board about the error. **(05 marks)**
- (b) Explain how Nadia can apply the mirror test to her current situation. **(04 marks)**
- (c) Recommend the course of action Nadia should now take. **(05 marks)**

QUESTION 4

BrewNation Ltd. (BNL) is a rapidly growing Pakistani coffee chain known for its culturally themed outlets and menu offerings tailored to local tastes. BNL has successfully expanded across major cities in Pakistan and is now considering international expansion.

BNL is considering entry into Southeast Asia, which offers growth potential. However, customer preferences vary significantly across countries in that region, requiring local adaptation in both menu offerings and store experience.

BNL has no prior international experience. Its management systems, supply chain, and training processes are currently designed only for the domestic market. BNL also has limited capital, sufficient to finance only a small number of overseas outlets. Its brand is strongly associated with Pakistani culture, and management recognizes that some adaptation will be necessary in foreign markets.

Management also understands that the performance of its initial international outlets will significantly influence BNL's brand reputation. Therefore, during the initial phase of expansion, BNL requires ongoing direct managerial control and decision-making authority over operations, training, and quality control.

However, BNL currently lacks sufficient market knowledge of the target region to adapt its offerings effectively. BNL is considering three possible entry modes for international expansion: franchising, joint venture, and wholly owned outlets. BNL can pursue only one entry mode initially.

Required:

Evaluate the three entry modes and recommend the most appropriate strategy, with justification. **(15 marks)**

QUESTION 5

MediServe Logistics (MSL) provides home sample collection and medicine delivery services for hospitals and diagnostic laboratories across Pakistan and operates through standardized procedures and centralized performance controls. MSL is planning to expand into several new cities while addressing increasing customer complaints relating to delayed deliveries, coordination failures, and inconsistent service quality across branches.

To support this expansion, MSL intends to appoint a Regional Operations Director – Punjab, who will be responsible for supervising branch operations, strengthening coordination among teams, managing service performance, and implementing operational improvements within strict timelines. The position has become strategically important because MSL recently secured a three-year service agreement with a major diagnostic chain, under which failure to meet service-level targets for two consecutive quarters could result in financial penalties and possible termination of the contract.

Internal reports indicate that operational inconsistency across branches is primarily linked to weak compliance with company procedures and inadequate coordination among field teams rather than technological limitations.

The following two candidates have been shortlisted for the position:

Candidate A:

Candidate A has been employed by MSL for 11 years and currently manages one of the company's largest branches. His branch has consistently achieved the highest compliance scores and the lowest staff turnover within the company. Senior management considers him highly reliable during operational disruptions, while employee surveys demonstrate strong confidence in his leadership.

However, his experience has been confined to single-city operations involving approximately 40 employees, and he has not previously managed large-scale expansion projects. Certain senior managers also regard his management style as comparatively cautious relative to other branch managers.

Candidate B:

Candidate B currently works for a national healthcare logistics company and has experience managing multi-city operations involving over 250 field employees. She has led restructuring initiatives at the company that improved delivery responsiveness and complaint resolution times. She has also represented her current employer at several regional healthcare logistics conferences and was part of a cross-functional committee that reviewed workplace digitization initiatives. Her work experience has always been with employers who operate with significant regional autonomy. Reference reports from previous employers support her good work, however, some comments do highlight implementation challenges across certain regional teams during periods of operational change.

The HR manager strongly favors Candidate B, arguing that MSL's expansion strategy requires extensive operational experience and the ability to implement efficiently.

Required:

- (a) Evaluate the suitability of both candidates and recommend the most appropriate appointment for MSL, providing reasons for your recommendation. **(05 marks)**
- (b) Using the training and development process, design an appropriate orientation program for the candidate selected in part (a) to support effective performance in the role. **(08 marks)**

QUESTION 6

FinSecure Bank operates an online banking platform that enables customers to transfer funds, access account information, and make digital payments. Since the bank's systems remain continuously connected to the internet to support online banking services, management is increasingly concerned about exposure to cyber threat and security breaches. Due to the rapid growth in online transactions and rising cybersecurity risks, the bank recently carried out an internal review of its IT security environment.

The review highlighted several security concerns. Employees frequently use weak passwords that remain unchanged for extended periods, and some staff members record passwords on paper kept near their workstations. During a recent security incident, unauthorized traffic attempted to gain access to the bank's network through the internet gateway. In another instance, customers raised concerns regarding the security of banking information transmitted during online payment transactions.

The bank also discovered that several employees regularly open suspicious email attachments without reporting them to the IT department. In addition, a senior systems analyst responsible for supervising a major upgrade to the online banking system resigned before completion of the project.

Required:

Discuss the IT security risks faced by FinSecure Bank and recommend appropriate IT controls to strengthen system security. **(10 marks)**

QUESTION 7

AgriPure Ltd. (APL) is a leading packaged edible oil company in Pakistan. APL imports oilseeds from European suppliers, processes them at its production facility in Punjab, and distributes finished products through independent wholesalers across major urban markets across the country.

Over the past 18 months, APL has experienced significant disruptions in its supply chain due to instability on key regional trade routes, port congestion, and rising freight costs resulting from geopolitical tension in the region. As a result, factory utilization has become inconsistent, production schedules have been delayed, and stock-outs at the retailer level have become frequent.

Demand for APL's products remains strong, and retailers have not yet shifted to competing brands. However, concerns regarding the availability of APL's product are increasing among retailers.

To address these challenges, APL is evaluating the following strategic alternatives:

- (i) APL is considering acquiring agricultural land to develop local oilseed cultivation operations. However, commercial output would require at least three crop-growing cycles before meaningful production is achieved, and the agricultural yields would remain exposed to weather-related conditions.
- (ii) APL is also considering establishing company-owned warehouses and delivery fleets to supply retailers directly instead of relying on independent wholesalers.
- (iii) A third proposal involves acquiring a competitor operating in the same product category. The target company has established relationships with multiple Asian and African suppliers and operates through a different sourcing and logistics network.

APL currently possesses sufficient financial capacity to pursue only one of the above strategic alternatives at this stage.

Required:

- (a) Discuss the key resources and capabilities required for each strategic alternative. **(05 marks)**
- (b) Evaluate the three strategic alternatives and recommend the most appropriate course of action for APL. **(10 marks)**

(THE END)

