| THE INSTITUTE OF CHARTERED ACCOUNTANTS OF PAKISTAN<br>EXAMINERS' COMMENTS | |
|---|---|
| **SUBJECT**<br>Management Professional Competence | **SESSION**<br>Multi-Subject Assessment – 2 Examination (MSA-2) – Summer 2024 |

**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) | 42 |
| 54% | 53% | 70% | 48% | 28% | 6% | 64% | 35% | 33% | 21% | 63% | 41% | 14% | |

**General comments**

The passing percentage in this session remained consistent with the previous session i.e., 42%. In this session, weak performance was observed in the areas of taxation, corporate social responsibility, and working capital management (1f, 3a, and 3d). This was offset by relatively stronger performance in the questions related to financial and performance management (1b, 2a, and 3b).

**Question-wise common mistakes observed**

**Question 1(a)**

- Examinees covered a single point only under each evaluation category, neglecting many crucial aspects such as element of diversification, risk involved, and CSR concerns etc.
- Examinees did not place the evaluation points related to suitability, acceptability, and feasibility correctly under the respective categories. This was mainly due to a lack of understanding of these distinct evaluation criteria.

**Question 1(b)**

- Examinees recommended matrix structure as the new organisational structure of KO; however, valid justification was not provided such as geographical differences, and product differences.
- Examinees failed to discuss other non-financial considerations that could impact KO's decision to take the tax incentive from the island state's government, such as the impact on government relations and the potential impact on CSR credentials.

**Question 1(c)**

Good performance was observed in this part of the question. However, while discussing 'place', examinees failed to discuss the possibility of making direct sales over the Internet or supplying the product to key global distributors. Furthermore, while discussing 'price', examinees did not mention that the new product should initially be priced competitively low; and that the pricing policy may be revised as the product quality improves.

**Question 1(d)**

- Examinees did not discuss that invoicing all 'Pacific Palm' customers in US dollars could reduce the net US dollar exposure, however, such a foreign exchange risk management strategy cannot be advised because it would transfer the foreign exchange transaction risk entirely to the customers who are unlikely to have US dollar as their functional currency.
- Examinees did not discuss that forward contracts can be easily arranged, however, they are expensive, and 'Pacific Palm' would not be able to benefit from upside movements if forward contracts are used for foreign exchange risk management.

**Question 1(e)**

Examinees did not present any arguments in favour of taking advantage of low labour costs, resulting in a discussion that did not address both sides of the issue, which was crucial for a well-rounded analysis.

**Question 1(f)**

- Examinees failed to identify that KO could charge management fees for providing technical assistance or management services to 'Pacific Palm', which could serve as a possible means of repatriating profits to Pakistan. Consequently, the related tax implications were not discussed.
- Examinees identified the possibility of repatriating the profits through dividends or interest payments, however, ignored to discuss the related tax implications.

**Question 2(a)**

While assessing the non-financial value likely to be created by the proposed demerger, examinees ignored to discuss various key points such as management specialization, investors' freedom of choice, and product co-dependency.

**Question 2(b)**

- Examinees focused on explaining how big data can be utilized to increase revenues, however, no meaningful discussion but they did not provide any meaningful discussion on how big data can be used to reduce costs.
- Examinees failed to highlight important uses of big data, such as profiling individual customers, understanding market trends, and selling of anonymized profiles to other businesses.

**Question 2(c)**

- Examinees failed to suggest any practical measures for enhancing the digital skillset of PGE's board of directors such as implementing training programs, or encouraging use of technology.
- While recommending steps to enhance employees' digital skillset, examinees failed to address important aspects such as promoting a digital culture, and knowledge management.

**Question 3(a)**

- Examinees failed to recognize that the current CSR policies of QFG require a thorough reassessment as the policies are incomplete and vague in many aspects.
- Examinees did not recommend policy changes that addressed water and energy consumption related to genetically modified melons.

**Question 3(b)**

Examinees did not assess the financial prospects of the potential acquisition such as market development, and product development. Further, the non-financial prospects such as carbon footprint, and staff retention were also ignored by the examinees.

**Question 3(c)**

Examinees overlooked a significant human resource risk posed by Gunjal's departure after the acquisition of QLM. Consequently, an earn-out arrangement or other possible ways to mitigate such risk were not recommended.

**Question 3(d)**

Examinees did not discuss that there would be an increase in the length of the working capital cycle as well as holding costs as the new melon can be stored for two years. Examinees also failed to mention that longer shelf life could lead to increased sales and help smooth out fluctuations in the sales cycle, thereby facilitating better cash flow management.

**(THE END)**