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

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)	3(d)	42%
78%	53%	20%	32%	21%	33%	82%	16%	25%	30%	30%	60%	30%	27%	

General comments

The passing percentage in this session remains consistent with the previous session. A significant concern persists regarding the weak explanatory skills among examinees, compounded by inadequate analysis, which often leads to incomplete and partial answers. This subject inherently demands well-thought-out and detailed explanations rather than reliance on superficial analyses and bullet points.

Question-wise common mistakes observed

Question 1(a)

Examinees generally performed well in this part of the question. However, their insufficient analysis of non-financial factors, such as customer turnover rate, satisfaction ratings, and network availability, resulted in a loss of marks.

Question 1(b)

- Examinees incorrectly included the revenues and expenses of PCTL while calculating the effect of synergy on the equity valuation.
- Examinees failed to deduct the value of group debt when determining the equity value of the merged entity.

Question 1(c)

- Examinees either incorrectly calculated or entirely omitted the calculation of the value added from the merger as well as its distribution to the shareholders of PCTL and GSC.
- Examinees who correctly calculated the value added and its distribution, failed to provide a critical analysis regarding the merger's acceptability to the shareholders of PCTL and GSC. For example, they failed to discuss key concerns such as the impact of control dilution on the shareholders of PCTL and GSC.

Question 1(d)

Examinees failed to discuss various income tax implications related to the amalgamation of entities such as brought forward losses of the amalgamating company and capital gain tax on the shareholders of the amalgamating company.

Question 1(e)

- Examinees did not discuss that a structured training and development program for the directors must be planned to equip directors with comprehensive insights into the merged entity's operations, governance framework, and the broader industry context, ensuring that they are well-prepared to navigate new challenges and opportunities.
- Examinees did not highlight that the seamless integration of existing board committees of PCTL and GSC into the merged entity's governance structure is vital.

Question 1(f)

Examinees provided overly generalized answers and lacked the depth required by the question. The following key focus areas were inadequately addressed:

- Business continuity planning: Examinees failed to highlight the critical aspects of client management and service delivery during the integration process.
- Employee and HR integration: The need for aligning and standardizing policies and practices between PCTL and GSC was not emphasized.
- Leadership and governance planning: Examinees overlooked the importance of ensuring representation from both PCTL and GSC on the new board.
- Marketing and branding integration: The necessity of combining the unique selling points of both entities into a unified brand narrative was not addressed.

Question 2(a)

Examinees did not discuss that the growing number of prosecutions related to environmental regulations and emission standards may encourage buyers to opt for less polluting options or electric vehicles and that PLCV should consider adjusting its product offerings and business practices to align with emerging regulations, thereby reducing potential legal risks.

Question 2(b)

Examinees were only able to identify diversification into electric vehicles as a strategy to address the risks. They failed to identify other possible means such as incentivizing the sale of lower polluting vehicles, implementing a wider CSR program, and offering finance for recently manufactured, less polluting used vehicles.

Question 2(c)

Examinees focused on evaluating the pros of the performance report used by PLCV and ignored to evaluate various cons of such report i.e., lack of external benchmarks for comparison, lack of non-financial metrics such as customer satisfaction, and lack of historical performance comparisons.

Question 2(d)

Examinees identified only the more apparent issues of the current incentive plan which were encouraging dysfunctional behavior. They failed to highlight critical but less obvious points such as the lack of incentive to beat the monthly target and the imbalance between low base salaries and the high incentive bonuses which promoted a 'gaming' culture.

Question 3(a)

- As part of their analysis, examinees failed to enlist the pros of having a decentralized treasury function. They were focused on only the pros of a centralized function, which resulted in an incomplete and one-sided analysis.
- Examinees failed to discuss key advantages of centralized treasury functions such as increased expertise, consistency, and centralized reporting and control.

Question 3(b)

- Examinees failed to properly calculate the gain on futures leading to incorrect determination of overall receipts under the future hedging model.
- While recommending futures as the better hedging strategy, examinees failed to discuss the cons of the future hedging model namely, basis risk and cashflow disadvantage, resulting in an incomplete evaluation of the model.

Question 3(c)

Examinees while evaluating the suggestion made by the head of finance, from an ethical perspective, did not discuss the following:

- The head of finance faces a significant self-interest threat as his bonus is directly tied to the divisional profit calculation.
- The proposed treatment of not recognizing foreign exchange losses in the divisional profit calculation does not align with relevant accounting standards, and consciously adopting such treatment could lead to legal repercussions on account of fraudulent practices.

Question 3(d)

- Examinees primarily emphasized the loss of revenue when discussing the potential impacts of environmental and social sustainability issues. They failed to identify other impacts such as loss of suppliers, increased regulatory scrutiny, and employee demotivation.
- Examinees failed to provide well-defined KPIs for environment and social sustainability. Instead, they offered vague statements such as pollution should be measured or workplace accidents should be reduced without specifying measurable metrics.

(THE END)