THE INSTITUTE OF CHARTERED ACCOUNTANTS OF PAKISTAN EXAMINERS' COMMENTS	
SUBJECT Management Professional Competence	**SESSION** Multi-Subject Assessment – 2 Examination (MSA-2) Summer 2025

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)	39%
58%	73%	19%	32%	53%	11%	54%	24%	55%	13%	42%	37%	44%	27%	

General comments

This session recorded a marginal dip in the pass rate, standing at 39% as against 42% in the previous session. A key challenge that continues to surface is the inability of many candidates to articulate their answers effectively. Weakness in explanation, coupled with limited analytical depth, often results in incomplete or fragmented responses. Given the nature of this subject, success relies heavily on presenting comprehensive, well-reasoned answers rather than resorting to cursory observations or mere bullet points.

Question-wise common mistakes observed

Question 1(a)

- The examinees failed to ungear the equity beta when calculating the Base Case Net Present Value
- Errors were also observed in computing the present value (PV) of the tax shield to determine the Adjusted PV, with several examinees omitting the tax shield calculation altogether.

Question 1(b)

The examinees generally performed well in this part of the question. However, the justifications provided for the recommended financing method were generally inadequate. Key considerations such as the term of finance, the binding nature of the obligation, and its availability were frequently overlooked.

Question 1(c)

- The examinees failed to fully grasp the requirement to compare and contrast the two acquisition methods within the suitability, acceptability and feasibility framework. Instead, they presented points that applied equally to both methods, such as capacity expansion, without drawing meaningful distinctions.
- The examinees frequently misplaced arguments under incorrect categories, reflecting an inadequate understanding of the differences between suitability, acceptability, and feasibility.
- The examinees provided limited coverage under each category. Key considerations, including the potential loss of the WFF brand, seller willingness, and the urgency of securing additional capacity, were often omitted.

Question 1(d)

The examinees focused narrowly on the tax implications of operating a wholly owned overseas company. Other critical considerations, such as the tax impact of debt financing or the establishment of a new overseas entity, were largely ignored.

Question 1(e)

The requirement to evaluate both the ethical issues and the implications of the investment was not adequately addressed. Examinees restricted their answers to the implications aspects, giving little or no consideration to the ethical issues. In particular, breaches of fundamental principles—professional behaviour, integrity, objectivity, and professional competence and due care—were largely overlooked.

Question 1(f)

The examinees failed to comment on all the credit terms and only criticised the condition of no credit to customers for a minimum of two years. The weaknesses in the customer credit terms after the two-year and four-year periods were completely ignored.

Question 2(a)

The examinees failed to identify several key causes of strategic drift. Important factors such as weak leadership from the board, absence of interim goals, and deficiencies in change management skills were frequently omitted.

Question 2(b)

The examinees restricted their answers to providing only one or two recommendations for changes to the appraisal system. Key points were ignored, such as embedding new strategic targets, rewarding the adoption of change, and carrying out more frequent appraisals.

Question 2(c)

The examinees did not give due consideration to the 10 marks allocated for this requirement and provided only limited steps for the initial 'unfreeze' stage. Key actions were frequently omitted, including securing commitment from the entire board, presenting evidence against plastic packaging, articulating a clear vision, identifying and empowering change champions, and offering counselling and support.

Question 2(d)

A recurring weakness was evident as examinees once again focused predominantly on the implications of the operations manager's suggestion rather than on the identification and evaluation of the underlying ethical issues. Fundamental principles—including integrity, professional behaviour, confidentiality, and professional competence and due care—were largely overlooked in their responses.

Question 3(a)

The examinees' answers were generally incomplete, with many failing to address key evaluation points such as the dynamic nature of the marketplace, the need to pre-empt legislation, and the role of employee motivation.

Question 3(b)

- The examinees failed to recognise that the cost of debt provided in the question was stated on an annual basis and therefore needed to be adjusted to a quarterly rate to compute the correct present value.
- As the two options covered unequal periods, proper evaluation required the computation of the annual equivalent cost. This requirement was overlooked by many examinees.
- The examinees relied solely on financial figures when forming conclusions, with little or no reference to other important considerations such as the duration of the option and the residual value risk.

Question 3(c)

The examinees familiar with the concept of 'Calculated Intangible Value' generally performed well on this question. However, common errors included reducing revenue rather than the cost of sales and failing to account for the value in perpetuity.

Question 3(d)

- The examinees were overly focused on the disadvantages of the proposed cost reduction plan, with no attention given to potential advantages such as setting an aspirational target or addressing business needs. As the requirement was to evaluate the situation, a balanced answer discussing both advantages and disadvantages was expected.
- The examinees' recommendations were weak and lacked specificity. Only a few examinees suggested concrete approaches such as Kaizen costing or a rolling budget. Most examinees offered overly general responses, such as vague references to discussions with employees or scrapping the proposal altogether in favour of external financing.

(THE END)