

**THE INSTITUTE OF CHARTERED ACCOUNTANTS OF PAKISTAN**

**Multi-Subject Assessment Stage**

**Management Professional Competence**

**Examiners' Comments**

**Winter 2025**

**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)	
58	35	53	41	56	4	89	50	1	88	35	3	39%

**GENERAL COMMENTS**

Performance in this session was broadly consistent with that of the previous session, with a passing rate of 39%. A recurring area of concern is the difficulty experienced by examinees in articulating their answers clearly. Limitations in explanation and analytical depth, at times, lead to responses that lack completeness. Given the nature of this subject, candidates are expected to present well-structured, reasoned answers rather than brief or bullet-pointed responses.

**QUESTION-WISE COMMON MISTAKES OBSERVED**

**Question 1(a)**

- Examinees listed only a limited number of strengths for DRP and WTML. Key aspects such as the smartphone application, landlord advisory services, marketing capabilities, and employee utilisation were frequently overlooked.
- Examinees were unable to clearly demonstrate how the proposed merger would enhance shareholder value. Most responses focused almost entirely on geographical expansion, without discussing other important value drivers such as revenue synergies, cross-selling opportunities, or technology integration.

**Question 1(b)**

Examinees made errors in the valuation calculations. Common mistakes included no adjustment of the PE ratio for unlisted WTML, improper computation of average annual growth, and inaccurate calculation of the post-acquisition value attributable to WTML shareholders.

**Question 1(c)**

- Many examinees failed to align their marketing recommendations with the company's premium positioning. Despite both entities offering high-end services, examinees suggested price discounts, indicating weak strategic consistency.

- Application of the 7Ps framework was often incomplete. While Product, Price, Place, and Promotion were discussed, limited attention was given to People, Processes, and Physical Evidence. Responses frequently lacked practical integration plans for staff alignment, service standardisation, and brand harmonisation.

#### **Question 1(d)**

Examinees focused primarily on individual customer profiling when discussing the use of information for competitive advantage. Broader strategic uses of information, such as analysing property market trends, allocating work to specialists, forecasting demand patterns, and improving cross-city coordination, were largely ignored.

#### **Question 1(e)**

- Examinees did not address cultural differences between the two organisations. The contrast between WTML's entrepreneurial culture and DRP's more structured systems was frequently overlooked.
- Examinees offered limited discussion on managing operational disruption during integration. Few responses considered phased integration, staff retention, or business continuity planning.

#### **Question 1(f)**

- Examinees demonstrated a weak understanding of the relevant taxation issues. They discussed group taxation and group relief, despite the fact that WTML would cease to exist after the acquisition, and therefore no group structure would arise.
- Examinees also demonstrated limited awareness regarding which sources of income would be subject to normal tax versus minimum tax.
- Sales tax implications were largely ignored by the examinees.

#### **Question 2(a)**

Examinees were unable to identify the frequent changes in CEOs as a potential underlying reason for the lack of implementation of the strategic decisions. Since this key factor was not identified, corresponding recommendations, such as leadership stability or succession planning, were also absent.

#### **Question 2(b)**

- Examinees focused predominantly on the positive aspects of the proposed strategic initiatives, while failing to discuss potential downsides.
- Additionally, positive aspects identified by examinees were largely restricted to environmental benefits. Social impacts, such as employment generation and community development, were frequently overlooked.

**Question 2(c)**

A significant number of examinees demonstrated confusion between operational gearing and financial gearing. Instead of addressing operational gearing, many examinees discussed financial gearing, which was not relevant to the requirement.

**Question 3(a)**

Examinees were unable to identify some of the key advantages and disadvantages of the two expansion strategies. In the case of organic expansion, important factors such as alignment with company culture and the time-consuming nature of internal growth were frequently overlooked. Similarly, for acquisition-based expansion, examinees failed to discuss benefits such as economies of scale, as well as risks relating to integration challenges and potential legal or regulatory complications.

**Question 3(b)**

- Examinees did not perform the required APV (Adjusted Present Value) analysis to compare the impact of equity versus debt financing. As a result, their evaluation lacked quantitative support and did not adequately address the financial implications of the alternatives.
- Additionally, while discussing the reduced dividend method of financing, examinees focused primarily on its disadvantages and gave limited attention to its potential benefits, such as reduced external financing costs.

**Question 3(c)**

Performance in this part was generally weak. Examinees did not offer any evaluation of the different methods of setting targets or budgets. As a result, few examinees were able to recommend an appropriate method or combination of methods.

**(THE END)**