

INSTITUTE OF CHARTERED ACCOUNTANTS OF PAKISTAN	
EXAMINERS' COMMENTS	
SUBJECT Managerial and Financial Analysis (MFA)	SESSION Certificate in Accounting and Finance (CAF) Autumn 2024

Passing %

Question-wise									Overall
1	2	3	4	5	6	7	8	9	
77%	28%	54%	23%	28%	4%	78%	63%	62%	45%

General

During this examination session, performance declined significantly, down from 54% in the previous session. It is important to note that the previous session's result was the highest ever in this subject. The primary reason for this decline is the weak performance in Q.4, which was related to the budgeted cash flow and significantly contributed to the overall decline compared to the previous session.

Question-wise common mistakes observed

Question 1

The MCQs at serial (xii), (xiv), and (xv) had the lowest performance.

Question 2

- The examinees highlighted only some improvements but overlooked others. For instance, they failed to recognize improvements such as data consistency, streamlined workflow processes, and crisis management in their responses.
- Additionally, the examinees did not categorize these improvements based on the specific technological changes—centralized databases, intranet systems, or advanced communication. Instead, they combined all the improvements as a collective outcome of implementing all three technological advancements.

Question 3

The examinees were primarily focused on providing a positive or negative response to the five Tucker model questions. However, the question also required an analysis such as identification of the implications, ethical considerations, and sustainability of the decision. This aspect was largely overlooked in their responses.

Question 4

- While examinees were able to correctly identify the battery recycling segment, they failed to provide substantial reasoning to support their choice. For instance, they did not discuss the favorable impacts of the lower forces for this business segment. Instead, their rationale was limited to noting that one of the five Porter forces was high, while the others were low.
- The examinees did not list all three factors for each force, as required by the question. Additionally, they failed to explain how each identified factor contributed to the high or low strength of the respective force, which was also explicitly required by the question.

Question 5

- The examinees were unable to provide a correct or complete definition of disruptive technology, limiting their responses to general statements such as "disruptive technologies are major changes to technologies" or "they disrupt earlier technologies." They failed to emphasize a key characteristic of disruptive technology: its significant impact on altering the habits and practices of consumers and businesses.
- Additionally, the examinees focused solely on classifying whether the specific technology was disruptive or not, without providing a discussion or explanation of the reasons behind their classification.

Question 6

- Examinees failed to recognize that the question required a cumulative nine months' net cash inflow / (outflow) budget instead of a monthly or quarterly budget.
- Examinees who attempted the question only were able to correctly calculate the quarterly production quantity and the sales price per unit. They failed to incorporate key adjustments such as changes in inventory for both raw materials and finished goods as well as adjustments for cash and credit sales and purchases. Consequently, they were unable to correctly calculate cash flows arising from sales and purchases.

Question 7(a)

Examinees struggled to list four distinct benefits of having an effective risk management process, often repeating the same benefit in different words. They failed to identify such benefits as improved governance, effective utilization of resources, improved likelihood of achieving objectives, and compliance with regulatory requirements.

Question 7(b)

Some examinees failed to prorate the annual borrowing and deposit rates over three months.

Question 8

- Examinees applied the current, instead of the revised, cost of equity when calculating the weighted average cost of capital (WACC) under one of both the finance options.
- Examinees also incorrectly calculated the market values of ordinary and preference share capital leading to inaccuracies in WACC calculations.

- Furthermore, under Option I, examinees failed to recognize that the conversion ratio was 1 share for every 2 bonds. Instead, they incorrectly applied a 1 for 1 conversion ratio resulting in errors when calculating the cost of debt.

Question 9

- The question primarily focused on decision-making based on the cash outflows of two options, with tax benefit and residual values as potential inflows which were significantly lower than the outflows. A common error among examinees was the incorrect application of outflow and inflows—some outflows were incorrectly shown as positive numbers leading to errors in net present value (NPV) calculations.
- Additionally, examinees failed to correctly calculate the shortfall in production under proposal 2 further contributing to incorrect NPV results.
- Examinees also failed to include the overhaul cost under proposal 2 when calculating the depreciation expense, resulting in additional inaccuracies.

(THE END)