THE INSTITUTE OF CHARTERED ACCOUNTANTS OF PAKISTAN EXAMINERS' COMMENTS	
SUBJECT Management Professional Competence	**SESSION** Multi-Subject Assessment – 2 Examination (MSA-2) – Summer 2023

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)	40%
55	15	17	69	51	39	55	19	74	24	24	84	

General comments

The passing percentage in this session has decreased to 40% compared to 46% in the previous session. However, it still remains above the average of the last five sessions. In this session, a weak performance was observed in the areas of business valuation and related business disposal techniques (3a and 3b). This was partially offset by comparatively better performance in the questions related to ethics and taxation (1d, 1f, and 3c).

Question-wise common mistakes observed

Question 1(a)

- Examinees failed to provide a numerical analysis of the significant revenue growth and were thereby unable to provide a well-evaluated explanation that most of the revenue growth was attributable to inflation and foreign exchange changes.
- Examinees focussed on calculating the percentage changes between the two years of performance without providing any meaningful reasons for the variations.

Question 1(b)

- Examinees entirely focused on the disadvantages of treating treasury as a profit center. They completely ignored the discussion of its advantages, which was necessary for a comprehensive assessment.
- Examinees failed to provide a justified recommendation of not treating the treasury function as a cost center.

Question 1(c)

Examinees' answers were concentrated on discussing the benefits of gathering information on the current clients only. Other important points, such as targeting new clients, generating new revenue sources, staff training, and scheduling, were not discussed.

Question 1(d)

Examinees again focused only on arguments against selling data being unethical. For a complete analysis, both sides of the analysis should be considered.

Question 1(e)

- While the examinees touched upon the risks of conflicts of interest and lack of independence, they were not clearly explained as to how and why there would be a conflict of interest and lack of independence.
- Examinees failed to clearly explain the self-review threat and therefore failed to recommend that the internal audit should not be sourced from the finance department.

Question 1(f)

- Most examinees did not identify the Final Tax Regime (FTR), which was an important tax strategy under the circumstances.
- Examinees also did not discuss the strategy to claim group relief and focussed only on the strategy to be taxed under one fiscal unit.
- Due to the above shortcomings, a proper recommendation was also missing in these cases.

Question 2(a)

- Examinees displayed confusion between 'suitability' and 'feasibility' as they discussed aspects related to one factor under the other.
- Most examinees did not touch upon exchange risk as one of the 'suitability' points.
- Examinees also did not touch upon supply chain security as one of the 'acceptability' points.

Question 2(b)

- Examinees only listed typical hedging strategies like options, money market, futures, and forwards and their general features but failed to consider their applicability to the specific situation in question.
- Most examinees did not offer any discussion on the economic risk in the given scenario.

Question 2(c)

Good performance was observed in this part of the question. However, it was noted that examinees did not consider some practical implementation points like smaller batch sizes under 'Product' or presence at trade fairs under 'Promotion'.

Question 3(a)

- Examinees predominantly focussed on determining a valuation for the Division, whereas a discussion on the major issues surrounding its valuation was seriously limited.
- Examinees failed to realize that asset-based valuation would not be appropriate and that most of the Division's value stems from the value of the intangible asset.
- Examinees either did not calculate the Present Value (PV) of revenues and costs or calculated it incorrectly due to incorrect application of the growth rates.

Question 3(b)

Examinees' discussion was limited to financing only, and no meaningful discussion was offered regarding the other important points of comparison between the Management-buy-out (MBO) and demerger.

Question 3(c)

Good performance was observed in this part of the question. Nevertheless, examinees fell short in providing suitable recommendations to address the key corporate social responsibility issues.

(THE END)