

CA



THE INSTITUTE OF
CHARTERED ACCOUNTANTS
OF SRI LANKA

TOP CA Case Study Examination

Examiners' General Comments

Question No. 01

- Most of the students attempted to the question No. 01 and scored average of 7 (seven) marks.
- Majority students did not understand the meaning of environmental analysis and written unrelated facts like waste management system, electricity management system etc.
- Some students provided general environmental factors such as economic, political etc. without referring to specific method of analysis
- Questions were not identified separately, and included everything in one answer. Nearly 30% -35% of students included the answer for question No 01 as a part of the answer for question No 02 since three separate questions were given; students were required to write three separate answers without incorporating in to one composite report.
- Most of the students used only one model to analyze the business environment; students were expected to use minimum of two models

PEST/PESTEL and SWOT which are mostly applicable to analyze overall aspect of business.

Question No. 02.

- Highest amount of marks (65 Marks) were allocated to question No.02 and average of 32 (Thirty two) Scored by the students. Examiners expected students to evaluate two options namely acquisition of Rangiri hotel and construction of an Eco Friendly hotel at Anuradhapura.
- Students were required to appraise the Anuradhapura project using Net Present Value method while Pay Back and Accounting Rate of Return could have been used.
- Most of the students did not calculate accurate room revenue of the project and not recorded given expenses in the relevant period. Further students used Bank loan rate of 16% given in the question as discount rate without considering adjusted WACC.
- Students were expected to evaluate Rangiri Hotel acquisition by using Dividend Growth Model and Free Cash Flow Method and both findings should be used to derive the conclusion. But very few students used Dividend Growth Model as a technique of valuing the business. Most of the students did not identify dividend paid by the company considering the difference of retained earnings and profit for the period.

- Most of students used Industry cost of equity (26%) without considering accurate cost of capital of 23% -24%.
- Price Earning (PE) valuation method which is not much appropriate for the given scenario was used with lot of hypothetical assumptions to evaluate the Rangiri hotel acquisition.
- Most of the students were unable to provide reasonable justification while considering their calculations/answers. General conclusions were drawn and some candidates provided unacceptable conclusions. For example while NPV is negative, students concluded that project is accepted by considering future prospects of the industry.
- Most of the students did not provide other factors that can be used to rationalize their conclusion. Further students did not provide advantages and disadvantages of each project.
- Some students did not identify main two projects provided by the examiner and unnecessarily discussed about other business options such as BPO and Health care sector.

Question No. 03.

- Most of the students successfully attempted for this question and earned average marks of 9 (nine).

- Some students did not focus the answer for the Hamson Group and implementation procedures of Integrated Reporting was not up to the expected level of entry level Chartered Accountant.