

CA



THE INSTITUTE OF
CHARTERED ACCOUNTANTS
OF SRI LANKA

Advanced Financial Reporting – December 2012

Question No. 01

(i) What was good in answer

Understanding the question

Majority of candidates have generally understood the question, but have not correctly understood the impact of right issue and differed tax on property revaluation. However the candidates had comprehensive knowledge on accounting treatment in consolidation.

Quality of the answer

Fair number of candidates had performed well on the question with relevant and appropriate calculations shown as workings. Some have given reference to workings shown. This helped examiners to give allowed marks without much effort. Many candidates could obtain more than 20 marks out of 30 marks.

Answer relevant to the question

Since the majority of candidates could understand the question well and also this is a direct question on student's favourite topic, they could correctly form the relevant answer to this question.

Subject knowledge of the candidates

Fairly good. Candidates had calculated pre and post acquisition profit, fair value adjustments, recognition of brand name and its amortization, depreciation calculation and the goodwill.

Planning (building) the answer

Except a few candidates the majority had a comprehensive knowledge of consolidation accounting and planned the answer properly. Many candidates had shown the steps followed to arrive the answer through workings.

(ii) What was bad in answers

Understanding the question

Purchase consideration was not correctly calculated by few candidates. DRW settled the purchase consideration by issuing DRW shares and Rs. 100 loan notes. The ratio of share transfer and the loan note transfer have been incorrectly calculated due to inability to understand the question. Few candidates had not correctly determined the date of acquisition. They were unable to calculate pre and post profit due to this reason. It is important to grab the salient points in the question and failure to do so will lead to incorrect answers.

Majority of the candidates had not provided deferred tax for DRW's property revaluation. The calculation of right issue was done by a few. Almost all the candidates had not incorporated the result of the right issue to the comprehensive statement of financial position. The NCI should be added with Rs. 600,000 and the current assets should be increased by the same value.

The change of the holding of SW by DRW after right issue was correctly calculated by only a few candidates. It should be 77% for DRW and 23% for NCI. Legal cost was incorporated to accounts by majority but the liability thereon was not identified as a current liability by most of the candidates.

Position of the answer

Some candidates had given references for the figures in the consolidated financial statements to workings. A few of them had given consolidated figures without showing the breakdown in their working or elsewhere. The examiner had to analyse figures in the consolidated financial statements in order to give marks for the each adjustment.

Answer relevant to the question

Some candidates had written long paragraphs even though the question expects calculations and values. They have wasted their time by doing this. It appeared that some candidates had spent more time on this question instead strategically obtaining marks with figures and shifting to the other questions. This has resulted less marks for other questions in the question paper. The time management is vital in an examination but most of the candidates had not much concentrated on this. Some candidates had prepared changes in equity statement which was not required as part of the answer.

Subject knowledge of the candidates

Poor performance was shown with respect to the calculation of NCI after the right issue. The knowledge of the candidates needs to be enhanced in this area. Calculation of purchase consideration should be learnt well.

Planning the answer

The question required consolidated statements that need to be prepared and presented. A few candidates had not considered the answer expected by the examiner but had presented their answers without a plan deviating from the requirements. Some have started the answer with workings consolidated financial statements. Again workings were given followed by no reference. The correct presentation should be the answer in one place and all the workings grouped together with reference to the final answer.

Common difficulties faced by the candidates

- (a) Calculation of NCI after the right issue.
- (b) Crediting the legal fee Rs. 1.5 million to accrued expenditure.
- (c) Increase in working capital as a result of right issue Rs. 600,000.
- (d) Correct value of NCI in the consolidated financial statements.
- (e) Differed tax arisen on revalued property of DRW (Rs. 500.00 x 30% = 150,000)

Possible areas where majority made mistakes

- (a) Loan note calculation.
The correct calculation is $\text{Rs. } 5,000,000 \times 80\% \times (\text{Rs. } 100/\text{Rs. } 500) = \text{Rs. } 800,000$.
- (b) Right issue – 200,000
NCI shares after right issues $200,000 + 1,000,000 = 1,200,000$
Total no. of shares $5,000,000 + 200,000 = 5,200,000$
NCI $= 1,200,000$
NCI % $(1,200,000/5,200,000) = 23\%$
 \therefore Majority $100\% - 23\% = 77\%$

Question No. 02

(i) What was good in answer

Understanding the question

Some candidates had correctly understood part (a) (i) of the question and written the correct answer. They could earn fairly good marks. But the majority had failed in part (a)(ii), due to the lack of understanding the question. The candidates had not carefully gone through the question in order to understand key points that the examiner had checked. As 20 marks had been allocated to this question a reasonable time could have been used by the candidates to read the question.

Quality of the answer

Reasonable number of candidates had written quality answers. However some have not used appropriate terms in explaining the reasons for the conclusion arrived. For Justification of a situation where the lease is an operating lease or a finance lease is determined basic principles applied should be written with correct terms, such as “all the risks and rewards of ownership” are substantially transferred, “no management control” etc.

Answer relevant to the question

Most of the candidates had given relevant answers. Since this is the final stage of the CA examinations the answers should be well structured and sufficiently explained with correct terms and with reference to the applicable accounting standards.

Subject knowledge of candidates

Fairly good. However the knowledge of the candidates had not displayed due to lack of confidence on the English language and the ambiguity of candidates’ knowledge about the question as they have not clearly understood the areas checked by the examiner.

Planning the answer

Almost half of the candidates presented their answers in a logical format but those who have not understood the question and/or due to lack of knowledge in the subject compelled to write general explanations without a plan or a structure. Sometimes some candidates had not allocated the time available among questions depending on marks allocated to each question. Had candidates read the question well, they would have understood the salient points checked by the examiner, drafted the answer with relevant points and sufficiently elaborated the points, sketched with due care on the allocated time a good answer could have been given.

(ii) What was bad in answers

Understanding the answer

The candidates had failed to understand the problem given in the question. It was to check the ability of candidates to categorize leases into operating lease and finance lease and the elements to be taken into account in this categorization. Candidates lost some marks due to not explaining the elements that are considered when ascertaining a lease is an operating lease or a finance lease. Further the majority had not answered the last section of (b) part.

Quality of the answer

Answers of the most of the candidates were not well structured and properly explained. This may be due to poor understanding the question. As a result the candidates had written vague answers. Further the limited knowledge of English had badly affected the quality of the answer.

Common difficulties faced by the candidates

The total advance payment of Rs. 2.5 million should be split and recognized in operating lease. Majority of candidates did not recognize this pre-payment in the operating lease rentals.

The six months rent free lease incentive should be split over the full lease period. Some had not correctly calculated the monthly rental giving credit to the rent free lease incentive.

Possible areas where majority made mistakes

Candidates failed to identify the two elements land and building separately. This is necessary to classify the lease as an operating or a finance. Most candidates made mistakes in this segment.

Answer relevant to the question

The question compared mainly two topics, leasing and revenue recognition. Answers to the leasing topic were relevant to a reasonable extent but revenue recognition was not well answered. Questions on the topic leasing is common in financial accounting question papers. But revenue recognition is not so common. This may be the reason for less marks for the second part of the question. However the candidates must collect knowledge on uncommon topics for examinations if they expect to reach marks beyond average.

Subject knowledge of the candidates

Almost all the candidates had attempted the question but they did not display good subject knowledge on the second part. Since this is the final stage of professional examination, the answers to the question must be formed with a technical knowledge with reference to accounting standards etc. and using technical terms.

Planning the answer

Few had structured answers properly. Most of the candidates had started writing without a sketch to presents an answer best suited with the examiners' expectation. Questions should be read and the salient points checked by the question should be identified in order to form a well structured answer. Time should be allocated to each question depending on marks allocated.

Question No. 03

(i) What was good in answers

Understanding the question

Part (a) of the question is a direct question. Almost all the candidates had attended this question and obtained full marks allocated.

Part (b) required candidates to report the probability, liquidity, gearing and efficiency using given ratios, periods etc. Majority had understood the question.

Quality of the answer

Fairly good. Candidates had not sufficiently explained the answer for the part (b). The standard of the answer was not up to the level of a final level candidate who must have the ability and skill to analyse operational indicators in order to identify key areas that need to be concentrated with a view to assist the management in interpreting the operational performance of the entity.

Answers relevant to the question

Majority of answers were relevant to the question. However the candidates need to put more attention on the information provided in the question and the expected result by the examiner. The answer should have been presented as a memo to the chairman by an expert in the field of accounting.

Subject knowledge of the candidates

Fairly good. But some candidates fail to analyse the relationship between different ratios and between different periods for example the debtors collection period and the current ratio, due to lack of knowledge in the subject area.

Planning the answer

Some candidates faced with difficulty in the reporting format for part (b) of the question. Most of the candidates presented their answers as a memo but others had got confused about the format.

Common difficulties faced by the candidates

Candidates' common difficulty was the writing of essay type of answers in English.

Question No. 04

(i) What was good in answer

Understanding the question

Most of the candidates showed a fair understanding on part (3) of the question which focused on the Code of Ethics.

The general awareness of global trends which was tested under part (1) and (2), the understanding of the candidates were below the average.

Position (quality) of the answer

Very short answers were required for this question. Candidates who had given correct answers structured properly.

Answer relevant to the question

Some candidates had answered on the ethics that should be followed by the company. The answer should be in relation to the professional accountant.

Subject knowledge of the candidates

The general awareness was average. Some were not very clear on the subject areas tested.

Planning of the answer

Almost all the candidates had planned the answer and structured the answer fairly well.

(ii) What was bad in answer

Understanding the question

In relation to the general awareness section, candidates had identified 3 p's but had not described sufficiently. Due to this, the candidates could not obtain the full marks allocated.

Position of the answer

Regarding Code of Ethics, about 50% of candidates' understanding was that, since the public companies have variety of shareholders, the accountant should maintain high ethics. Lot of candidates had written that small companies are mostly family business and therefore no need to maintain such high ethics. This shows the candidates have no proper understanding about the ethics.

Answer relevant to the question

Some candidates had given irrelevant answers. Their answers were based on a discussion of whether public company should be more ethical in their activities.

Subject knowledge

Some candidates did not display good subject knowledge.

Planning and building the answer

A few candidates could not organize their knowledge to present as an answer to the question. It appeared that they had written everything they know.

Common difficulties faced by the candidates

Most of the candidates were not clear about the professional obligation of an accountant. Aspects like due care – To whom (to the employee, society, profession and other members) was not addressed by many candidates.

Question No. 05

(i) What was good in answer

Understanding the question

Direct question on directors' responsibilities and the corporate governance. Almost all the candidates had correctly understood the question.

Position of the answer

Most of the candidates had written a good answer.

Answer relevant to the question

Except a few, others had written relevant answers

Subject knowledge of the candidates

Fairly good.

Planning the answer

Some candidates planned the answer satisfactorily.

(ii) What was bad in the answer

Understanding the question

Few candidates had not understood the question and written a general answer without considering the required format of the answer.

Position of the answer

Some candidates could not display their knowledge through the answer due to language problems.

Subject knowledge

Every candidate had knowledge on the Code of Best Corporate Governance Practices but some of them could not formulate their knowledge to a reasonable answer.

Advanced Audit and Assurance – December 2012

Question No. 01

The question has tested the candidates ability to apply their theory knowledge to a given situation involving the audit planning based on analytical review. The question specifically requires to:

- (a) identify areas of audit risks giving reasons which have led the candidates to identify those risks.
- (b) outline overall audit plan to be included in the audit planning memo in order to address those risks.

The question has been attempted by almost all the candidates and found to be relatively easy for many and contributed heavily to their aggregate marks. Majority of the candidates have understood the question properly, and obtained more than 60% out of the 35 marks allotted.

Part (a) quality of answers produced by majority of them were very good and they were able to identify the significant areas of audit risk by listing the factors, associated with the risk.

Part (b) quality of the answers produced by some candidates were excellent. They were able to relate the identified risk to the overall audit plan successfully by focusing on significant risk areas.

Majority of the candidates displayed a good knowledge on SLFRs and LKAS in answering the part (a) while candidates who produced good answers for part (b) displayed sound knowledge on application of SLFRS and LKAS.

There were some candidates however, who did not understand the question properly and produced poor answers. Majority of them produced irrelevant answers.

For part (a) some candidates instead of identifying the risk for the given scenario wrote about risk assessment procedures as per SLAuS315 and failed to earn marks.

For part (b) some candidates instead of outlining the overall audit plan to address the risks identified, based on high level focus areas wrote about audit strategy such as setting the scope, timing and direction of the audit as per SLAuS 300, and failed to earn marks. Also some others gave detail audit procedures/work steps which were not required as per the question. A number of candidates displayed poor knowledge on the application of SLFRS/LKAS.

Some candidates failed to understand part (b) of the question due to probably not reading and comprehend the question properly before commencing answering.

Following are some of the common mistakes observed.

- Majority of candidates did not identify the long term related party balances as long term interest free loans under LKAS 32/39.
- Only very few candidates identified the land in Hambantota as an investment property under LKAS 40.

- Considerable number of candidates failed to identify the fact that MD is owning 30% and FD owning 25% of the total share capital and that they are related parties due to significant control they exercised over operational and financial matters.
- Some candidates have identified the fair value gain and gain or loss on revaluation of properties as an area of audit risk but they could not reason out why they identified those areas of risk.

Question No. 02

Most of the candidates who attempted this question has understood the question properly and produced satisfactory answers for part (a). Large number of candidates had obtained 10 marks out of 11 marks allotted for part (a). Answers to part (b) of the question were not satisfactory.

Following are some of the common errors observed in answers.

- Although the part (a) of the question is specifically on Code of Ethics with special reference to independence and objectivity, many candidates answered on the basis of rules and regulations imposed by the Securities and Exchange Commission.
- Quite a large number of candidates pointed out safeguards relevant in reducing the threat in general rather than specific to the professional issue, i.e. threat to independence/objectivity although the Code of Ethics could have been referred for this purpose.
- Some candidates could not identify the threat arising out of the issues involved.
- Some failed to identify the fact that Samanala Group PLC can be a client that generate a large audit and non-audit fee income, thus they omit the issues of self-interest threat/fee dependence aspect.
- Some candidates though identified the fact that former audit manager becoming an employee of assurance client would create self-review threat they failed to mention possible safeguards.
- Some candidates listed the types of threats but not linked to the facts given. For instance they mentioned familiarity threat but did not say long association with audit client or employment with assurance client.

Most of the answers to part (b) of the question were irrelevant. Hardly any candidates were able to describe two implications for audit firms if provision of non-audit services by audit firms is banned.

Question No. 03

Almost all the candidates have attempted the question. Only a few candidates had understood the question and produced complete answers. Considerable number of candidates failed to understand the question in a proper perspective while some others had not attempted to answer presumably they had no knowledge on the SLAuS 805 – Special Considerations – Audit of Single Financial Statements and Specific Elements accounts or Items of a Financial Statements. Only a handful of candidates scored more than 8 marks out of 15 marks.

Following are some of the common errors observed.

- Some candidates stated that accepting the assignment may create self -interest threat to auditor.
- Some candidates stated that this assignment should be rejected since it is additional work to the newly appointed Auditor which is not relevant while some other suggested that firm has to inquire from management why predecessor auditor was not selected to issue solvency certificate.
- Following important points were missed by many candidates.
 - Obtaining a solvency statement signed by directors.
 - Obtaining an interim financial statement and perform at least a review engagement
 - Subsequent events review.

- The period between the audited financial statements and the declaration of dividends is 8 months and its impact on work.
- Some candidates wrote about deemed dividend tax ignoring the solvency certificate.
- Some others mentioned audit procedures for verifying/assets, and liabilities such as obtaining confirmation from banks, debtors, creditors and checking existence, ownership of property plant & equipment, inventories etc.

Question No. 4

The question is aimed at testing candidates knowledge on some aspects of quality control objectives and SLAuS 805- Special Consideration Audit of Single Financial Statements and specific Elements, accounts or items of a financial statement. About 95% of the candidates have attempted and about 40% have obtained over 8 marks out of 15 marks. Most of the candidates understood the question but could not give full answers to earn high marks. For part (b) only one or two additional audit procedures were given in most of the cases.

Considerable number of candidates identified the SLAuS 805 as the appropriate auditing standard to be applied for the given scenario but they failed to give reasons.

- Some candidates identified inappropriate auditing standard/other audit pronouncements. Such as SLAuS 800 – Special Consideration, SLAuS 810 on Summary Financial Statements, Agreed upon procedure engagement.
- Some candidates, instead of stating additional procedures stated general audit procedure for vouching revenue or verification of debtors.
- Although the question specifically requires to state quality control objectives likely to be particularly relevant to the audit of the ES many candidates listed quality control measures in general in place in all audit firm.
- Most of the candidates failed to bring the following points.
 - Obtaining a statement of income according to the currency of receipts signed by the management.
 - Testing the internal controls relevant to the preparation.
 - Assessment of risk of material misstatement of the statement.
 - Checking invoices with the bank statements.

Question No. 05

Almost all the candidates have attempted this question dealing with the modification of audit reports. Candidates generally performed well on this question and majority of them have obtained 15 marks or more out of 25 marks allotted.

Following are some of the common weaknesses observed.

- Part (i) A good number of candidates have concluded that reduction of profit by 4% and reduction of net assets and inventory value by less 1% due to departure from on accounting standards would be material and therefore, audit report need to be modified by way of expressing qualified opinion.

However basis of opinion for qualified opinion para is not properly worded although they would have referred to the relevant SLAuS705.

- Part (ii) - Some candidates incorrectly determined reduction in investments by 40% and pre-tax profit by 80% to be material and suggested to modify the audit report by way of qualified opinion. This indicates their inability to judge about the materiality and the pervasiveness of effect or possible effect on financial statements.
- Some candidates have not used the figures given in the question for quantification of the effect on profit, net assets etc.
- Part (iii) - Answers were fairly good. There were few candidates who thought depreciation on property plant & equipment not provided for only in 2011 while the majority has answered on the basis that depreciation had not been provided for both 2011 and 2012.

Strategic Financial Management – December 2012

Question No. 01

1. What was good in answer

Understanding the question	:	All most everyone answered this question. About 20% understood well.
Position (quality) of the answer	:	About 10% had written good analytical answers. Also there were few alternative answers with logical reasoning.
Answer relevant to the question	:	yes
Subject knowledge of the student:		satisfactory
Planning (building) the answer	:	satisfactory.

2. What was bad in answer

Understanding the question	:	Majority were unable to understand the question.
Position (quality) of the answer	:	Majority of the answers not up to the standard.
Answer relevant to the question	:	Mostly filled with unnecessary information.
Subject knowledge of the student:		satisfactory
Planning (building) the answer	:	There were considerable number of answer scripts which carries 8 to 11 pages as the answer to this question.

3. Common difficulties face by candidates in examiner's point of view

Weaknesses of the candidates :

- Lack of knowledge on general economic environment
- Lack of experience and analytical skills in answering this type of questions.
- Lack of time management.

Possible areas where majority made mistakes (in brief):

- Time wasted on unnecessary calculations and explanations
- Unable to measure the importance of each economic factor. e.g.: increase in CBSL base rates & an inflation rate make more complications than the change in income tax rate.
- Confused over part (a) & (b) which carries 9 marks each.

Question No. 02

1. What was good in answer

Understanding the question :	All most every one answered this question.
Position (quality) of the answer :	Satisfactory
Answer relevant to the question :	mostly relevant to the question.
Subject knowledge of the student:	satisfactory
Planning (building) the answer :	satisfactory.

2. What was bad in answer

Understanding the question :	Basic concepts tested in the question not identified or understood by some of them E.g. Growth company, MM theory with tax, Equilibrium level etc,
Position (quality) of the answer :	satisfactory
Answer relevant to the question :	Student's answers to the part (a) were not relevant. I.e. Answers must be in relation to a "growth company"
Subject knowledge of the student:	satisfactory
Planning (building) the answer:	When answering a question, most of them neither do not read the question carefully nor consider the marks allocation. As a result answers filled with unnecessary information and explanations. E.g. part (a) is on a growth company and carries 2 sub sections. But allocated only 3 marks. But some answers carries 2,3 pages.

3. Common difficulties face by candidates in examiner's point of view

Weaknesses of the candidates:

- Lack of subject knowledge. E.g. Most did not know how to value Natures Chemi's shares.
- Do not read the question carefully and do not consider the marks allocation.
- No proper planning prior to start writing.

Possible areas where majority made mistakes (in brief):

- Only few answered part (a) by referring to a Growth company.
- Most made mistakes when calculating equity value of the capital structure.
- Dividend yield calculated on general terms. I.e. not specifically on high net worth investor.

Question No. 03

1. What was good in answer

Understanding the question	:	Good
Position (quality) of the answer	:	About 80% had written good answers.
Answer relevant to the question	:	Yes
Subject knowledge of the student	:	Good
Planning (building) the answer	:	Good

2. What was bad in answer

Understanding the question	:	Few were not correctly understood the question.
Position (quality) of the answer	:	Few answers were not up to the standard.
Answer relevant to the question	:	Some had done unnecessary calculation. E.g. on share by back & dividend payment.
Subject knowledge of the student:	:	Some had shown their inadequate knowledge. Eg. Net asset value (Rs 560 m) and revaluation adjustment (Rs 310 m) not identified correctly.
Planning (building) the answer:	:	some had done share valuations correctly but did not adequately interpret the final decision.

3. Common difficulties face by candidates in examiner's point of view

Weaknesses of the candidates :

- Lack of knowledge on financial distress and turn around financing methods.
- Lack of knowledge on Altman' Z-score ratings. (formula given in the question)
- Lack of knowledge on stock exchange rulings and share valuation methods.

Possible areas where majority made mistakes (in brief) :

- part (a). Almost 90% of student's only turnaround financing methods is the "derivatives".
- Part (b). Almost 98% had no idea about the Altman' Z-score ratings. Also calculation errors were a common mistake.
- part (c) ii. No clear idea on the effect of dividend payments to the company.
- Part (d) question require justification. But answers mostly consist with calculations.
- Even though question clearly says about the stock exchange ruling, about 30% not considered that for their justification.

Question No 04

1. **What was good in answer**

Understanding the question	:	About 90% attempted this question. Average marks earned were around 12. About 10% earned above 16 marks.
Position (quality) of the answer	:	Good
Answer relevant to the question	:	Yes
Subject knowledge of the student	:	Good
Planning (building) the answer	:	Good

2. **What was bad in answer**

Understanding the question	:	Main currency in the question is South Korean Won (SKW). Question provides the other currency information using the above as a base. It is observed that some candidates have not understood and interpreted this rightly. As a result the main currency has been both subject to multiplication and dividing in arriving the answer.
Position (quality) of the answer	:	Some were not up to the standard
Answer relevant to the question	:	Some made mistakes when selecting rates.
Subject knowledge of the student	:	In part (b) & (c) Some had used forward rate estimations which are not relevant. Subject knowledge on exchange rates, money market hedging strategies were poor.
Planning (building) the answer	:	satisfactory.

3. **Common difficulties face by candidates in examiner's point of view**

Weaknesses of the candidates :

- Confused on +/- on exchange rates.
- Confused on interest rates given.
- Confused on expression of exchange rates.
- Lack of knowledge on money market hedging strategies.

Possible areas where majority made mistakes (in brief):

- Most common mistake was on interest rates. Rates given per annum. But candidates considered it as for 3months.
- Identify buying / selling rates according to the transactions.

Question No. 05

1. What was good in answer

Understanding the question : Reasonable question.

Position (quality) of the answer : Satisfactory

Answer relevant to the question : some were relevant.

Subject knowledge of the student: satisfactory

Planning (building) the answer : satisfactory.

2. What was bad in answer

Understanding the question : Some candidates were unable to understand the question. This may be due to time constraint.

Position (quality) of the answer: Almost 50% of candidates answered only half way. Answers were not in order.

Answer relevant to the question: Most of the answers were not properly structured. Again this may be due to time constraints.

Subject knowledge of the student: Most shown their inadequate knowledge on the area tested.

Planning (building) the answer : Mostly not up to the standard

3. Common difficulties face by candidates in examiner's point of view

Weaknesses of the candidates:

- Lack of knowledge on terms like “financial flexibility”
- Lack of knowledge on legal and regulatory requirements. E.g. Companies Act
- Lack of time management.
- Lack of practice.

Possible areas where majority made mistakes (in brief):

- Mistakes were observed in calculating stated capital & Revenue reserves as well.
- Except a very few, others didn't know what exactly financial flexibility means.



Business Strategy and Knowledge Management – December 2012

Question No. 01

1. Question is within the syllabus.
2. Candidates answered indicating the points extracting case itself for the motives, incentives and resources. By doing so maximum they earned 3 marks out of 6.
3. Some of the lengthy/descriptive list given by the candidates are given below by wasting their time without earning marks.

Motives:

1. Entrepreneur's motives were highlighted which is not relevant to the answer. E.g. To gain higher profits identified garment industry as an attractive business to diversity after end of the war in North & East.
2. Since the poor understanding of concepts of motives and incentives, candidates are highlighted and written down repetitive answers for both of motives and incentives. E.g. "Employees were more than happy as their needs such as food, lodging and transport were duly and sufficiently addressed by the business. (marks given at one place under incentives)
3. Candidates have no clear understanding about the difference between "Economics of Scope" and "Economic of Scale". Hence some of candidates have described about "sharing of actives/resources" under "economic of scale". As a result they were not able to gain full marks (2) for "economic scope".
4. Under the motives unnecessary points were highlighted in detail and it results to waste of time with no marks.
 - E.g.
 1. Types of diversification.
 2. Definition of diversification.
 3. Market development and product development concepts.
 4. Customers motives as identified by candidates (providing parking facility, providing banking facilities in supermarkets, improve appearance in supermarkets)
5. Strategies to develop supermarket chain. E.g. facility to grant workers of the garment factory to buy the goods from supermarket and recover the bill from their salary.
6. Giving the instruction to the entrepreneur, how the supermarket chain and garment factory to be carried out. E.g. * market research to identify customers' needs.
 - * see whether technically competent employee are available.
7. Identified Mr. DS as a risk adverse businessman and giving justification to prove that point.
8. Disadvantages of diversification.

- E.g.1. Lack of management experience
2. If one business falls, it will affect to the whole organization.
 3. Investment in unrelated business is high risky.
9. Comparing supermarket business with garment industry and identify the management to be trained for carrying out garments and necessity of skilled labour in garment industry.
 10. Most of the candidates who obtained below 5 marks had reproduced the whole case in their words wasting their valuable time.
 11. Candidates have given advice/conclusion not to go for garment industry.
 12. discussed all the theories about the strategy such as Ansoff model, BCG matrix, SWOT analysis etc.

Incentives:

1. Most of the candidates got only 1 mark for internal factor out of allocated 3 marks.
2. External factors which can be earned 2 marks were not discussed.
3. Most of them have addressed incentive as incentives payments done to the employees.
 - E..g. (a) How the incentives for employees to be determined (performance incentives based on industry practice etc.)
 - (b) Non financial incentives such as employee training, have to made to employees.
 - (c) Incentive payments merely do not motivate employees.

Resources:

Most of the candidates had not addressed this part correctly. Instead they have listed facts as below directly taken from the case study.

- Motivated employees.
 - Youngsters are querying for employment.
 - Reputation/goodwill of DS
 - Supplier relationship.
 - Customer base.
 - Won the hearts and minds of youngsters.
 - “Let’s win together”.
4. 90% of candidates were unable to identify the theory behind the diversification as explained under above comment no. 03.
 5. Without discussing external factors under each headings candidates lost the allocated 2 marks for the external factors.
 6. Items listed under point no. 03 were repeating among the motives and incentives and marks were allocated only for one category.
 7. Although the answer is expecting motive, incentives, resources and benefits clearly, by giving the answers, that structure has not followed by the candidates.
 8. Under support diversification as opposed to single business strategy (marks 3), following mistakes are done by the candidates.
 - (a) Irrelevant points highlighted which do not add marks.
 - E.g. what does it mean by corporate strategy.
 - defining diversification and single business.
 - (b) Some candidates discussed about the drawbacks and problems of the diversification which is irrelevant and not earned any mark.
 9. Part (b) of the question (marks 7), candidates shown reasonably fair knowledge about the outsourcing concepts and benefit of the same.
 10. Under strategic outsourcing, following irrelevant points are discussed by the candidates.

- (a) Brief description is given to identify that moving in to garment business is an unrelated diversification.
- (b) Without giving any facts to support the benefit of outsourcing, candidates are recommended to go to outsourcing by stating following points;
 - Management of supermarket business has no experience in managing garments.
 - Supermarket employees have no skills to work in garments (i.e. cannot share the resources between 2 business)
 - It is difficult to recruit skilled labour to the garment under current market conditions.
- (c) Time wasting by listing activities of garment industry that can be outsourced.
- (d) Subcontracting concept has been discussed under outsourcing.

Question No. 02

1. This question is within the syllabus.
2. Part (a) of the question – majority of the candidates (about 80%) understood the question and at least one point given in the answer while other points are not relevant to the question.
3. There are some candidates who could not understand the question at all.
4. Some of the irrelevant answers given by the candidates are;
 - Political/economical/exchange barriers.
 - Currency risk/political risk/commercial risk.
 - Transportation difficulties.
 - Decision making problem.
 - Cultural differences.
5. By considering allocated marks, candidates have not discussed reasonable point to earn sufficient marks.
6. Candidates shown fair knowledge regarding part (b) multi country and global competence and some candidates complied mixed and discussed multinational companies and other unnecessary details.
7. There are candidates who have not understood the whole question and failed to give a proper reply.
8. Part (b) strategic importance suitable growth was not discussed separately and they did not show a proper knowledge regarding that. (discussed only multi country competition and global competition)
9. Candidates should devote/find time to read additional reading before the examination.
10. Part B of the question, candidates tried to explain the meaning of two different concepts without subject knowledge behind that.

Question No. 03

1. Question is within the syllabus.

Part (a)

2. According to the question, examiner is expecting a Strategic Management Process but candidates failed to address this matter and more concentrated on the word “why”.
3. Because of above reason candidates lost the fair amount of marks.
4. Structuring of answer is very poor. Candidates try to link unrelated areas to the question, such as SWOT analysis, BCQ matrix.
5. Candidates try to explain the change management of the organization but they failed to explain how such changes affect to the organization, e.g. external, internal and environmental changes.
6. Although candidates have fair knowledge of Strategic Management Process. However, candidates failed to apply such knowledge to the question accordingly.

7. When the candidates were writing the answer they do not logically presented.
8. The examiner used a word of 'examine and explain in the part 'a' and 'b' in the question.' Due to that candidates try to explain all aspects of the process.

Part (b)

9. Most of the candidates have been fairly understood part (b) of the question and answered satisfactorily. Majority of candidates have been awarded over 75% marks on this part.
10. Some of the candidates applied irrelevant theories to answer, such as industrial theory, agency theory, real option theory expansion focus, identifying the objectives of the business, identify the goals of the business, fully own they subsidiary described in details not earned marks.
11. Majority of candidates (95%) has failed to understand question and not meet the examiners' expectation.
12. The following unrelated answers were given by the candidates for part 'c'.
 - a. Corporate structure
 - b. Middle level operation level.
 - c. GAP Analysis.
 - d. SWOT Analysis.
 - e. Strategic Management Process.
13. Candidates should find time and read additional reading materials prescribed for this level.

Question No. 04

- (i) Part (a) of question well understood, and given correct facts from the given cases. Part (b) of the question did not understand well and given very general answers.

Candidates should focus to the given case and they should analyse given facts.

The answers are not up to the standard which is expected from Strategic Level II candidates. Justifications were not enough. Subject knowledge is good and candidates should improve their analytical skills.

- (ii) A few candidates did not understand the facts in 'given description'. Therefore their answers are not relevant to the given case.

Some of answers are very bad. Candidates should improve their hand writing and presentation skills.

- (iii) Candidates did not justify the essentials given in part (a). Candidates should carefully read the question and they should get clear understanding about the question before making the answer.

- (iv) Question is within the syllabus and very relevant to Strategic Level II.

- (v) Lecturers should teach their candidates to apply knowledge management system. They should give proper training to analyse the given case.

Question No. 05

- (i) Most of candidates understood the part (a) of the question but not in part (b). Subject knowledge of the Artificial intelligent may be very poor. Quality of answer in this question is not up to the standard.

- (ii) Most of candidates try to explain AI. But not according to the given case study.
- (iii) Candidates were unable to understand the AI.
- (iv) Teaching of AI application in banking and accounting sector is very important.

Question No. 06

- (i) This question is well understood by the candidates. Quality of answers also good. Most of answers were relevant. Subject knowledge also in high level due to straightforward question from theory.
- (ii) Few of the candidates misunderstood the question and given knowledge discovery process basic model steps instead of 'cross industry standard process'.
- (iii) Question is about CRIS-DM model. Candidates should not get clear understanding about it and given indirect answers.
- (iv) Question is very clear and within the syllabus.
- (v) Lecturers need to guide the students on each area.