



KC5 – Corporate Strategy and Contemporary Issues

December 2019

Examiner's Comments

- a) **Valuation of QB:**
The examiner expected candidates to estimate the incremental equity for the period from 1st January 2019 to 31st December 2019 and to add this amount to the net assets as at 31.012.2018 in order to estimate the value of the company as at 31.12.2019, based on net assets. However, only one candidate had computed it on this basis, whereas other candidates considered the net assets value as at 31.12.2018 as the lower value of the value parameters. The majority had satisfactorily attempted the valuation using free cash flow basis, to find the upper value of the value parameters. Non-Financial strategic concerns and Country analysis were attempted satisfactorily.
- b) **Letter to the IRD:**
Candidates had successfully attempted this. However, it was observed that there were similarities in the format of the letter. The majority of candidates were able to obtain marks above average.
- c) **Report on Issues and Solutions:**
Most candidates completed this area satisfactorily, and a majority of candidates were able to obtain good marks.
- d) **Validity of the RO plant**
The computation of viability of the RO plant was accurately calculated and described by only a few candidates, whereas most could not calculate the cost of effluent water under the new RO plant. Some failed to discuss other strategic concerns appropriately, and most of them had written about the sources of finance, in general.
- e) **Restructuring of short-term facilities:**
None of the candidates could discuss this area satisfactorily. Most of them misunderstood the examiner's requirement and tried to discuss this in general terms. Except for a few candidates (very small number) others failed to suggest strategies for restructuring the short-term facility, to cover the working capital gap, after considering the overall export sales forecast for next year (USD125Mn).

f) **Overall presentation**

The examiners wasted valuable time in deciphering certain answer scripts, due to illegible hand writing and the lack of logical order when presenting the report. Candidates need to improve their 'report writing skills' so as to present a very clear, logically written report before the exam.

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