

## KC5 – Corporate Strategy & Contemporary Issues

June 2019

### Examiner's Comments

#### 1. General observations

70% of the total candidates who sat for the exam have successfully completed the examination. Most candidates covered all the requirements. The lowest mark obtained by a candidate was 17 whilst the highest mark obtained was 58 out of a total of 80 marks. None of the candidates reached the requisite standard - to obtain the subject prize.

Though the time allowed for the examination was three hours and twenty minutes (including 20 minutes for reading and planning), most candidates did not cover all the requirements, in their respective reports. Many candidates had not planned or structured their reports logically. Most candidates had spent more time explaining unnecessary/ irrelevant facts in one or two areas of the report, instead of covering the salient points, as expected by the examiner, which reflected poor understanding.

#### 2. The following common weaknesses were observed in the answer scripts submitted by unsuccessful candidates

- i. Illegible answer scripts
- ii. Misunderstanding the Examiners requirements/ words
- iii. Poor time management
- iv. Lack of report writing skills
- v. Inability to explain the relevant facts in a clear and intelligible manner
- vi. Including irrelevant facts
- vii. Lack of logical order (E.g.: Most candidates had done the SWOT but had not linked it to the content, in the body of the report)
- viii. Lack of subject knowledge

#### 3. Report Writing Requirements

1. The examiner expected the candidates to discuss business expansion strategies available to the company. This area was covered adequately by most of the candidates with the majority of them obtaining higher marks. However, some candidates scored low marks, due to the following lapses.
  - a. Not considering Suitability, Feasibility and Acceptability

- b. Failure to mention alternative strategies available, other than going to the Japanese market.
- c. Not applying any available Model to explain or identify business expansion strategies (Ex: Ansoff's Growth Model).
- d. PESTEL & SWOT being done separately, but failure to discuss the outcomes from this scenario, or formulate viable business expansion strategies, in response.
- e. Discussing the theoretical aspects of Ansoff's growth model but failing to apply the theory or formulate relevant strategies.

2. The examiner tested the ability of candidates to apply appropriate models such as Diamond Model, Porter's Five Forces Analysis, or other suitable models to discuss the ability of the company to cope with the competition it would face when entering the Japanese market.

In general, except for a few candidates, most had covered this area. However, only a few candidates obtained marks above the average, due to the following reasons:

- a. Not applying the Diamond Model
- b. Though the theory of the Diamond Model was discussed, most candidates had failed to apply it to the given scenario or to do a comprehensive analysis to identify the ability of the company to compete in an international market such as Japan.
- c. Some candidates did not use any Model, but stated a few factors, some of which were relevant, whilst some were not.
- d. A few candidates had applied the Diamond Model to analyze the competitiveness of the Japanese Market.

3. The Financial Feasibility of the project had been analyzed by most of candidates in their report, but some demonstrated a lack of knowledge of project evaluation, as evident in the following:

- a. A few candidates had computed Gross Profit, without converting Sales into Rupees.
- b. The variable cost had been considered as Yen (¥) - although given as Rupees.
- c. Income tax had been ignored (The candidates should have researched and stated the fact that with the recent changes to the corporate income tax regulations, the tax rate of an export company had changed to 14%)
- d. A few candidates had considered financial cash flows, which was inappropriate (i.e. had considered loan repayment and interest payment).
- e. Some candidates could not complete the calculation, and so did not derive a conclusion.
- f. A few candidates had not considered the Terminal Value or the correct discount factor.
- g. Some candidates were confused as to how to treat the investment in working capital, in the evaluation (i.e. whether Rs. 5Mn was incremental or not)

A majority of the candidates did calculate the forward exchange rate for the next 5 years starting year 2019/20 accurately.

4. Issues relating to the existing accounting and control system as well as other functional areas were attempted by most candidates. They had however, discussed accounting and control areas but not the other functional areas. Most candidates' scores were above average, whilst some scored low marks due to the non-submission of strategies, to overcome the respective issues, identified by them.

5. Though, most candidates had discussed their concerns about sustainability in relation to the environment, only a few candidates had understood the requirement well. Some candidates had omitted this area, in their reports. The following observations highlight common reasons for candidates obtaining low marks, in this area.
  - a. Candidates misunderstood the word “Environment’ and then proceeded to do an environmental analysis, instead of discussing concerns relating to the environment.
  - b. Only one or two concerns were merely mentioned in the report, without giving a comprehensive and logical explanation.
  - c. Some candidates had misunderstood the entire question.
6. Almost all the candidates had shown poor ability in writing a conclusion, and poor report writing skills. A few candidates had demonstrated adequate report writing skills while others did not have mastery in writing a professional report.
7. The following areas are highlighted, as being of importance, as most of the candidates had ignored these elements, whilst writing their reports.
  - a. Planning
  - b. Structure of the report
  - c. Linking of the annexures to the body of the report.
  - d. Language ability
  - e. Writing an executive summary
  - f. Writing a conclusion
  - g. Subtitles
  - h. Clarity of expression
  - i. Flow of reasoning – in writing