

### **Examiner's Comments on Top CA Case Study Examination – Dec 2012**

- Based on the impact information of the case study, most of the candidates managed to reach to the conclusion without valuations of companies using FCF etc. However some candidates have attempted to calculate valuation of companies using FCF etc. and seem to have spent considerable amount of time.
- Most of the candidates understood the facts provided under impact information and they used the impact information to address the main issue and some failed to address the key issue as they did not realise the importance of impact information. As far as the examiner is concern some of the candidates who failed to address the key issue would have had pre-set mind on valuation approach.
- In the same manner, most of the candidates concentrated their response to impact information, some of the candidates have spent considerable amount of time to analyse all 5 recapitalization options without giving due attention to impact information. The candidates of Top CA case study level are expected to demonstrate quick decision making ability under pressure.
- The candidates who demonstrated reasonably good conclusions were managed to develop their answer without working out bond valuation or NPV calculations in analysing long term borrowing options.
- The candidates who responded with impact on further borrowing such as higher gearing, interest cost, adequacy of mortgage for borrowing etc. managed to earn more marks.
- Some candidates attempted to reason out possibility of raising funds for the group through an IPO of Skyfly Catering. While accepting this as a good option, they failed to understand how ethical a subsidiary to raise funds in order to finance the parent. In the same context, the candidates needs to aware practicality of convincing the potential investors to invest in shares through an IPO to raise funds for loss making parent. Further is that adequate for the total funding requirements of the parent?
- Majority of the candidates understood the concept of management control and existence of Scroon who is 49% stakeholder. However some candidates attempted to reason out venturing with Asianfly, thereby handing over the management control without giving due consideration to the other majority shareholder who has 49% stake.

- There were several indications provided in relation to strategic, operational and financial issues under advance information. Most of the candidates articulated the response with their understanding of strategic, operational and financial issues under advance information and managed to get earn considerable marks. In contrary, some candidates earned lower marks due to lack of using aforementioned advance information in their response.
- The examiner is fully aware that the candidates should read, understand, plan, structure and write the answer within the given time. However it is vital that the candidates write legibly and no scribbling.
- The primary objective of releasing advance information is for candidates to understand the environment where the business is operating. The candidates could critically analysed data to understand trends and uniqueness. If anyone stepping further to create scenario and developing questions & answers to such questions, it should be with adequate due care. The examiner noted a tendency that some candidates tend to restrict the mind with predetermined answer based on advance information rather than starting to structure the answer with free mind. This model of preparation may be detrimental to the candidates as not only they get lower marks, but also in real life scenario, the candidates may not approach to the problem with free mind.
- As per the case study, it is required to compile a report to the immediate boss. Most of the candidates understood the mechanism of internal reporting. Whereas some candidates structured their report as if a report to external parties. Accordingly some candidates not only prepared “covering letters”, “terms of references” etc. but also added certain phrases such as “do not hesitate to contact me”, “should you require further clarification in this regard” etc.
- The candidates who analysed the issue correctly, attempted to justify their responses with sufficient explanations in relation to the issues faced by Skyfly. On the other hand some candidates did not analyse most of other issues faced by Skyfly with clear justifications, instead just stated briefly as headers.