

Comments on Candidate Performance on Finance Elective (March 2018)

Most candidates did a good job of understanding the scenarios presented. Most candidates addressed, analyzed and discussed the requirements within both cases. There was no issue with the identification of the AOs, since both cases laid out the requirements fairly clearly, although they were more clearly laid out in Case #2. The indirect requirements (ie. AO#1 normalization adjustments in Case #1) were well identified and addressed by most candidates.

Candidates who managed their time well on Case #1, appeared to perform well on Case #2. A small number of candidates failed to allocate their time appropriately to address all requirements, running short on their offer and proposal analysis in Case #2 (AO#3 and AO#4).

Most candidates had a good technical understanding of financial performance analysis, typical valuation methods (DCF, Net Assets), WACC and preparing normalization adjustments.

Some provided generic responses, for example, on Case 2, AO #3, where they compared the offer to the replacement value even though there was no indication the company would be replacing their assets, and the trends showed that the assets were underperforming. Better candidates were able to comprehend the situations presented and answer the requirements using practical analysis and the actual case facts provided.

Other candidates failed to provide integrative analyses when required. For example, the assessment of the payment methods (AO#6) in Case #1 required candidates to consider the payment methods quantitatively while integrating strategic components such as the potential need for upfront cash, tax implications, and long-term commitments. This was also evident in the performance on AO #3 and #4 in Case #2, which saw many candidates performing standard valuation methods without integrating the information on the unprofitability of the manufacturing segment and decline in retail sales.

Comments on Skills

Identification: Generally, well done by most candidates given the requirements were clearly laid out.

Analysis: Most candidates that attempted the AOs provided sufficient analysis. Some, however, provided generic responses or provided irrelevant case information, failing to take into account the specific case facts provided.

Integration: This was adequately performed for the most part as most candidates integrated their calculations to other analyses and their overall conclusions.

Conclusion: Most candidates presented reasonable, convincing, supported conclusions and/or recommendations.

Communication: Nearly all candidates adequately communicated within their response. Language used was appropriate and quantitative information was well presented.

CPA Mindset: Nearly all candidates understood their role and what was required to adequately address the user's needs.