

## Comments for Candidate Performance on the Finance Elective (September 2018)

Most candidates did a good job of understanding the scenarios presented. The requirements were clearly laid out in both cases. However, some candidates had issues addressing all of the requirements, especially on Case #1 Assessment Opportunity (AO) 4 (calculating the ROI of the new equipment), and Case #2 AO6 (provide an overall recommendation incorporating quantitative and qualitative analysis).

Candidates may not have realized that Case #1 AO4 was a separate requirement as the case had also asked for the ROI after the accounting adjustments were made. In addition, given the number of technical calculations required in Case #2, it may be that weaker candidates ran out of time to address Case #2 AO6, especially since this was the last requirement of the last case.

Candidates who had a good technical understanding of the finance concepts were able to perform well. These included the DCF and NPV calculations. Some candidates seemed to struggle on the WACC calculation in Case 1. The typical errors observed were including the total liabilities in the debt amount and/or using only the share capital for the equity amount. Other candidates had challenges in discussing why they used the specific WACC figures in Case 2.

Better candidates managed their time well and utilized efficiencies where possible, such as using the free cash flow from their AO1 calculation in Case 2 to prepare their DCF valuation. They were also able to respond to the requirements by integrating the case facts provided with their finance knowledge and provided balanced quantitative and qualitative analyses for the lease vs. buy option in Case 1 and the future proposal for Case 2.

### Comments on Skills

Identification: Generally, well done by most candidates given the requirements were clearly laid out. However, given possible time constraints some requirements were not addressed sufficiently.

Analysis: Many candidates that attempted the AOs provided sufficient analysis. Some, however, provided generic or unsupported responses, failing to go beyond the specific case facts provided to demonstrate their knowledge. Others did not address the requirement adequately likely because they didn't understand how to prepare the analysis (i.e. free cash flow, NPV valuation)

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.