

PP

Chartered
Accountant
SINGAPORE

Singapore CA Qualification Examination

INTEGRATIVE BUSINESS SOLUTIONS

Examination Day Documents

Friday, 6 December 2019

INSTRUCTIONS TO CANDIDATES:

1. This is an open book examination. During the examination, you are allowed to use your laptop and any calculators that comply with the SAC's regulations. Please note that watches, mobile phones, tablets, and all other electronic devices **MUST NOT** be used during the examination.
2. This examination paper is the property of the Singapore Accountancy Commission.
3. This is a hypothetical case written exclusively for this examination. Names, characters, places and incidents used are imaginary or fictional. Any resemblance to actual events or locales or persons, living or dead, is entirely coincidental. This case is not to be cited without permission from the Singapore Accountancy Commission.

Case study report instructions

These Examination Day Documents (EDD) complete the case study scenario and set out the requirements of the report that you are required to write (**Exhibit 22**). You must combine your pre-reading and analysis of the Advance Information (AI), your other pre-examination research, and the new information in the EDD to plan the content and structure of your report, and then to write the report.

The IB Examination will be open-book of **4 hours 30 minutes** duration. Please note, there is no separate prescribed reading time for this examination.

Report format

Requirements can be found in the Question Window of the respective Exemplify Questions.

Your report should follow the following format:

Requirement	Exemplify Qn. Number	Marks
Requirement 1 – An Executive Summary	2	10
Requirement 2 – Financial performance and governance	3, 4, 5	35
Requirement 3 – Expanding into Vietnam	6, 7, 8	35
Requirement 4 – Marketing initiatives	9, 10, 11	20

You should clearly state any assumptions that you make and include any supporting data. Please put your appendices (if any) at the end of each question part.

Please note that **only answers (including the wordings and assumptions made), appendices and workings entered in the Exemplify script on the day of the examination will be marked.**

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Extracts from Exhibit 15 and 19 are in Appendix A.

Summary management accounts (2018 – 2019)**MultiMart Now Singapore****Income statement**

	<i>Year ended 30 September 2019 S\$</i>	<i>Year ended 30 September 2018 S\$</i>
Gross merchandise value (<i>Note 1</i>)	42,840,000	28,537,600
Less: Sales by 3 rd party merchants (<i>Note 1</i>)	13,708,800	8,561,280
	<hr/>	<hr/>
Revenue (<i>Note 2</i>)	29,131,200	19,976,320
Cost of sales (<i>Note 2</i>)	(24,470,208)	(16,979,872)
Gross profit	4,660,992	2,996,448
Other income		
Delivery fees charged to customers (<i>Note 3</i>)	734,238	567,522
Subscription income: member' monthly fees	1,155,336	754,820
Commission income (<i>Note 4</i>)	685,440	428,064
	<hr/>	<hr/>
	7,236,006	4,746,854
Expenses		
Fulfilment and distribution costs (<i>Note 5</i>)	(1,328,040)	(941,741)
Marketing	(1,392,300)	(913,203)
Technology and content (<i>Note 6</i>)	(642,600)	(399,526)
Administration costs (<i>Note 7</i>)	(3,295,220)	(2,727,520)
Movement in allowance for expected credit losses (<i>Note 8</i>)	(26,840)	(24,360)
Operating expenses	(6,685,000)	(5,006,350)
Operating profit/ (loss) before interest and taxation	551,006	(259,496)
Interest expenses (<i>Note 9</i>)	(475,000)	(500,000)
Profit/(Loss) before taxation	76,006	(759,496)
Taxation charge (<i>Note 10</i>)	-	-
Profit/(Loss) after taxation	76,006	(759,496)
	<hr/> <hr/>	<hr/> <hr/>
Key performance indicators		
Members (average)	33,600	21,952
Number of orders	680,985	473,724

Notes to the management accounts:

- 1 MMNS sells products from third-party vendors as well as its own products. Gross merchandise value is the total value of all products sold through MMNS. The value of third party products sold has to be deducted from gross merchandise value to calculate MMNS's revenue from its own products sold.

Customers who buy products from third-party vendors make their payments to MMNS in the first instance. MMNS then settles with the third-party vendors.

- 2 Revenue and cost of sales relate to MMNS's own products only.

They are managed in two overall business areas: food and beverages; non-food products and the split for 2019 and 2018 is as follows.

	Food & beverages	Non-food products	Total 2019	Food & beverages	Non-food products	Total 2018
	S\$	S\$	S\$	S\$	S\$	S\$
Revenue	9,613,296	19,517,904	29,131,200	7,990,528	11,985,792	19,976,320
Cost of sales	(8,315,501)	(16,154,707)	(24,470,208)	(6,951,759)	(10,028,113)	(16,979,872)
Gross profit	1,297,795	3,363,197	4,660,992	1,038,769	1,957,679	2,996,448

- 3 Members making local orders greater than S\$40 benefit from free two-hour delivery. Local orders less than S\$40 are charged at \$5.99 per order for two hour delivery.

Any customers wanting one-hour delivery on local orders are charged \$9.99 per order.

- 4 Commission income relates to the commission MMNS earns from sales made by third-party vendors through the MultiMart platform. Commission is charged at 5% of the sale price.

- 5 Fulfilment and distribution costs consist of costs incurred in operating and staffing the warehouse: receiving goods from suppliers; storing them; preparing customer orders for shipment; and delivering orders to customers.

6 Technology and content costs relate to the design and maintenance of the IT infrastructure and systems, including payroll and related expenses for employees involved in designing and maintaining the apps and store front.

7 Administration costs

Year to 30 September	2019 S\$	2018 S\$
Depreciation of warehouse	1,000,000	1,000,000
Other depreciation	330,000	325,000
Staff costs and other administration costs	1,965,220	1,402,520
	3,295,220	2,727,520

The warehouse, and all other items of property, plant and equipment are held at historical costs.

Depreciation is calculated using the straight-line method to allocate depreciable amounts over the estimated useful lives of assets.

Other administration costs relate primarily to corporate functions, including accounting, tax, legal and human resources, as well as insurance costs.

8 Trade receivables are shown net of an allowance for expected credit losses. The movement in this allowance for each year is shown as an expense in the income statement.

9 Interest expenses relate to group loans from MultiMart in US.

In 2016, MultiMart provide MMNS a loan of S\$22 million, including S\$20 million to purchase the warehouse in Singapore. The terms of this loan require MMNS to pay the market rate of interest and to make a capital repayment of S\$1 million each year.

10 The accumulated losses brought forward from 2016-18 mean that no income tax is payable for 2019.

Summary management accounts (2018 – 2019)

MultiMart Now Singapore

Statement of financial position as at 30 September

	2019 S\$	2018 S\$
<i>Non-current assets</i>		
Warehouse (net book value)	16,750,000	17,750,000
Plant and equipment (net book value)	1,650,000	1,625,000
Total non-current assets	<u>18,400,000</u>	<u>19,375,000</u>
<i>Current assets</i>		
Inventory (Note 11)	2,480,542	1,535,166
Trade receivables (Note 12)	2,230,027	1,720,075
Cash	123,471	197,560
Total current assets	<u>4,834,040</u>	<u>3,452,801</u>
Total assets	<u>23,234,040</u>	<u>22,827,801</u>
<i>Equity and liabilities</i>		
Share capital	1,000,000	1,000,000
Retained losses (Accumulated deficit)	(1,980,188)	(2,056,194)
Total equity	<u>(980,188)</u>	<u>(1,056,194)</u>
<i>Long-term liabilities</i>		
Loan from MultiMart Group	18,000,000	19,000,000
<i>Current liabilities</i>		
Loan from MultiMart Group	1,000,000	1,000,000
Trade payables	4,759,958	3,535,535
Accruals	454,270	348,460
Total liabilities	<u>24,214,228</u>	<u>23,883,995</u>
Total equity and liabilities	<u>23,234,040</u>	<u>22,827,801</u>

Notes to the management accounts:

- 11 Inventory relates to MMNS's own products only, and excludes any products MMNS handles on behalf of third-party merchants.
- 12 MMNS accepts a variety of payment methods, including credit cards, debit cards, direct debit from customer's bank account, consumer invoicing and payment on delivery. Trade receivables relate to customers who have purchased goods from third party vendors, as well as customers who have purchased MMNS's own products.

Trade receivables are stated net of an allowance for expected credit losses of S\$117,270 in 2019 and S\$90,430 in 2018.

END OF EXHIBIT 15

Extract from internal audit report dated 25 October 2019 prepared by MultiMart group's internal audit team

Following our recent visit to MMNS, we would like to highlight the points listed below to management's attention. Please note that we are undertaking a group wide review of cybersecurity measures, and the findings from that review will be issued at a later date in a separate report.

Purchase authorisation – The authorisation limits for staff making, or approving, purchases on MMNS behalf have not been kept up to date. A particular area of concern is that new managers have not been added to the list, but supplier invoices – authorised for payment by these new managers – have still been approved and paid.

Passwords – Two members of the marketing department had written their passwords on sticky notes attached to their monitors. We were able to access MMNS's customer database through the machines protected by these passwords.

Supplier contracts – MMNS's procurement policy states that 'All purchases or contracts with a value greater than S\$50,000 should be subject to a competitive tender process'.

We could not find any evidence of a tender process before MMNS agreed to a contract with the logistics company, SpeedyBike. MMNS has paid SpeedyBike S\$37,000 so far, in the six months of its contract, and MMNS expects future usage to remain around this level.

Henry Fernandez (Operations Director) confirmed that MMNS needed to find an additional logistics company at short notice, to meet increased customer demand, so there was not enough time to carry out a formal tender process. However, he was satisfied that the prices charged by SpeedyBike made them competitive.

Risk register – We are pleased to note an up-to-date risk register is maintained, and the records of the quarterly Board meetings show that the risk register has been discussed and updated during the year.

However, the risk register provides little information about the actions taken to mitigate risk, although this is an important part of risk management. In addition, we were surprised not to see cybersecurity included in the risk register, because we believe this is a key risk for the business.

Management information – MMNS's accounting staff are responsive for ad hoc requests for information from the Group finance department, and MMNS consistently delivers its weekly and monthly reporting packs to group on time. However, as noted in our previous report, MMNS does not include any non-financial KPIs in its reporting information, as requested in MultiMart group's reporting instructions.

In particular, since the two-hour local delivery service is a key value proposition that differentiates MMNS from its local competitors, we recommend that the company needs to report on its effectiveness in meeting its delivery target.

Customer satisfaction is very important for MMNS, and issues with late deliveries, or poor product quality could damage the company's brand.

We also believe it would be useful to monitor where goods are being purchased from, given that MMNS offers customers access to millions of products on MultiMart's US site, as well as local products. Allowing customers to have access to as wide a range of products as possible is another important success factor, but delivery schedules and delivery fees are different for international orders compared to 'local' orders through the MMNS site.

END OF EXHIBIT 16

Email from Leong Kum Choy, MMNS Pte Ltd's IT Director to Nicholas Tan, MMNS Pte Ltd's CEO

LEONG Kum Choy

From: LEONG Kum Choy <LEONGK@MMNS.sg>
Sent: 12 November 2019 9:23 pm
To: Nicholas Tan <Tan@MMNS.sg>
Subject: Urgent – cybersecurity

The technology team became concerned that our servers started running slower than usual this morning, and they have now identified that one of our servers has been accessed by a hacker.

At the moment, the technology team are not sure of the extent of the cyber attack, but it is possible that the hacker could have accessed some personal information about customers, but not their payment or credit card details, because these are all encrypted.

Nonetheless, I am concerned about the potential impact of this.

One of our competitors suffered a cyber attack last year, and gross merchandise value through their site fell by about 20% below the pre-attack level in each of the two months following the attack, and 10% below the pre-attack level in the subsequent two months, as the number of customers using the site fell. I think we could expect to see something similar at MMNS.

I've attached summary figures (**EXHIBIT 17b**) from the management account forecast for this month, so that we can begin to assess the potential impact.

Our competitor was subsequently also fined by the Personal Data Protection Commission (PDPC) for failing to make reasonable security arrangements to protect the personal data of individuals. The PDPC was particularly critical of the way our competitor's technology

team handled the incident. Although they identified suspicious activities on the company's server, they didn't report this to senior management until they had confirmed that a cybersecurity incident had indeed occurred.

I think we should contact all our customers as soon as possible to warn them of the attack, and to advise them to change any passwords linked to their MMNS account. We need to reassure them that their financial information has not been accessed. As you know, MMNS takes cybersecurity very seriously, and we have robust cybersecurity measures in place to ensure that personal and financial information remains secure.

Can we discuss this as a matter of urgency though, and decide how MMNS is going to respond to the cyber attack?

Many thanks,

LEONG Kum Choy

IT Director, MultiMart Now Singapore Pte Ltd

END OF EXHIBIT 17a

Attachment from Leong Kum Choy, MMNS Pte Ltd's IT Director detailing summary figures for assessing the potential impact of the cyber attack

Forecast figures for November 2019 (before the cyber attack)

Gross profit and other income: S\$675,000

Operating costs:

Fulfilment and distribution: S\$123,000

Other operating costs: S\$475,000

Interest: S\$37,500

Operating profit: S\$39,500

Note:

Fulfilment and distribution costs are fully variable.

All other operating costs should be treated as fixed in the short term.

The annual interest charge for the year to 30 September 2020 is expected to be S\$450,000 (S\$37,500 per month).

END OF EXHIBIT 17b

Transcript of meeting on 27 November 2019 between one of MMNS Pte Ltd's marketing managers and the Finance Director about a new marketing campaign

Marketing manager:

"In the aftermath of the data breach, membership numbers have been slower to recover than we had hoped. Therefore, I have been considering options to boost membership numbers.

One initiative which has proved very popular is the one I introduced last week:

- New members have free access to MMNS for the length of their membership
- New members receive two-hour free delivery on all purchases (including purchases of less than S\$40).

More than 2,000 new members have joined in the last week, which is the highest number of people who have joined MMNS in any one week.

Finance Director:

It's good that membership numbers are increasing, but have you considered whether acquiring members in this way is profitable for MMNS?

Marketing manager:

Not yet. My primary concern was boosting member numbers, so I haven't had time to think about the potential financial implications of the scheme yet.

Finance Director:

We need to consider the financials as a matter of urgency, because we should only introduce new initiatives if we can reasonably expect them to add value to MMNS.

In this case, I think a key question is whether the lifetime value of the customers justifies the level of discounts we are giving them, because the discounts have a 'cost' to the company, in terms of the membership fees and delivery fees we are losing.

I'll need to check the calculations, but can I just confirm that, average purchase value per customer is approximately S\$13 per customer per month (S\$6.50 average purchase value, with an average of two transactions per month), and our churn rate per month is 2.5%. I know in the past we've said that the cost of acquiring a new customer is about S\$75 each. Is that still right?

Marketing manager:

Yes, although that only relates to our online marketing and advertising costs, it doesn't include any of the discounts you mentioned. About 20% of the two-hour delivery orders are for less than S\$40, meaning that, on average, we recover about S\$2 per customer per month in delivery fees charged.

END OF EXHIBIT 18

Briefing note produced by Jessica Chau (29 November 2019): Options for expanding into Vietnam

The following information is relevant to the two options for MMNS to expand into Vietnam:

Discount rate

Following an initial assessment, the Board of MMNS has determined that both options should be discounted at a rate of 10%. The discount rate reflects the fact that the hardware and software investments in Option 2 will be funded by an intercompany loan at an annual interest rate of 5%, which will be repayable in full in 10 years' time. Although the company's standard approach to investment appraisal uses IRR, an NPV approach should be used in this case.

Assessment term

At the end of the five years, the logistics arrangements will be reviewed to gauge the success of the venture. Therefore, the initial analysis should be based on this five-year period only.

Exchange rate

All figures in respect of the two options, have been presented in Vietnamese Dong (VND) unless otherwise stated. The Board of MMNS has requested that the financial assessment of both options be presented in Singapore dollars (SGD). Jessica Chau, Finance Director, has indicated that an exchange rate of VND 17,102 = SGD 1 should be used to convert the figures provided.

Cash inflows

Net cash inflows on the sale of goods

The net cash inflows on the sale of goods of MMNS's own products (not those sales made by the third party merchants) are the net cash proceeds received from the sale of goods to customers less the associated cost of sales. All goods sold by MMNS under both options will be paid for by customers in Vietnamese Dong.

Under Option 1, the purchases of inventory made by MMNS for resale to customers in Vietnam which form the cost of sales element of the net cash inflows, will be paid for in Singapore Dollars. This reflects the fact MMNS already pays its existing global suppliers in Singapore Dollars.

Under Option 2, all purchases made by MMNS from all of its suppliers will be paid in Vietnamese Dong. The net cash inflows on the sale of goods in each of the five years under both options can be found in Tables 1 and 2 below.

Subscription income

Under both options, MMNS will charge Vietnamese customers a monthly membership fee of VND 51,135 to use the app. The estimated average number of members that MMNS expects to attract in each of the five years can be found in Tables 1 and 2 below.

Commission income

MMNS will earn commission of 5% (received in Vietnamese Dong) on the value of the sales made by third-party merchants that sell through the app. This applies to both options. MMNS has estimated the value of the sales to be made by third-party merchants in each of the five years as shown in the tables.

Delivery charges

Under both options, MMNS will recharge the costs of each delivery in full to those customers using the app. To ensure consistency in delivery times MMNS will control the process of getting all goods to customers under both options. This applies to sales of both MMNS's own goods and the sales made by third-party merchants that sell through the app.

The specific cash flows relating to the two options are set out below.

Option 1: Serve the e-commerce market in and around Ho Chi Minh City from MMNS Pte Ltd's Singapore fulfilment centre

Cash outflows under option 1:

Distribution costs

Shipping of MMNS's own goods and those sold by the third-party merchants from its Singapore operations to customers in Vietnam would be handled by a single international shipping firm which will invoice MMNS in Vietnamese Dong. MMNS would be charged an average of VND 598,570 by the shipping firm for each delivery made in year 1. MMNS expects these charges to increase by 3% per annum after year 1. MMNS estimates that the total number of deliveries (per year) that would be made in the first five years under Option 1 will be as shown in column 4 of Table 1.

Table 1: Data for Option 1

Year	Net cash inflows on the sale of goods of MMNS's own products (column 1)	Estimated average number of members in Ho Chi Minh City per annum (column 2)	Value of sales made by third-party merchants (column 3)	Estimated <u>total</u> * number of deliveries (per year) direct to customers in Ho Chi Minh City under Option 1 (column 4)	Estimated percentage of the total number of deliveries (per year) that relate solely to the delivery of goods sold by MMNS under Option 1 (column 5)
	VND		VND		
1	4,972,919,560	5,601	8,880,213,500	83,750	87%
2	6,115,025,538	5,700	13,588,945,640	96,313	84%
3	7,595,917,945	6,403	19,693,120,600	117,501	83%
4	10,535,377,294	7,779	25,606,819,811	144,527	80%
5	13,643,731,521	9,388	38,311,202,638	180,658	78%

*Total number of deliveries consists of the deliveries of MMNS's own goods and those goods sold by third-party merchants through the app.

Option 2: Establish a fulfilment centre in the Nha Be District of Ho Chi Minh City

Cash outflows under option 2:

Fulfilment centre costs

MMNS would lease a warehouse for a fixed period of five years. Annual rentals would be payable in Vietnamese Dong and would amount to VND 7,182,840,000, payable annually in advance.

Hardware and software costs

To be able to operate the Vietnamese fulfilment centre, MMNS will need to invest in the necessary hardware and software. The hardware and software to be purchased will be the same as that used by MultiMart (US) and would be paid for in Singapore Dollars. The costs of the associated hardware needed to operate the fulfilment centre would be S\$800,000. MMNS would also need to purchase and install software with Artificial Intelligence and Machine Learning functionality to operate the fulfilment centre efficiently, which will cost S\$350,000. The cost of these investments would be covered by the intercompany loan.

Maintenance costs

A Vietnamese maintenance firm would provide maintenance services in respect of the hardware used in the fulfilment centre. The firm will charge MMNS an annual fee of VND 1,539,180,000 for years 1 and 2 and this would rise by 15% in year 3 and remain constant after this point up to the end of year 5.

Staff costs

MMNS will staff the new fulfilment centre by employing 40 Vietnamese workers in year 1. As a greater number of customers start to make use of the dedicated mobile app, MMNS estimates that additional workers will be needed in subsequent years. Early estimates suggest that staffing levels would need to increase by 10 in year 2, and that a further 10 workers would be needed in year 3. Staffing levels in years 4 and 5 would remain the same as year 3. The average salary of workers in Ho Chi Minh City is VND 10,415,118

per month. Wage inflation is expected to increase the average salary by 5% per year after the first year of establishing the fulfilment centre.

General costs

MMNS has estimated that the general costs to cover utilities and air conditioning associated with the Vietnamese fulfilment centre will amount to VND 513,060,000 in year 1 and will increase by 3% per annum thereafter.

Distribution costs

MMNS will use freelance motorcycle couriers to make deliveries to get goods from the fulfilment centre to customers in and around Ho Chi Minh City. The average cost of each delivery will be VND 51,306 in year 1 and will increase by 3% per annum thereafter. As with Option 1, MMNS will recharge the costs of each delivery in full to the end customer. MMNS estimates that the total number of deliveries made in the first five years under Option 2 is shown in column 4 of Table 2.

Table 2: Data for Option 2

Year	Net cash inflows on the sale of goods made by MMNS (column 1)	Estimated average number of members in Ho Chi Minh City per annum (column 2)	Value of sales made by third-party merchants (column 3)	Estimated <u>total</u>* number of deliveries (per year) to be made in and around Ho Chi Minh City under Option 2 (column 4)	Estimated percentage of the total number of deliveries (per year) that relate solely to the delivery of goods sold by MMNS under Option 2 (column 5)
	VND		VND		
1	14,838,550,300	15,452	52,135,447,000	335,000	77%
2	18,526,989,946	16,322	65,094,829,540	385,250	76%
3	23,197,741,622	18,945	81,505,578,671	470,005	73%
4	28,533,214,791	22,016	100,251,835,754	578,106	70%
5	36,581,069,916	26,544	128,528,083,486	722,633	70%

*Total number of deliveries consists of the deliveries of MMNS's own goods and those goods sold by third-party merchants through the app.

END OF EXHIBIT 19

**Email from Saleha Ahmed, MMNS Pte Ltd's Sales and Marketing Director to
Jessica Chau, MMNS Pte Ltd's Finance Director**

Saleha Ahmed

From: Saleha Ahmed <AhmedS@MMNS.sg>
Sent: 29 November 2019 10:23 pm
To: Jessica Chau <Chau@MMNS.sg>
Subject: Proposed investment in analytics software

Dear Jessica,

As you know, we continue to see increased competition, particularly from Chinese companies, and I believe we will need to make some investments to counter it. I am putting together a proposal to invest in upgrading our software, which will allow us to deliver highly targeted discounts to customers based on our analysis of how discounts affect decisions to buy. We should pilot an initiative on a sample of customers before deciding whether to roll it out more widely.

The upfront investment will be S\$500,000, and with additional support costs of S\$50,000 in the first year, after which the existing team will be fully trained to operate the new system. The loan of \$550,000 is repayable in full at the end of 5 years. We estimate that it will generate an additional pre-tax net cash inflow of S\$70,000 per year indefinitely. We will need to apply for funding for this via an intercompany loan from MultiMart (US) (our parent company), so we need to determine whether this is likely to be accepted.

I understand that intercompany loans have to be of fixed term and interest rates are set on a case-by-case basis. We intend to request an interest free loan of \$550,000 with a five-year term. I believe that the market rate for a similar term would be 6%, however my

contact at the Group has unofficially indicated that in order to support such an important development, an interest-free loan would be considered. I would also appreciate your thoughts on tax and financial reporting implications from this which we should be taking into account as part of the commercial decision making process. I would be keen to discuss the above matter with you further.

Saleha Ahmed

Sales & Marketing Director, MultiMart Now Singapore Pte Ltd

END OF EXHIBIT 20

**Email from Marty King to Alex Koh engaging Consulta Chartered Accountants
LLP to write a report on MMNS Pte Ltd**

Marty King

From: Marty King <MKing@MMUSmail.com>
Sent: Monday, 2 December 2019 02:41 pm
To: Alex Koh <KOH_Alex@ConsultaCA.sg>
Subject: Engaging Consulta Chartered Accountants LLP to write a report on MMNS Pte
Ltd

Dear Mr Koh,

As discussed by telephone this morning, I am the Chief Executive Officer of MultiMart (US). As I mentioned earlier, MultiMart (US) is the parent company of MultiMart Now Singapore (MMNS). I am particularly keen to get an external perspective on the progress of MMNS, our first venture into South East Asia, as it has been operating for over three years now. There are several areas that I would now like you to analyse or investigate as the case may be, and I would like you to present your views and recommendations in a formal report to me by 30/12/2019.

The elements that I wish to see in the report are set out in the attachment to this email (Exhibit 22).

END OF EXHIBIT 21

MMNS Pte Ltd: the requirements

You are a Manager working with Consulta Chartered Accountants LLP (Consulta). You have been tasked by Alex Koh, Vice President of Business Solutions at Consulta to write a report for his review prior to submission to Mr Marty King, the Chief Executive Officer of MultiMart (US), the parent company of MultiMart Now Singapore (MMNS).

Your formal report should comprise the following four elements:

**Exemplify
Question
Number**

Pre-exam instructions

1

The passwords to the Examination Day Document and Appendix A are as below:

Examination Day Document (EDD): sac123

Appendix A (with extracts from Exhibit 16 and 19): scaq123

**Exemplify
Question
Number**

2

Requirement 1: An Executive Summary

- (a)** Write an executive summary to accompany your report. Your Executive Summary should allow Marty King to obtain a general understanding of what your report contains, including the key numbers. You should also include clearly stated assumptions, conclusions, and recommendations.

While your Executive Summary should not contain any material or points that you have not discussed in the main body of the report, you are required to highlight any potential interactions between the individual standalone requirements below.

(10 marks)

(Total: 10 marks)

**Exemplify
Question
Number**

Requirement 2: Financial performance and governance

3

- (a)** Using the management accounts information (**Exhibit 15**), evaluate the financial performance of MultiMart Now Singapore (MMNS) for 2019 including a comparison with the year ended 30 September 2018.

(12 marks)

4

- (b)** With reference to the findings from the recent internal audit report (**Exhibit 16**), critically analyse MMNS's compliance with MultiMart group's corporate governance and reporting policies, making recommendations for improvements where appropriate.

Note to candidates: There are 3 marks available for recommendations for improvements. Do not discuss the data breach and cybersecurity in your answer to part (b).

(13 marks)

**Exemplify
Question
Number**

Requirement 2: Financial performance and governance

5

(c) Assess the potential impact, on MMNS, of the data breach (**Exhibit 17**), including both

(i) non-financial consequences and;

(5 marks)

(ii) the range of financial consequences.

Note to candidates: State clearly any assumptions you make. Ignore the information in Exhibit 18 in your answer to part (c).

(5 marks)

(Total: 35 marks)

**Exemplify
Question
Number**

Requirement 3: Expanding into Vietnam

- 6 (a) As part of your report, assess the business environment and the prospects of online retailing in Vietnam.

(10 marks)

- 7 (b) **Exhibit 19** outlines two possible options for expanding MMNS's operations to Vietnam. Option 1 involves serving the e-commerce market in Ho Chi Minh City from Singapore. Option 2 involves setting up a fulfilment centre in Vietnam.

In your report, you are required to assess the pre-tax discounted cash flows of the two options. Your work should include explanations and supporting calculations of the discounted cash flows associated with each of the two options. **Your workings should be presented in Singapore dollars.**

(12 marks)

- 8 (c) In your report, evaluate (without any further calculations) the main strategic, operating, financial and performance reporting issues associated with both options, and highlight any other considerations relevant to MMNS's plans to expand in South East Asia in the future.

(13 marks)

(Total: 35 marks)

**Exemplify
Question
Number**

Requirement 4: Marketing initiatives

- 9** **(a)** Assess the commercial, financial reporting and tax implications for MMNS for applying funding from head office for the advanced marketing analytics investment described in **Exhibit 20**. As part of the assessment, the calculation of the internal rate of return (IRR) is required.
- (10 marks)**
- 10** **(b)** Discuss the commercial and ethical issues raised by the marketing manager's approach to acquiring new customers, as described in **Exhibit 18**.
- (5 marks)**
- 11** **(c)** Recommend the types of control procedures that MMNS should put in place to control the marketing initiatives that it undertakes.
- (5 marks)**
(Total: 20 marks)

END OF EXHIBIT 22

END OF PAPER