SINGAPORE CA QUALIFICATION EXAMINER'S REPORT

MODULE: Integrative Business Solutions (IB)

EXAMINATION DATE: 6 December 2019

Section 1

About the company in the case study

MultiMart Now Singapore Pte Ltd (MMNS) is a Singapore based subsidiary of a US online retailer of consumer product, offering high quality and reputable brands for local 2-hour express delivery. MMNS carries house and third party brands arrays of products from grocery and gourmet food, health, household, baby, beauty and personal care to clothes, shoes, industrial, tools and office and computers.

As with previous IB examinations, candidates received Advance Information (AI) documents approximately three weeks before the examination date to undertake research, analysis and preparation. The AI documents for this examination comprised of 61 pages and 14 Exhibits which covered financial performance, reporting and governance, and preamble of Vietnam country profile for possible geographic expansion plan of MMNS.

The Examination Day Documents (EDD) were given to the Candidates on the examination day itself. The EDD comprised of 30 pages and 9 additional Exhibits. The EDD evaluated the business expansion into Vietnam under 2 options using existing facilities in Singapore and setting up of a fulfilment centre in Vietnam. It further covered evaluation of a data breach on both financial and non-financial impacts. And lastly, it required the evaluation and discussion of marketing initiatives with investment in technology.

Candidates were expected to combine their pre-reading and analysis of the AI, their other pre-examination research and the new information in the EDD to address the issues raised in the examination requirements and demonstrate their ability to work diligently and accurately under time pressure. There were four broad requirements to address as stated below with the marks allocation:

- Requirement 1 – An executive summary (10 Marks)
- Requirement 2 – Financial performance and governance (35 Marks)
- Requirement 3 – Expanding into Vietnam (35 Marks)
- Requirement 4 – Marketing initiatives (20 Marks)

The structure of the AI and EDD, the level of difficulty and the domain knowledge required of the examinations were similar to previous year.

General comments on the overall performance of Candidates

It can be seen that most candidates had used the AI to prepare a good executive summary, financial analysis and considerable research on Vietnam market before the examination. The executive summary essentially synthesis the other requirements. The better and more resourceful candidates attempted the executive

summary after completion of the other requirements. These candidates put in more qualitative comparison and analysis then merely copy and paste from other requirements.

The computation and financial analysis of MMNS for 2018 and 2019 centred on revenue growth, profitability, operating costs, working capital and liquidity with comparisons of key performance financial indicators, which candidates are expected to present in a structured format to illustrate key components of financial performance and governance.

The strategic perspective of the candidates on financial performance analysis could be improved as most candidates could not articulate the YoY analysis in Requirement 2(a).

The requirement on corporate governance was generally well answered although some did not give the recommendations. While most covered both financial and non-financial aspects of a recent data breach and stated assumptions, many missed out the forecast figures before and after the breach and superficially covered the issues.

The application of PESTLE analysis and Porter's 5-forces for expansion into Vietnam had somewhat produced binary outcome with candidates either scoring full marks or missed out completely. For example, some candidates merely discussed either PESTLE or Porter's 5 forces instead of both.

This cohort was able to articulate and discuss the PV computations and sensitivity analysis soundly. Some candidates missed out the DCF/NPV computations. Many candidates spent unnecessary time showing calculations in VND and SGD although the requirements explicitly asked for workings in SGD.

Most candidates fared borderline on evaluation of strategic, operating, financial and performance reporting for both options and other expansion plans into SE Asia. Only a handful covered all the aspects.

As a whole, requirement 4 was not well answered. Answers were generally lack in depth or not attempted. For the IRR calculations, many candidates cut and paste their prework without commentary.

Overall, the IB examination is structured to give room for high performers to excel while incorporating analysis and application of professional skills. In general, candidates had demonstrated that they have the skills and knowledge required at this final stage of the programme.

As always, candidates can do a lot better by having better time management with a more systematic approach in answering the requirements. In managing their time, Candidates should pay attention to the marks allocation of the respective requirements. It is observed some candidates had spent excessive time to answer requirements 2 and 3 and did not have sufficient time to interpret and answer requirement 4.

Section 2

Analysis of individual requirements

Requirement 1 – Executive Summary (10 Marks)

This requirement asked Candidates to prepare an Executive Summary of the issues they raised in response to requirements 2, 3, and 4. Most candidates fared well for this requirement but many candidates lost easy marks by not signing off.

Most candidates scrapped through by copying and pasting chunks from requirement 2, 3 and 4, with only a handful of candidates structuring the executive summary properly. Some candidates did not bother using a consistent font through the summary.

Many candidates discussed relative measures such as GM has increased x% to y%. However, there is little emphasis to key points like describing how the company become profitable in 2019.

Requirement 2: Financial performance and governance (35 marks)

Requirement 2(a) (12 marks)

Candidates tends to proliferate the use of calculations e.g. balance sheets numbers, quick ratio, long term debts, cash flow statements, etc. given in the advance information in their answer. Most of the time, these calculations are not used to answer the requirement or provide critical insights to the client.

Some of the candidates extended their evaluation from 2019 to 2016 when the requirement specifically require the comparison with 2018 only. Consequently, this resulted in candidates spending time to write and present all these additional years of comparison that do not award marks.

Overall, candidates did not show much understanding of the requirements and hence did not demonstrate the importance of having a well-balanced answer which cover both quantitative and qualitative evaluation of the company's performance in 2019 as compared to 2018.

Lastly, while some candidates were able to score decent marks, it can be seen from the examination scripts that candidates had spent too much time on writing information which were already given, rather than giving proper analysis which the requirement asked.

Requirement 2(b) (13 marks)

Generally, the answers for 2(b) was well answered with candidates being able to identify most of the five issues which pertains to problems with purchase authorisation, suppliers and procurement policy, information risks, risk registers as well as the reporting pack information.

The common mistakes that the candidates made was the failure to analyse or draw out the implications of non-compliance with the related policies. Candidates also failed to discuss the risks and consequences of such incompliances. Candidates who performed well were able to discuss the implications of these weakness or damages to the company arising from these internal audit findings.

For the recommendations, most candidates were able to discuss appropriate recommendations for the related findings.

Requirement 2(c) (10 marks)

Requirement 2 (c) tests the candidate on the assessment of the impact of both financial and non-financial consequences in the event of a data breach. For this requirement, most candidates were able to discuss reasonably on the non-financial aspects such as loss of customers and reputation of the company. However, for the financial consequences, many did not provide quantitative analysis and hence resulting in loss of marks. This might be due to either the lack of knowledge in preparing the computation or due to time constraints under examination condition. In addition, some of the candidates did not go into the discussions of data protection as well as the potential penalties or fines.

Requirement 3: Expanding into Vietnam (35 marks)

Requirement 3(a) (10 marks)

Most candidates fared well for this requirement by discussing PESTLE. Surprisingly, many candidates did not respond using Porter's 5 forces. Hence, most scored only 5 to 6 marks. This possibly indicates the candidates' lack the understanding and flexibility to use both models in the response.

Candidates, who were better prepared, referred to both models and tend to score more than 8 marks, with a small number of candidates scoring full marks.

Requirement 3(b) (12 marks)

It was generally observed that candidates performed the calculations correctly and did well in this area. A minority did not read the case carefully and created unnecessary assumptions regarding certain cashflows, when such details were already provided within the case. This created unproductive complications and led to candidates wasting time that could have been better spent on later requirements.

Many candidates did not annualise the monthly figures such as the subscription fee and the salaries. A number of candidates did not understand the meaning of "recharging delivery costs" to the customers and created their own assumptions on what the relevant delivery cashflows will be.

Majority of the candidates did not use or integrate the numbers to give a qualitative discussion. Analysis and professional skepticism was very much lacking. This meant that there was a struggle to pass this requirement.

Requirement 3(c) (13 marks)

This requirement part required candidates to discuss the strategic, operating, financial and performance reporting issues associated with both options and highlight any other considerations relevant to MMNS's expansion plans in South East Asia.

The strategic and operating issues was fairly well answered as most candidates can identify and describe the relevant issues.

The financial and performance reporting issues was generally not well answered. Most answers were too brief and lacked enough depth. The main reporting issue which affected both options related to appropriate application of IAS 21.

In respect to the other considerations relevant to MMNS's future expansion plans, better candidates identified and discuss development methods in detail like the Singapore Finance and Treasury Incentive Scheme and the option to establish shared fulfilment centers.

To sum up, candidates provide little or no discussion on financial and performance reporting issues and other considerations. The answers did not integrate or apply the case material adequately. In addition, candidates must continue to exercise good time management in the examination. There were some candidates who did not finish answering this requirement.

Requirement 4: Marketing initiatives (20 marks)

Generally, many candidates did not attempt this requirements, probably due to the lack of time. Those who did attempt did it hurriedly as evidenced from the poor responses of the answer scripts.

Requirement 4(a) (10 marks)

Many candidates failed to calculate IRR properly. The incorrect calculations led to wrong conclusion. Many candidates also did not discuss the weaknesses in the proposal.

Requirement 4(b) (5 marks)

Generally, candidates had a poor understanding of reporting and tax implications. Content of the answers were insufficient to make the score.

Requirement 4(c) (5 marks)

Candidates generally performed better on this part. Some candidates answered out of point as they probably had misunderstood the requirement.