

SINGAPORE CA QUALIFICATION EXAMINER'S REPORT

MODULE: Integrative Business Solutions (IB)

EXAMINATION DATE: 6 June 2022

Section 1

About the company in the case study

Puroco Ltd is a leading Singapore registered and listed water and wastewater treatment company. It has strong track records including building the first water recycling plant in Singapore and seawater desalination plants, and with operations spanning Asia Pacific, the Middle East, Africa and the Americas. Puroco's areas of operations also include mobile water treatment, integrating downstream recycling to achieve long term sustainability. Majority of projects are Build, Operate and Transfer agreements. Several growth initiatives include cooperation with Singen on a waste to energy plant in Singapore (Tuas South) and acquisition of drinking water EVO as well as risk management inherent in the industry.

Candidates received Advance Information (AI) documents around three weeks before the examination date to undertake research, analysis and preparation. The AI documents contained 42 pages and 12 Exhibits, and it covered financial performance, organisation structure, water industry outlook and challenges, governance on corporate social responsibilities and tax measures.

The Examination Day Documents (EDD) were given to the Candidates on the examination day itself. The EDD had 22 pages and 5 additional Exhibits. The EDD provided additional information on acquisition of EVO and operational malfunction and closure of sewage plants in Beeland in SE Asia.

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 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 relevant marks allocation:

- Requirement 1 – An executive summary (10 Marks)
- Requirement 2 – Evaluation and strategic review (34 Marks)
- Requirement 3 – Business options, financial reporting and tax (36 Marks)
- Requirement 4 – Ethics and environmental, social and governance issues (20 Marks)

The structure of the AI and EDD as well as the minimum performance expected by the Examination Team from the Candidates were similar to previous IB examinations, as was the level of difficulty and the domain knowledge required.

General comments on the overall performance of Candidates

Stellar performance with >90% passing rate for this sitting. Time management continued to be an issue with many unanswered including executive summary.

Section 2

Analysis of individual questions

Requirement 1

A good number of candidates provided very good summary covering all key points and handled the gist of the key requirements extremely well.

Surprisingly many candidates didn't attempt the summary probably due to time constraints. A handful of candidates dumped their computations from pre-works in the summary body which affected the overall presentation and flow but some marks were awarded nonetheless for the efforts considering exam time factor. About a third missed out on the bonus mark for not signing off.

Requirement 2

2(a)

Candidates generally scored well as there are many areas to evaluate the financial performance. However, some candidates may not have planned enough time to assess and think through the performance especially when comparing against the benchmarks of competitors. This resulted in these candidates not being able to score higher.

Some candidates just included calculation tables in the answers but these tables are not used to articulate their answers to the question. This again shows that these candidates may not have buffered enough time to assess and understand their calculations to answer the question.

2(b)

Some candidates may have overlooked the question's requirement to explain the implications for Puroco, resulting in a lower score as compared to candidates that have stated the implications in their answers.

2(c)

Most candidates came well prepared and answered this well, with most of them scoring passing marks.

Requirement 3

3(a)

This part on benefits and risks was done very well with most candidates being able to describe benefits and risks of the proposed co-operation.

3(b)

The majority of answers were good. It was pleasing that many candidates provided detailed discussion on the suitability, feasibility and acceptability of the acquisition. Many candidates also provided a sensible conclusion based on the evaluation.

3(c)

This question part (i) required candidates to undertake a relatively simple calculation of earnings-based valuation and cash flow based valuation. It was surprising that many candidates did not use the right earnings and hence over-estimated the cashflow valuation.

In addition, in question part (ii) most candidates did not provide workings on the cashflow valuation calculation of maximum value including synergies. Many candidates also failed to discuss the calculations they had made in part (i). As a result, this part was done poorly and some candidates did not answer at all.

To sum up, it was evident that most candidates did better in the discursive parts of a question than the numerical parts of a question, particularly noticeable for question parts on the valuation calculation. In addition, candidates must continue to exercise good time management in the examination.

3(d)

(i)

Many candidates did not perform well for this question. Several candidates were not able to identify the full spectrum of issues. In particular, very few candidates scored points for discussing amortisation or impairment. Candidates were also noted to regurgitate the criteria for recognition criteria but not all were able to fully link to the information provided in the advance information. Also, a significant number of candidates stopped at calculating the intangible asset value, and not proceeding to calculate the profit and loss impact hence losing marks.

(ii)

Most candidates scored well for this question with most coming prepared with list of grants available and reliefs available. Candidates were able to describe in detail the reliefs and grants available and most scored very well.

Requirement 4

4(a)

Many candidates failed to explain ESG and had no conclusion to the answers. Some candidates failed to elaborate with insufficient content.

4(b)

Many candidates could correctly identify the issue of bribery and that it is against the law. Many failed to identify the need to start/cooperate with investigation and compensate those harmed (if found). Only a few could identify the indirect implication on human livelihoods when the Mekong River is contaminated despite not being directly responsible. Candidates focussed on financial and ethical implications only with many failing to consider the wider ESG responsibility.