



REPORT ON CANDIDATE PERFORMANCE

Results were encouraging, and substantially similar overall to the May results. They were not as good as hoped for; it had been anticipated that the very clear and explicit requirement would have contributed to an even better set of results.

There are clear signs that many candidates are responding in appropriate ways to the challenge of a new type of examination, planning the required report to cover all indicated sub-requirements, and with due regard for the requirements of the marking matrix.

Indications of progress

1. Most candidates are accustomed to the examination format, and have learnt how to handle the examination by the basic preparation of trying a mock examination. Few candidates are having problems in balancing the allocation of time between preliminary analysis, answer planning, and actually writing the required report. Very few are obviously suffering from time pressure at the end of the examination.
2. Standards of presentation were quite good. Written English was at least reasonable and was only occasionally difficult to understand. Report layouts were almost always clear, but not necessarily effective for the economical provision of the necessary recommendations.
3. Candidates generally did some research of the industry background, or, more often, read analyses prepared by lecturers, which enabled them to earn some marks for business awareness. The similarity of many scripts suggested an undue reliance on research by lecturers. Candidates tended to name similar companies without explaining the similarity or using the example to develop any comment on possible future action by Homejay.
4. Most candidates provided sensible recommendations. There was a problem, with candidates providing sensible recommendations but making little effort to provide appropriate reasons for these recommendations.
5. The vast majority of candidates recognised from the pre-seen marking matrix that calculations were expected, and duly provided calculations. The quality of the calculations was generally disappointing.

Key problems with the Homejay case

1. As commented above, some candidates failed to focus on the Homejay group, but dealt in disconnected ways with the various problems of all the individual units, and produced separate recommendations without considering their overall effect on the group. Candidates were expected to recognise that an acquisition would not be possible without some disposals. In the same way, they were expected to recognise that disposals had to be accompanied with actions to maintain earnings.
2. Calculations were often below the expected standard. Candidates should have provided appropriate calculations – they were warned that calculations were expected by the 15 marks for numerical skills in the marking matrix. It should not have been too difficult to deduce from the Pre-seen that valuations of businesses might be required, and that the use of various approaches to valuation should be revised and practised so that, if required, calculations could be performed quickly and accurately.

Normal Key Problems

Many problems for unsuccessful candidates were very similar to those in previous case study examinations.

1. Reading and meeting the question requirement

The wording of the requirement provided clear guidance to the expected form of the report. As commented above, many candidates failed to focus sufficiently on issues concerning the group overall.

The warning given in previous reports on candidate performance must be repeated. Case studies could be designed with a single very broad requirement – to advise. This would, of course, imply such sub-requirements as analyse and calculate as appropriate, and review feasible alternatives, and provide appropriate reasons for recommendations.

To date, the examination has not taken this approach, but has provided extremely clear and detailed guidance in the sub-requirements to the format of the expected answer. Future examinations may provide less specific guidance, which would permit allowing more marks for the design of the report under the format criterion. It is probable that the TOPCIMA examination in the new syllabus will provide much less specific guidance.

2. Weak reasons for recommendations

The weakest part of many answers was the section of recommendations. The recommendations could be sound and broadly sensible, but there were at times no obvious reasons for recommendations. Candidates should read a requirement for recommendations as implying recommendations with reasons.

3. Financial analysis

Numbers were disappointing for the marks available. Some candidates had clearly not prepared adequately for the examination. It is reasonably feasible to forecast a range of techniques that may be useful in the examination from the pre-seen information, and these techniques should be revised prior to the examination.

4. Time allocation

The other problem for some candidates was the balance between understanding the unseen material, undertaking any necessary analysis, planning an answer, and then writing the required report. A number of candidates spend far too much time on the preliminaries, and too little time on the required report. Some candidates have clearly spent most of the available time on the preliminary analysis and answer planning, and then produced an extremely brief report. Sensible approaches to answer planning and time allocation often include preparing some planning analyses in such a form that they can be appendices to the report – for instance a SWOT analysis.

Commentary on candidates' performance in relation to the question set:

Prepare a review of the issues facing Homejay

This was generally done at least reasonably well.

The most common problem with weaker candidates was that they listed all the problems in all the individual businesses, and spent relatively little time on the disparate nature of these businesses, and little time on the very visible management problems.

There was also often little recognition that marks are given under the marking matrix for the prioritization of issues – deciding which problems are most important.

Some candidates in effect made this section into an extended position appraisal. A short position appraisal introducing the report, supported by a SWOT analysis as an appendix, would have been more effective.

Evaluate each of the four strategic options that have been identified

Candidates were expected to go beyond providing NPV evaluations of the possible acquisition and possible disposals, and discuss such matters as feasibility, suitability and acceptability.

Your report should conclude with recommendations

Most recommendations were broadly sensible.

There were greater problems with the supporting reasons for recommendations, and the general discussion of the advisability of various courses of action.

Where calculations were limited, discussion tended to also be limited, as there was no understanding of the relative importance of various possible actions.

It was surprising how many candidates failed to appreciate the cash and funding problems, and did not take these into account in framing their recommendations. There is an implied question behind every case question – that recommendations should meet the specific question requirements is obvious, but they also need to be adequate to deal with the problems analysed in the position appraisal.

Performance against the criteria contained in the assessment matrix:

Prioritisation [of issues]:

This was usually marginally adequately done, with the major issues identified but not clearly prioritized. Weaker candidates listed many problems in the various businesses, but failed to distinguish between strategic and operational problems. Weaker candidates tended to repeat scenario detail without adding any comment of any significance.

Comment on shareholder attitudes often over-emphasised communication problems, and ignored the basic problem of disappointing returns.

Comment on managerial weakness was often accompanied by valid comment on corporate governance. However, it was not obvious that steps to comply with the latest corporate governance requirements, such as separation of the roles of chairman and chief executive, and the appointment of non-executive directors, addressed the problem of managerial weakness.

Knowledge:

Marks are awarded for the use, not just the display, of appropriate technical knowledge.

Relatively few candidates discussed the arguments for and against conglomerates, and the issues of whether a company should diversify, or whether it should be left to shareholders to take their own decisions on the diversification required in their investment portfolios.

Few candidates made any substantial use of the Goold and Campbell analysis of the role of the corporate head office, and whether it adds value to the businesses controlled.

Some candidates displayed knowledge of Porter's generic strategies model, his 5 forces model, and the BCG matrix. Rather fewer made effective use of these models.

Numerical Skills:

Marks were disappointing for straightforward numbers.

A surprising number of candidates failed to make appropriate perpetuity calculations, and did not recognise that the numbers that they had calculated were implausible.

While many candidates provided sensible figures to show the feasibility of funding the proposed acquisition from disposals, very few made any attempt to show the effect on current earnings.

Structure [recommendations]:

Recommendations were generally sensible, but not always supported by clear justification.

Some candidates provided a very wide range of recommendations, almost a listing of all possible actions. Candidates should emphasise key actions, and devote less time and space to minor matters.

It is important for candidates to recognize that case examinations always require recommendations, even though the information available is incomplete. Appropriate comment on the limitations of the information should be brief, and recommendations made on the basis of the information available, with clear reasons given.

Business Communication:

Most candidates reached a standard that was at least adequate.

Format:

The vast majority of candidates provided reports that were easy to follow.

Some candidates need to review the format they use, in terms of the duplication of comment that it leads to in the answer. They should also review what they are attempting to achieve, in terms of the time taken in styling the report, and the limited marks allowed for format. Time was often spent providing introductions, terms of reference, and executive summaries that added little to the sense of the report. These are all desirable in business reports – but there is limited time available, and these may have to be sacrificed to provide more depth of analysis and commentary, and better argued recommendations.

Some candidates should look at the way they present calculations in appendices. Marks are allowed for selecting the right form of calculation and for appropriate methods, rather than only for correct answers. But these depend on the calculations being understandable. A minimum of explanatory words accompanying calculations is very desirable.

Business Awareness:

There was clear evidence of effort, mainly by tuition providers rather than individual candidates, to research the industry.

Candidates were generally better at “name dropping” – mentioning various firms in the industry – than using industry knowledge to support arguments.

Most candidates mentioned Kingfisher and its various operations, but relatively few explained the significance of the parallels with Homejay, or explained what could be learnt from Kingfisher’s experience.

Breadth:

Most candidates discussed a range of issues and achieved reasonable marks.

Depth:

This was often the weak part of even good reports.

Often sensible strategy proposals were not supported by adequate discussion of the strategies and their strategic and financial implications.

There was limited discussion of the risks involved in the various strategies.

An overall view

This remains much as that on the May examination. The standard is encouraging, but more needs to be done, particularly in improving numerical skills, commentary on the consequences, including financial consequences, of strategic choice, and broad discussion of the choices available.