



Corporate Strategy and Contemporary Issues (KC5)

December 2015

Examiner's Comments

General observations:

The question paper was designed by the examiner in order to check the ability of the students to make strategic decisions at the corporate level, using multi-disciplinary aspects which has been learnt during the examinations conducted by the institute, on corporate strategy corporate finance, marketing strategies, supply chain management, human resource strategy etc. This question paper is structured well to screen the student's ability to apply them in a real life scenario.

The pre-seen:

Examiner has provided a lot of qualitative and quantitative information about a group of companies (Colombo Trading and Industries) in the pre seen. It is observed that candidates have not done home work well in advance to understand the case. By reading some of the answer scripts, it is understood that they were guided to focus on specific questions (possible) and trained them to prepare only for those. For example, in the last question (D), the examiner tested the SBU's structure, but about 95% of candidates could not understand what the examiner asked (Discuss the dimensions that will define the scope, and Influence the creation of SBUs) as a result, 99% of candidates answered advantages and disadvantages of SBU,s or definition of the scope of SBU's (only a few of them have just mentioned the dimensions but not discussed as requested).

Observations:

1. 90% of candidates have attempted all the questions and it was not seen that there is an issue over the time and marks allocated for each question.

2. Most of the students could not understand the question, may be that they are weak in the language (not fluent in reading this type of questions).
3. Marking examiners wasted a lot of time to read the answer scripts due to the bad handwriting (some of them were illegible) and also the answers were not well structured.
4. They did not follow the examiner's instructions regarding the format of writing answers (Memo), 95% of candidates followed the report format and wasted time unnecessarily on the executive summary, contents, terms of reference etc.
5. A lot of candidates who could not obtain 40 marks out of 80 have not acquired the required knowledge at the foundation level about concepts NPV, ROI, IRR etc. They are weak on fundamental concepts in corporate finance theories which are taught at the basic level.
6. Majority of the students could not understand the exact meaning of the action verbs used in this examination paper (at this level (KC)), as a result; they have earned low marks for the particular questions.
7. Most of the candidates are weak in writing and understanding English.
8. Almost 100% did not apply proper time management techniques at the examination. (the length of the answer is not according to the marks allocated).

The General Performance of Candidates for each question

Part A:

- a) All candidates performed well (obtained above the average marks)
- b) (i) all candidates attempted and obtained average marks, some of them have not understood the meaning of "evaluate" the examiner expected plus and minus aspects of the existing system to be discussed in this part. Most of the students have written only either one minus point or a plus point and wrote one or more pages under the same.
- (ii) a few students scored full marks while some others obtained above the average and a majority of them scored the average marks (since a few of them wasted time unnecessarily writing lengthy answers under one point).

Part B :

- a) (i), a(ii): A few students have scored full marks while some others have scored the average marks due to the same problem explained under Part A b(i & ii).
- b) (i) and (ii): A few candidates have obtained full marks and others have obtained the average marks due to the same reasons explained in B above. However, a few students could not understand what "Profit share" is and could not earn marks.

- c) 99% of the candidates have obtained below 2 marks out of 10 marks (80% obtained 0 % (zero) marks) for this question. This is a question which the examiner wanted to test the capability of applying corporate strategies into practice. It is a practical question. The examiner requested and hinted that he wanted the candidates to analyse and understand the specific problem faced by CSL in marketing their most profitable high quality branded industrial equipment. He has hinted what to do when the candidate structures the answer. The examiner very clearly mentioned that the issue is about the specific product, however all the students have attempted and misunderstood the question and given the wrong answers. Most of the students have discussed, Michael porter's 3 generic strategies, BCG Metrix, Industrial Analysis, SWOT analysis without knowledge on how those can be used to identify the issues of this product and suggest the marketing strategies to overcome the issues. Only a few had touched on the value addition of the branded high quality product.

Prat C

- (i) Examiner tested the application of the concept of ROI of the proposed project. The examiner wanted to validate the ROI given by the director of the company. 40% of students were able to compute accurately the ROI of this project proposal. Some of the candidates were clueless about this. Some candidates have calculated the ROI completely in an erroneous manner.
- ii) & iii): 99% of the candidates could not obtain reasonable marks. Majority of the candidates do not have the conceptual knowledge of discussing the applicability and issues of allocation of resources among SBUs. Most of them have discussed mixing up two questions (Candidate's answer to question C (ii) is mostly appropriate to question (iii)). This is a good example that indicates that the respective candidates do not have the required fundamental knowledge (conceptual) about simple concepts such as ROI.
- iv) All the students have answered this question, but most of them could not obtain adequate marks due to the inadequate knowledge on project evaluation techniques. Only a few candidates worked out the correct Net Cash Flow for this project.
1. 95% of the candidates did not consider the working Capital recovery at the end of the project.
 2. Some of the candidates have not even deducted fixed cost to derive the net cash flow of this project (they have considered only contribution as cash inflow) and the depreciation adjustment and tax computation have not been done correctly.
 3. Some of the students did not have knowledge about the calculation of the IRR correctly.
 4. Some candidates did not understand the requirement of the examiner, (the best rate of interest to fund this project). They have just calculated the IRR but have not explained it.

5. Most of the candidates wasted their time unnecessarily by calculating WACC to discount the cash flow, and finally did not work out the IRR of the project.

Part D

- i) As already mentioned, a majority of candidates have attempted this question but obtained zero marks. This is mainly due to the misunderstanding or not have the required language knowledge to read the question and understand the examiner's requirement. All of them were not able to understand "discuss the dimensions". They have written about the SBUs advantages and disadvantages etc.
- ii) The same level of performance for this question was also noted, instead of evaluating the CSL's SBU structure, most of the candidates have discussed about the organization structure of CTIL, human resources, Matrix structure, delegation of power among divisions etc. None of the students could understand the question well and discussed about the SBUs of CSL and the overlapping of SBUs.