
Examination Panelist's Report

Paper II
PBE Management
Accounting and Finance

(December 2019 Session)

(The main purpose of the following report is to summarise candidates' common weaknesses and make recommendations to help future candidates improve their performance in the examination.)

General comments

This subject aims to test students' ability to apply relevant management accounting and financial management theories and concepts in analysing business information to management for decision-making.

Candidates in general did not perform well in this last examination, and received especially poor results in questions related to financial management topics. At the same time, candidates did not perform satisfactorily in the questions related to topics of the management accounting as well.

Specific Comments

Section A – Compulsory Questions

Question 1 – 21 marks

This question required candidates to compute current stock values and weighted average cost of capital. Most candidates did not perform well in this compulsory question involving one of the most basic stock valuation models, Dividend Growth Model ("DGM"). Many candidates were even unable to compute correct amounts of the expected future dividends by making use of the most basic finance knowledge of compounding techniques.

Question 2 – 19 marks

This question followed the previous compulsory question to engage capital budgeting evaluation. It is disappointing that most candidates failed to differentiate discounting and non-discounting methods in capital budgeting appraisal. Many candidates were not familiar with the most basic finance knowledge involving discounting techniques to compute discounted payback period and net present value of the project in question, before further project assessment and recommendation.

Section B – Optional Questions

Question 3 – 20 marks

This question required candidates to assess cash management by computing, interpreting and advising devices to improve the operating cycle and cash conversion cycle of a company. Candidates, in general, performed satisfactorily in this elective question.

Question 4 – 20 marks

This question required candidates to apply commonly used managerial performance measurements for divisional investment evaluation. Most candidates performed reasonably well in this optional question, but a few candidates misinterpreted the results of those requested performance measures, and hence, made opposite decision-making on the project evaluation by different divisions.

Question 5 – 20 marks

This was the least-attempted optional question; candidates performed poorly. It required candidates to assess the impact of the dividend policy on a firm's value. Most candidates were not well familiar with the basic concepts related to dividend and dividend policy, such as the classification of dividends, Modigliani and Miller dividend irrelevancy theory, clientele effect and signaling effect, etc., as requested by the question.

Question 6 – 20 marks

This question assessed candidates basic finance knowledge related to portfolio management, risk and return, and efficient market hypothesis. Candidates performed fairly well, while some were not able to master basic finance concepts.

* * * END OF EXAMINATION PANELIST'S REPORT * * *