

# ICAEW / CISI Diploma in Corporate Finance

December 2015

## CHIEF EXAMINER'S REPORT CORPORATE FINANCE STRATEGY & ADVICE

### INTRODUCTION

18 candidates sat the exam and the overall standard of passing candidates was good with a pass rate of 61%. 4 candidates were awarded a merit and 1 candidate was awarded a distinction.

The overall pass rate was lower than previous sittings due to a number of very poor scripts. It was clear to the examiner that the candidates who produced these poor scripts were not yet ready to take the Corporate Finance Strategy & Advice examination. It is essential that candidates are well prepared for this type of case study, which mimics a real-world situation. They should be prepared for the examination to be quite different from sitting to sitting and at this level they are expected to be able to adapt and apply their knowledge. There were a number of scripts that were very hard to read and candidates should be aware that illegible scripts will not be marked. The examiner noted that the weaker candidates did not provide adequate conclusions where required.

1. Well answered by the better candidates with an average score of 10.3 marks out of 15 marks. However, there were some poor responses which lacked adequate conclusions.

10 marks for analysis and 5 marks for the conclusion.

2. Well answered by the better candidates with an average score of 14.2 marks out of 20 marks. However, weaker candidates did not provide conclusions.

5 marks per section. In each section 3 marks for analysis and 2 for the conclusion.

3. Well answered by the better candidates with an average score of 8.1 marks out of 15 marks. However, weaker candidates did not provide any calculations, or provided very poor calculations. The weaker candidates also did not provide an acceptable discussion of the issues relating to the rights issue.

Calculation of the gearing of comparable companies: 3 marks, calculation of the amount of debt to be paid off: 2 marks and discussion of the rights issue: 8 marks.  
Opinion: 2 marks.

4. Well answered by the better candidates with an average score of 7.6 marks out of 15 marks. However, weaker candidates did not adequately discuss the likely reaction of specialist institutions.

Whether HSS is a likely candidate to be taken private: 5 marks and discussions regarding specialist institutions: 8 marks. Opinion: 2 marks.

5. Well answered by the better candidates with an average score of 5.6 marks out of 10 marks. However, weaker candidates failed to suggest any acceptable discussion of whether a restructuring was necessary and how it might be achieved.

Whether HSS should restructure: 4-6 marks and how it should restructure: 4-6 marks. Max 10.

6. Well answered by the better candidates with an average score of 6.4 marks out of 10 marks. However, weaker candidates did not relate their answers to scenario of the question.

(i) Whether this is appropriate: 3 marks and other points: 2 marks.

(ii) Whether this is appropriate: 3 marks and other points: 2 marks.

7. Well answered by the better candidates with an average score of 4.8 marks out of 10 marks. However, weaker candidates provided very poor answers to this part of the question with some suggesting that there were no continuing obligations at all.

(i) Implications of not restructuring: 5 marks.

(ii) Continuing obligations: 5 marks.