



ICAEW / CISI Diploma in Corporate Finance

December 2014

CHIEF EXAMINER'S REPORT CORPORATE FINANCE STRATEGY & ADVICE

INTRODUCTION

Fifteen candidates sat the exam and the overall standard of passing candidates was good with a pass rate of 100%. 5 candidates were awarded a merit and 4 candidate was awarded a distinction.

The better candidates showed a marked improvement in giving advice, which is a core skill at this level. The overall standard of candidates in this cohort was excellent.

Five marks were allocated for report format marks. Some candidates did little more than include a title, whilst others provided an adequate report including an executive summary. It is important that candidates produce an appropriate report format which includes a title, executive summary and conclusions.

Turning to the individual questions.

1. Well answered with an average score of 6.7marks out of 8 marks. 4 for advantages and 4 for disadvantages. Answers should not have been generic and should have referred to Flybe, most students did produce answers which considered the scenario.
2. Reasonably well answered with an average score of 13.4marks out of 17 marks. Some candidates lost marks for their conclusions.

The analysis should have covered for example: profitability; margins; asset turnover; short term liquidity; growth. Students should have given a supported conclusion as to the financial health and trends. - 10 marks for analysis and 7 marks for conclusion.

3. Reasonably well answered with an average score of 9.4 marks out of 12 marks. Candidates tended to lose marks for the quality of their reservations and assumptions.

4 marks for the offer price and associated computations. 4 for selecting an appropriate multiple. 4 for consideration of the peer group, reservations and assumptions.

4. Reasonable answers with an average of 16.3 marks out of 25 marks. Some candidates lost marks when considering whether the cash flows would be sufficient to support any borrowing. However there were some excellent answers.

10 marks for an appropriate structure; 10 marks for cash flows; 5 for conclusions.

5. Well answered with an average of 12.1 marks out of 15 marks.

Candidates should describe the circumstances where a public takeover offer or scheme of arrangement would be appropriate. They should state the advantages and disadvantages of each.

5 marks for circumstances; 5 marks for advantages; 5 marks for disadvantages.

6. Well answered with an average of 6.3 marks out of 8 marks.

2 marks for general discussion; 6 marks for particular rules relating to an MBO.

7. Reasonable attempts with an average mark of 6.5 out of 10 marks. Some students only briefly discussed a trade sale and spent too much time on the alternatives. Discussion of the advantages and disadvantages of a trade sale 4 marks; Whether Flybe would be a likely candidate for a trade sale 6marks.