

YOUR PERFORMANCE ANALYSIS

2020 Common Final Examination (CFE)

Day 1 DHC V1

September 2020 Common Final Examination (CFE) - Day 1 DHC V1

Candidate Number

Enclosed is your personalized performance analysis report for Day 1 of the September 2020 Common Final Examination (CFE). This report analyzes your performance on Day 1 only. Day 2 and Day 3 are reported on separately. You are encouraged to read this report in conjunction with the Board of Examiners' Report on the September 2020 CFE.

Your report has been prepared by Day 1 senior markers who attended the CFE marking centre. Their comments reflect the knowledge of the case scenario and the marking guidelines, and the judgments that were applied at the marking centre.

The purpose of the Day 1 performance analysis is to detail both the strengths and the weaknesses that are evident in your response, profiling the elements of your response that were missing or could be improved upon in order to meet the Board of Examiners' passing profile. The analysis focuses mostly on the areas in which you did not meet the minimum standard; however, the areas in which you performed adequately have also been commented on so that you have a complete picture of how you performed on Day 1.

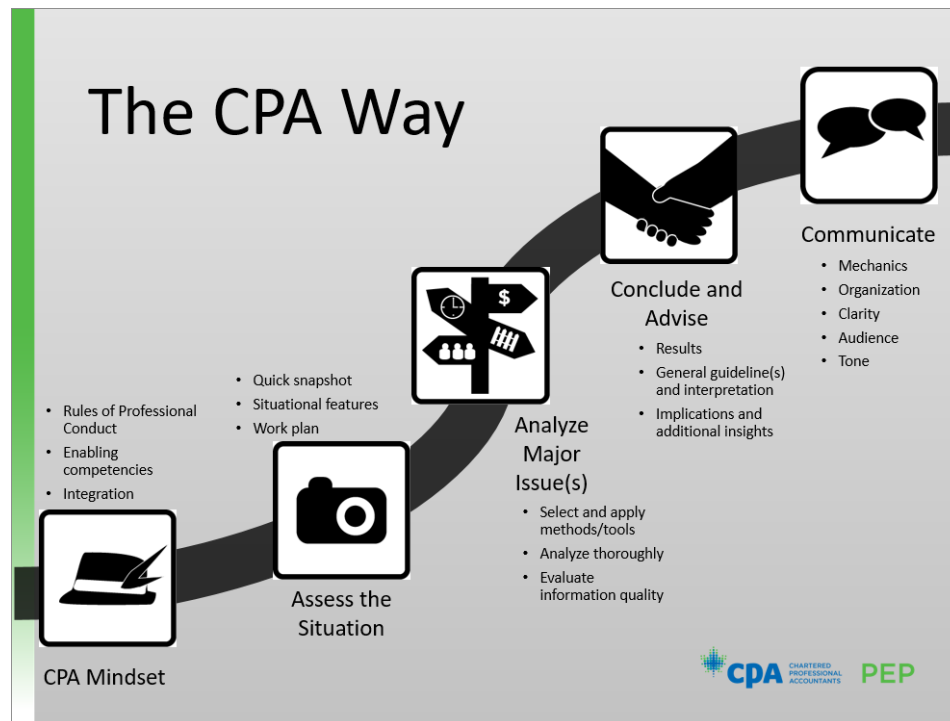
There are two parts to this report:

1. **Section A** – provides a summary of your assessment and where you either did or did not meet the minimum standards set by the Board of Examiners for a passing candidate.
2. **Section B** – provides further details on your specific response.

Because each version of the Day 1 case presented by the Board of Examiners is intentionally different, you are strongly advised to use this report to identify general problems with your approach to Day 1, rather than to hone in on the specific problems you had with each issue. Be careful not to focus too heavily on the specifics of this case. The specific problems you encountered on the Version 1 case are not likely to reappear on Version 2 or be relevant to the next Day 1 case. Therefore, identifying which elements of your situational analysis you missed integrating into your analysis of a specific issue, for example, is not going to help you improve your performance. Keep in mind that the Board of Examiners is looking to see if you can “think on your feet” and deal with a change in circumstance from what you saw within your group while working on the Capstone 1 case. Therefore, gaining an understanding of what the common weaknesses were in your approach (such as, for example, a lack of strategic thinking) will benefit you more.

Background Information on the CPA Way and the Marking Process

In order to determine if candidates met the minimum standards in each area, responses were assessed based on the enabling skills contained in the *CPA Competency Map*. These enabling skills form the basis of the CPA Way – a unique methodical approach to identifying and analyzing business issues in order to suggest an appropriate course of action. A summary of the CPA Way is provided in the diagram below:



The purpose of Day 1 of the CFE is to assess individual decision-making and strategic thinking abilities and the enabling skills acquired during Capstone 1. Day 1 is not meant to assess the detailed technical competencies in each of the six technical competency areas contained in the *CPA Competency Map* (Audit and Assurance, Management Accounting, Strategy and Governance, Finance, Financial Reporting, and Taxation).

Note that ethical and professional behaviour are both an integral part of the enabling skills as set out by the *CPA Competency Map*. They are pervasive and found throughout the assessments.

Marking was conducted using a holistic approach. Candidates were expected to support their conclusions and recommendations with appropriate and sufficient analysis of the overall situation and the individual issues.

Section A – Summary of Performance

Section A – Summary of Performance

The table below highlights the specific areas in which you either did or did not meet the minimum standards set for Day 1 on the September 2020 CFE (**DHC Version 1**). Further details on your specific performance are provided in **Section B**.

Area	MET the minimum standard	DID NOT MEET the minimum standard
SITUATIONAL ANALYSIS	X	
ANALYSIS OF MAJOR ISSUES		X
CONCLUDE AND ADVISE	X	
COMMUNICATION	X	

Section B – Detailed Comments

Situational Analysis

Analysis and decisions on major issues need to be considered in relation to DHC's internal and external environment. This includes identification and integration of the company's mission and vision, key success factors, strengths, weaknesses, industry trends, and integration of the related items found in Capstone 1 with the updates provided in the Day 1 case. The situational analysis must be integrated into the candidates analyses of the issues for it to be considered useful. In the DHC Version 1 case, there are a couple of significant changes that affect the company on a holistic level i.e., the mission and vision of DHC being updated to reflect the company's commitment to client service and the expansion of the company's scope beyond historical properties, and the relationship between Derek and Patrick (who became an investor in DHC as well as a director of the company). These holistic issues should be brought into the candidate's analysis of each major issue.

Analysis of the Major Issues

Issue Identification

The major issues included whether to invest in Holiday Tours (either through a 100% ownership or a 40/60% split with KGI), whether to convert the Northern Ontario hotel to a Fitzgerald franchise, whether to introduce cooking retreats at the Northern Ontario hotel, and whether to expand the existing management agreement with Huron Heights (HHH) to include the newly proposed conference centre. The final major issue is whether Derek's relationship and dealings with Patrick creates a potential conflict of interest. All of these issues were considered important and therefore should have been addressed in depth.

Quantitative

A balanced analysis requires consideration of both the quantitative and the qualitative factors presented in the simulation. The qualitative and quantitative considerations in DHC V1 were relatively balanced. Complex and detailed quantitative analyses are not usually necessary on a Day 1 case where the reports are typically to the board and therefore at a strategic level. All quantitative analyses included in the response should have been presented in a manner that was useful to the client. In this case complex and detailed quantitative analyses were not necessary or expected. Candidates had an opportunity to demonstrate their numeracy skills on all but one the major issues mentioned above, since there was no quantitative element relative to the potential conflict of interest between Derek and Patrick.

Qualitative

A balanced analysis requires consideration of both the quantitative and the qualitative factors. The qualitative analysis should have included a discussion of the key decision factors and should have integrated information from the situational analysis. The qualitative analysis should have also considered the over-arching issue(s), which in this case were the financial constraint and the potential conflict of interest between Derek and Patrick.

Conclude and Advise

The report should have included conclusions on each of the five major issues facing DHC. After performing both a quantitative and a qualitative analysis that incorporated elements of the situational analysis, a consistent, well-supported conclusion should have been drawn, and advice provided, along with next steps, where practical. Stepping back to see the bigger picture is an important component of the conclusion. In this case it was particularly important to realize that there may be a potential conflict of interest between Patrick and Derek, and that DHC may lack the cash resources

necessary to move forward with some of the investment options presented.

Communication and Other Overall Comments

The report should have been written clearly and presented in an organized, logical format. The report should have taken into account the users and ensured that their requests and needs were addressed.

Section B - Detailed Comments

Day 1 V1 DHC

SUMMATIVE ASSESSMENT #1 - Situational Analysis

The candidate uses a reasonable situational analysis when analyzing the major issues facing DHC

YOU DID NOT ADDRESS THIS ASSESSMENT OPPORTUNITY.

You did not integrate elements of your situational analysis (mission/vision/objectives/key success factors/trends) when analyzing the major issues/opportunities DHC was facing.

Your comments on the relevant elements of the situational analysis or your consideration of those elements were limited in scope.

Reviewer's additional comments on strengths/weaknesses and recommendations for improvement:

You provided a good situational analysis in a clear and useful manner. You went on to use this information in your analysis of the major issues. For example, in your analysis of the major issues, you link some of the PROS and CONS with the company's KSF, objectives, and industry trends. This demonstrates your ability to understand the Company's situational analysis and your ability to utilize these relevant factors in your decision-making process. Identifying and discussing the relevant links between the company's overall situation (the situational analysis) and the individual decisions under consideration is an important aspect of Day 1. You performed sufficiently well in this area. Well done in this respect.

Summative Assessment #2 - Analysis of Issues

The candidate completes a reasonable assessment of the major issues facing DHC (AO#2 to AO#6)

Assessment Opportunity #2 (Purchase Holiday? With KGI?)

YOU DID NOT ADDRESS THIS ASSESSMENT OPPORTUNITY.

You did not provide a useful quantitative analysis.

You did not provide a sufficient qualitative analysis.

September 2020 Common Final Examination (CFE) - Day 1 DHC VI

You addressed the potential investment in Holiday but your discussion did not contain sufficient breadth as you presented only 1 disadvantage. Your response could be improved if you had a more fulsome discussion regarding the important drawbacks of this investment. For example, you could have considered the fact that this would be a move away from DHC's core business and the fact that other hotels may stop using Holiday if it is purchased by DHC (as they may be in competition with DHC and not want to be part of Holiday). Moreover, although you discussed the 40/60 investment split with KGI in regard to financing, you missed some important qualitative considerations in respect to this element. This was an important element of this analysis because had more than one option available and therefore, you should have discussed in detail each one of those options. Qualitative factors that could have been considered in this respect included DHC's past success when working with Patrick, Patrick's relevant industry experience, and, most importantly, the potential conflict of interest between Patrick/Derek. Your response would have been improved if you had discussed both of these options in more detail.

Assessment Opportunity #3 (Convert Northern Ontario hotel to a franchise?)

YOU DID NOT ADDRESS THIS ASSESSMENT OPPORTUNITY.

You did not provide a useful quantitative analysis.

You did not provide a sufficient qualitative analysis.

Assessment Opportunity #4 (Cooking retreats in Northern Ontario?)

YOU DID NOT ADDRESS THIS ASSESSMENT OPPORTUNITY.

You did not provide a useful quantitative analysis.

You restated a few numerical case facts but didn't provide a useful quantitative analysis on this investment. Missing this analysis was a major flaw of your response. In order to assess the investment in the cooking retreat that was being considered, there were several tools that could have been used including a simple payback period, an NPV analysis of the investment, and the expected rate of return from the investment. Another useful approach would have been the application of a sensitivity analysis considering changes in the number of participants and the incremental cost of food and room operating costs. Your analysis did not include any of these items.

You did not provide a sufficient qualitative analysis.

September 2020 Common Final Examination (CFE) - Day 1 DHC VI

It appears that you may have run out of time. Your response here was: "PRO: - Higher operating margins from the proposal can help DHC improve its overall profit margin and achieve board targets - Chef's reputation can attract customers CONS: - The attraction might be short lived" This discussion was mostly a repetition of case facts and provided minimal value-added comments to achieve depth in your analysis. This element of your response lacked both sufficient breadth and depth. For example, as a PRO, you said "Chef's reputation can attract customers", but didn't explain further or fully consider the impact of having Chef Norman. For example, you could importance of Chef Norman in attracting participants and the fact that DHC has no experience in running cooking retreats, so it's beneficial to have Chef around. However, the risk of him leaving and DHC's dependence on him for his expertise is also an important consideration for this investment. This should have been discussed in more detail.

Assessment Opportunity #5 (Revised HHH management contract for proposed conference centre?)

YOU DID NOT ADDRESS THIS ASSESSMENT OPPORTUNITY.

You did not provide a useful quantitative analysis.

You did not provide a sufficient qualitative analysis.

Assessment Opportunity #6 (Governance: Derek/Patrick relationship)

YOU DID NOT ADDRESS THIS ASSESSMENT OPPORTUNITY.

You did not provide a sufficient qualitative analysis.

You did a great job, identifying the conflict between board members. A more in-depth analysis could have been achieved by specifically recognizing that Patrick had a potential conflict of interest with respect to the investment in Holiday.

Summative Assessment #2 - Analysis of Issues

Reviewer's additional comments on strength/weaknesses and recommendations for improvement:

Your qualitative analysis of many of the issues was brief and was mostly a repetition of case facts. You should allocate more time to providing a more fulsome qualitative discussion that integrates your situational analysis and helps to support your recommendations. Make sure to always elaborate on the relevant case facts you draw upon and explain the implication/significance of those case facts. In the future, make sure you read the case carefully and do your utmost to identify and discuss the important qualitative factors that the company must consider when deciding on whether to proceed with a strategic initiative.

Summative Assessment #3 - Conclude and Advise

YOU DID NOT ADDRESS THIS ASSESSMENT OPPORTUNITY.

You did not provide adequate conclusions and advice for the issues/opportunities DHC was facing.

You did not provide an adequate amount of discussion pertaining to DHC's limited financial resources.

You did not provide an integrated conclusion which adequately considered the issue(s) DHC was facing.

Reviewer's additional comments on strengths/weaknesses and recommendations for improvement:

You provided a conclusion and, where appropriate, advised on the major issues. The conclusions and advice were well supported by your analysis.

Summative Assessment #4 - Communication

You did not communicate your response adequately (unprofessional language, unclear memo, too many bullet points).

Reviewer's additional comments on strengths/weaknesses and recommendations for improvement:

Your communication was generally well done and easy to read and follow.

Overall

September 2020 Common Final Examination (CFE) - Day 1 DHC VI

You made extensive use of point form in your discussions, which has limited value if you don't provide your own insightful, value-added comments. It is important to explain the implications of items you list in the context of the business environment and the decisions being made. Try to expand your discussions making full use of the information you have available and add value by explaining the implications of the facts. Prioritization of issues is a key skill for a CPA. Thoroughly read the case to get a good understanding of all the issues at hand and understand which issues have a higher priority. Make sure you allocate sufficient time to address each issue thoroughly. It may help to do a 'step back' on each issue - ask yourself: how does this decision factor relate to the company's stated objectives? And what case facts have been provided that can be used to either support or refute the strategic initiative? You must seek to add as much value as you can to your analysis and recommendations. To practice this, write as many practice cases as you can and then compare your response to the guides that are provided. Verify whether your qualitative analysis had a similar level of breadth and depth when compared to the guide and explore whether your quantitative approach added value in a similar way to the guide.