

YOUR PERFORMANCE ANALYSIS

**September 2024 Common Final
Examination (CFE)**

Day 1 API Version 1

Candidate Number

Enclosed is your personalized performance analysis report for Day 1 of the September 2024 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 2024 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:

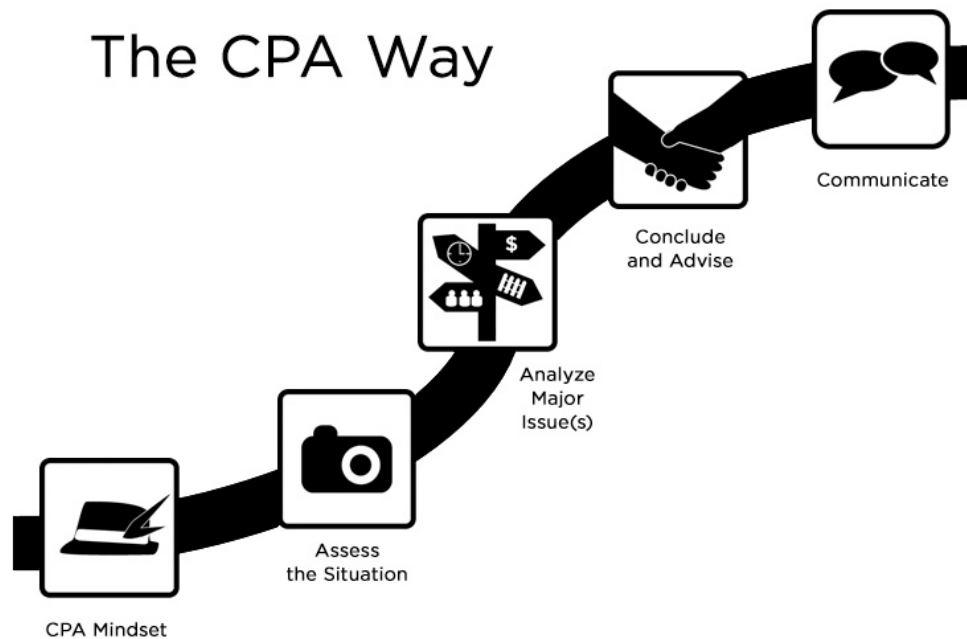
There are two parts to this report:

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 this version of the case are not likely to reappear on the next version 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 2024 CFE (**API 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 API's internal and external environment. This potentially includes the identification and integration of the company's mission and vision, investment objectives, 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 API Version 1 case, there was one specific holistic situational issue that should have been considered and integrated into the response: the company's severe cash constraint given the need to repay the \$9 million outstanding R&W loan within the next five months.

Analysis of the Major Issues

Issue Identification

The major issues include whether API should sell Magical Land, sign a licensing agreement with Pioneer, sign a lease agreement with Pixel and open an arcade at Magical Land, and/or develop a new immersive-VR experience or instead sell the existing Arctic VR attraction and its associated technology.

Quantitative

A balanced analysis requires consideration of both the quantitative and the qualitative factors presented in the simulation. The qualitative and quantitative considerations in API 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 of the major strategic alternatives presented in the simulation.

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, which in this case was the large upcoming R&W loan repayment, and how the company could best meet the board's objectives in lieu of this significant cash outflow.

Conclude and Advise

The report should have included conclusions for each of the four major strategic decisions that API was considering. 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. For example, in this case, it was particularly valuable to realize that, in order to repay the R&W loan, API needed to sell either Magical Land or the existing Arctic VR attraction and its associated technology. In addition, it was crucial to discuss how your recommendation for the loan repayment would affect API's ability to move forward with other strategic proposals under consideration (e.g., if Magical Land was sold, it would not be possible to move forward with the proposal to sign a lease agreement with Pixel and open an arcade at Magical Land).

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 Amuzu Parks Inc. (API)

SUMMATIVE ASSESSMENT #1 - Situational Analysis

The candidate uses elements from a reasonable situational analysis when analyzing the major issues facing API.

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YOU DID NOT ADDRESS THIS ASSESSMENT OPPORTUNITY.

Your response did not include a discussion of the company's overall internal and external situation at the beginning of your report.

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You did not integrate the critical situational elements (such as the board's objectives and the preferences of API's main customer demographics) when analyzing the issues/opportunities API was presented with.

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

Your response began with a good situational analysis that highlighted the important changes that had taken place since Capstone. This outline is meant to provide a good foundation for your case and allow you to make links back to the situational analysis while analyzing the strategic issues. You had some depth issues in your qualitative response that could have been avoided had you provided stronger links to your situational assessment. One example where you did well in linking back to your situational assessment is where you wrote "API will not need to put significant reinvestment in the park and its attractions. Otherwise, it will need to continue invest in new rides and attractions to in line with its core value to updating with high-tech thrill rides". These links back to the current cash situation and the board's objectives added depth to your response and provided the user with a better understanding of the strengths and weaknesses of each alternative. Continue providing these links in the future.

Summative Assessment #2 - Analysis of Issues

The candidate completes a reasonable assessment of the major issues facing API (AO#2 to AO#5)

Assessment Opportunity #2 (Sell Magical Land?)

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YOU DID NOT ADDRESS THIS ASSESSMENT OPPORTUNITY.

You did not provide a useful quantitative analysis.

☐

You did not provide a sufficient qualitative analysis.



There were several relevant discussion points that could have been highlighted here; however, you appeared to focus your discussion mostly on the pros. This does not provide a balanced discussion of the issue, nor enough information to allow API to make a decision. For example, you could have discussed the impact of losing nearly \$9 million of annual operating income if Magic Land is sold (which goes against the board's objectives), selling the land would also significantly reduce visitor numbers which is not in line with the other board objective, selling Magical Land would be in contrast to API's core operations/mission/vision statements, young families are after low-tech options and outdoor time which Magical Land park can fulfill, and the area around the park is seeing an increase in the young families that the park is suited to target which could help performance turn around in the future. You also lacked sufficient depth in many of your points. You did not link the case facts back to the reasons why they were relevant considerations for the company and there were many points that you could have discussed that would have helped you add depth here. Many of your points were basically case facts vaguely tied to a KSF or core value, but not really anything important to API's strategic direction or the board's objectives. For example, you wrote "There is a industry KSF that provide reasonable driving distance to visitors. Some residents have complained about the traffic going to and from the Magical Land. This is not in line with this KSF". This is not an accurate interpretation of the KSF that API's parks exist to serve a few million people within a reasonable driving distance. Traffic that customers dislike encountering is something that could maybe be tied to high value for money or brand reputation, but it is not something that is significantly influencing their decision to sell Magical Land.

Assessment Opportunity #3 (Sign Licensing Agreement with Pioneer?)



YOU DID NOT ADDRESS THIS ASSESSMENT OPPORTUNITY.

You did not provide a useful quantitative analysis.



*You attempted a quantitative assessment to evaluate whether API should proceed with the investment in the Pioneer licensing agreement for \$200,000. However, your response lacked value since you did not convert your quantitative analysis into what the board was interested in: incremental operating income. Your calculation was training to find a 5-year NPV, which significantly inflated the performance of the investment. To evaluate whether API should proceed with the investment in the Pioneer movie licensing agreement you needed to provide assess how the agreement will impact the operating profit of Magical Land Park given the 30% annual increase to park visitors. Visitors for 2027 are expected to increase to 1,001,371 (770,285 visitors in 2025 * 30%). With other inputs staying consistent, this results in an operating income of \$12.87 million, an increase of \$3.9 million from a current operating income of \$8.9 million. Due to some application errors of the input information, you found an operating income of \$16.9 million. You then calculated a 5-year NPV = \$55 million, which was not the correct approach. In addition, you could have also found that with this improved operating income, the new value of Magical Land would be \$38.6 million (3 x \$12.87 million). At this value, Beacon's \$30 million offer to purchase would no longer be at a premium and would be undervaluing the park if the licensing agreement is signed. You should have also discussed that the licensing agreement includes all five of API's outdoor parks, therefore the total value is likely to far exceed the figures above.*

You did not provide a sufficient qualitative analysis.



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Your response to this AO included mostly case facts covering breadth but failed to provide adequate depth to your discussion. You did not link your statements back to the reasons why they were relevant considerations for API to make a decision. For example, you said "there is a risk of cash outflow if API violate the agreement and it will need to pay a penalty", which is a restatement of case facts. When you don't link your points back to the situational assessment, KSFs, or goals of the company, your points can lack value. When you provide a qualitative point from the case, always make sure you include the implications of the point and how it might affect the strength/weakness of what you're discussing. Here you could have taken your comment a step further by that "given API's current cash position, they cannot afford to suffer a penalty". You also wrote "Pioneer's brand name will attach with API. If the movie is not success. There will be negative impact to API's reputation and profitability." This is weak point because it does not describe the impact of reputation or profitability loss. The key point here would be that API's board objectives are to increase number of visitors and increase operating income, and if the Pioneer movie is unsuccessful, the performance of this investment could suffer and cause them to not meet these goals.

Assessment Opportunity #4 (Sign lease agreement with Pixel and open arcade at Magical Land?)

YOU DID NOT ADDRESS THIS ASSESSMENT OPPORTUNITY.

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You did not provide a useful quantitative analysis.

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You did not provide a sufficient qualitative analysis.

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Assessment Opportunity #5 (Develop a new VR attraction or sell the existing Arctic VR attraction and associated technology?)

YOU DID NOT ADDRESS THIS ASSESSMENT OPPORTUNITY.

☐

You did not provide a useful quantitative analysis.

☐

You did not provide a sufficient qualitative analysis.

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Although you provided some discussion of this option, your analysis lacked breadth and was limited to just a few points, particularly in the cons. When both sides of the issue are not given sufficient analysis, it leads to an unbalanced discussion of the issue. Your response had just one con point that was not quantitative in nature but it was still not a very valid point for decision making. You wrote "The upfront cost is extremely high of \$20M. This is way more than API's current \$1M cash on hand. API will need other resource for funding this investment". This is true for a few of the investments and therefore not really a differentiating factor. This is a point that should be considered as part of your quantitative analysis. Next you wrote that "the board have different opinion with this significant investment. This will have negative impact on the decision making." As the CPA, you are being hired to provide a third-party assessment to help the decision-making, so the perspectives of the board members are not particularly relevant here. The case provided a lot of specific disadvantages that could have been incorporated into your analysis, such as that the increasing popularity of high-tech attractions has led to increased competition which could lead to weaker performance of this and future VR attractions, many of the competitors are large multinational companies with greater access to capital to invest in new technologies so API may have trouble keeping up, and to pursue this option API would need to sell Magical Land to finance the investment which would be a major shift in their strategic focus and could isolate their core audience. In order to provide quality advice to the company, highlighting these key decision factors and integrating them into your discussion is important to add value to your response.

Summative Assessment #2 - Analysis of Issues

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

Overall, your response would be improved by paying more attention to the important factors in the case and ensuring that you integrate these factors into your decision-making overall. There are important situational assessment factors that you highlighted in your response, but you often failed to make the connections between these and the case facts in your analysis of the strategic options. There were occasions where your qualitative analysis lacked depth or breadth and you needed to take your commentary a step further. This was clear on several AOs. Your quantitative analyses were generally well done. You did well to choose the right tool to assess the investments in a way that meets the board objective of increased operating income and high growth. Continue to discuss what the numbers mean in terms of making a decision that fits within API's objectives and constraints.

Summative Assessment #3 - Conclude and Advise

YOU DID NOT ADDRESS THIS ASSESSMENT OPPORTUNITY.

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You did not provide an adequate amount of discussion pertaining to API's \$9 million loan repayment to R&W bank.

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You did not provide an adequate amount of discussion pertaining to the core strategic elements of the simulation (such as the board's investment objectives, the preferences of young adults versus parents with young children, and/or the company's potential focus on either high-tech or classic rides/attractions).

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You appeared to address and conclude on the strategic options individually, but you were not able to take a step back and link them into an overall strategic recommendation that integrates the main strategic elements of the case. These elements were the board's investment objectives, customer preferences, high tech vs classic attractions, and the cash constraint. API's typical park visitors of families and young children have different preferences than the young adults that would be the target customers for more technology-forward options. This should have been highlighted more clearly in your overall conclusion. Retaining Magical Land while investing in Pixel arcades could deter some young families who do not want screen-based entertainment available to their children. Between the options, there were interrelationships that existed as a result of synergies that would imply that certain options could be recommended together. For example, it only makes sense for Pioneer licensing agreement to be pursued if Magical Land is retained because API needs that core park as part of the main phase of the marketing campaign and the benefit of increasing visitors to Magical Land. Unfortunately, you sold Magical Land to generate the funds to repay the \$9 million loan, but still recommend pursuing Pioneer Pictures because you felt you didn't have the funds to pursue the other investments. This was, therefore, not a compatible recommendation and it was also incorrect, as you would have had \$21.8 million remaining and could have done the VR experience or the Pixel arcade (although Magical Land is required for that one as well). Finally, it was not clear how the board preferences influenced your final recommendations. You started your global conclusion with "since the API's objective is to increase operating income and increase the number of visitors to its parks. As well as the board prefers invest with the highest growth potential", which shows that you are clear on what API's goals are. However, you did not use any of those reasons to support your recommendations to sell Magical Land or to invest in the Pioneer deal, nor for declining the VR options.

You did not provide conclusions/recommendations that API could use to make effective and informed decisions.

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

While it is important for your final conclusion to restate the recommendations of each strategic option, the final conclusion of your response provides you with the opportunity to take a step back and advise on the company's overall strategic approach. Within the simulation there were many opportunities to conclude based on API's objectives (increase operating income and number of visitors), the current cash needs, and choosing the investment with the highest growth potential. It is important to consider these links in your qualitative analysis of each of the issues so that you can make the strongest recommendation. In the future, focus on integrating your individual conclusions into a cohesive overall recommendation that makes good strategic sense given the company's big picture situation and the board's objectives. You did well to discuss and recommend based on the need to repay the \$9 million loan in 5 months, ensuring that your recommendations were financially feasible. Continue to take this approach in the future.

Summative Assessment #4 - Communication

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

☐

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

Overall, your communication was good. Your paper was well laid out and easy to follow, using bullet points and headings appropriately. Your spelling and language use were suitably professional.

Reviewer's overall comments on candidate's performance:

Overall, your paper addressed each issue and there were some strong sections. Your main drawback was the lack of depth and connection of the situational analysis throughout the rest of your paper. Each strategic issue contains many new points that are often easy to list as pros and cons. However, in order to provide an adequate response, you must consider specifically how each case fact will affect API if they proceed with the option being discussed, as well as the impact on API's overall strategy. Avoid providing simple qualitative statements or simply restating case facts, as this does not add value to your response. Always strive to provide the implications of that point and how it will affect the strength/weakness of the proposal. You also need to provide a balanced discussion of pros and cons in order to make a complete analysis of each option. Your selection of an appropriate quantitative tool and use of the appropriate information from the case when formulating your calculations was well done. Continue to ensure that your calculation prioritizes the company's key objectives (such as API's objective to increase operating income) and that you include a meaningful discussion/comparison of your calculation results to ensure you are informing your decisions through your calculations. In the future, ensure that your recommendations are not made in isolation from each other and/or the overall entity-level strategic considerations of the simulation. Rather, make sure you provide an overall conclusion that ties your entire response together into an integrated strategy.