

YOUR PERFORMANCE ANALYSIS

2017 Common Final Examination (CFE)

Day 1 FVT V1

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Candidate Number XXX

Enclosed is your personalized performance analysis report for Day 1 of the September 2017 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 2017 CFE.

Your report has been prepared by Day 1 senior markers who attended the CFE marking centre. They have used their judgment and knowledge of the case scenario and the marking guidelines that were applied at the 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.

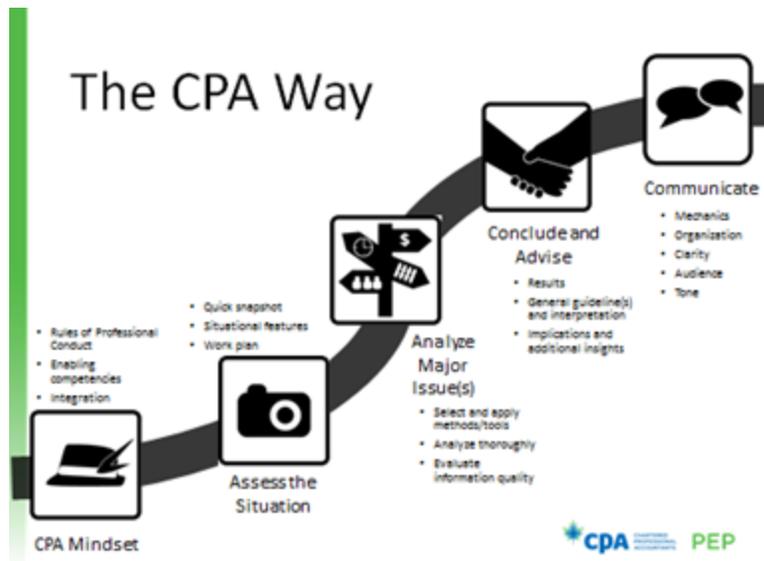
There are two parts to this report:

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 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 BOE is looking to see if you can “think on your feet” and deal with a change in circumstance from what you saw within a 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 select and apply appropriate methods and tools to enable them to support their conclusions and recommendations with appropriate and sufficient analysis of the situation and issues.

Section A – Summary of Performance

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The table below highlights the specific areas where you either did or did not meet the minimum standards set for Day 1 on the September 2017 CFE (**FVT 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
Conclusion and Advice		X
Communication	X	

Section B – Detailed Comments

Situational Analysis

Analysis and decisions on major issues need to be considered in relation to FVT's internal and external environment. This includes identification and integration of its mission and vision, key success factors, strengths, weaknesses, financial assessments and industry trends, and integration of the related items found in Capstone 1 with the updates provided in the Day 1 case. The focus of this section of the response should be on describing the factors that have changed and that affect the decisions to be made. The situational analysis **must be** integrated into the analyses for it to be considered useful.

Analysis of the Major Issues

Issue Identification

The major issues were: a potential investment in VRT, a decision on closing the Sarnia locations, a decision on the sale or buy out of CBG, and investment and financing of PPV in additional theatres. All the major issues in the FVT case were important and should have been addressed. In addition to these decisions there were governance issues (Stephanie's reluctance to support the new mission and vision) and ethical issues (Zobair's behaviour re: CBG and comments re: Flixrewards) that should have been addressed.

Quantitative

A balanced analysis requires consideration of both the quantitative and the qualitative factors. A detailed quantitative analysis was not required. However, the quantitative information provided in the case should have been analyzed and used to support a conclusion. All quantitative analyses included in the response should have been presented in a manner that was useful to the client.

Qualitative

A balanced analysis requires consideration of both the quantitative and the qualitative factors. The qualitative analysis should include a discussion of the key decision factors, integrating the information from the situational analysis into the discussion.

Conclusion and Advice

The report should include conclusions. After performing both a quantitative and a qualitative analysis that incorporated elements of the situational analysis, a conclusion should have been drawn and advice provided for each of the major issues facing FVT (VRT, Sarnia, CBG, PPV). Stepping back to see the bigger issue, the impact of each decision on FVT including the financial constraint/covenant, was also important.

Communication and Other Overall Comments

The report should be written clearly and presented in an organized, logical format. The report should take into account the users and ensure that their requests and needs were addressed in the report.

Section B - Detailed Comments

Day 1 V1 First View Theatre (FVT)

Summative Assessment #1

Assessment Opportunity #1

Situational Analysis

Did the candidate utilize a reasonable situational analysis when analysing the major issues facing FVT?

You did not integrate elements of your situational analysis (mission/vision/objectives/ksfs/trends) when analyzing the major issues FVT was facing.

Your consideration of the elements of a situational analysis was limited in scope.

Reviewer's additional comments and recommendations for improvement:

Some of the quantitative analysis you provided in this area was not very useful. For example you calculated ratios for 2016 and 2017 and the change in the ratios, including "Quick ratio 0.39 0.22 0.17 0.44". This may not have been a good use of time. There was no indication in the case that there were short term liquidity issues. You appropriately identified the changes in FVT's mission and vision and other changes in the environment. For example you explained "There have been changes made to Mission and Vision statements. With the revised vision statement, while FVT still focuses on providing premier entertainment experience, FVT is strived to be at the forefront of providing such service, along with the state of art entertainment experience. The changes made to the Mission statement is that FVT shifts its focus on investing in leading-edge film projection technology in order to be the first company to implement this technology for the customer's improved viewing experience. " You made some good use of the SWOT in your analysis of the issues. For example "- This aligns with the revised mission and vision statements, where FVT strives to the forefront of providing premier and state-of-art entertainment to our guests." Doing more of this will increase the strength of your report.

Summative Assessment #2

Analyzes the major issues

Did the candidate complete a reasonable assessment of the major issues facing FVT? (AO#2 to AO#6)

Assessment Opportunity #2

Investment in VRT

YOU DID NOT ADDRESS THIS ASSESSMENT OPPORTUNITY

You did not provide a useful quantitative analysis.

X

An estimate of the potential return was provided by Victor (Appendix V). In order to make an informed decision it was necessary to consider the return in relation to the required investment "Due to its unique nature, we will want an annualized return of 30%.". This could be done by calculating a rate of return and/or NPV and comparing it to FVT's goal. Your response included a calculation of the total return over the 5 year period "FVT currently has sufficient cash balance to pursue this investment at \$2 million in return on 10% ownership. The return on this investment is 500% (illustrated in Exhibit II), which has a significant return rate." This was not as useful.

You did not provide sufficient qualitative analysis.

Assessment Opportunity #3

Decision on proposed changes to Sarnia locations.

You did not provide a useful quantitative analysis.

X

It appears that you attempted to calculate the NPV of renovations to the Sarnia locations. However you included only 1 years cash flow from operations. Additional useful analysis that could have been provided, included calculation of the cost of closing Sarnia net of proceeds from assets disposed of (net assets excluding goodwill and leasehold improvements), the cash flow for option 3 renovation after the costs to renovate and/or further analysis of the attendance deficit for example.

You did not provide sufficient qualitative analysis.

X

You provided very limited qualitative analysis of the options for the Sarnia locations. Essentially you listed the potential impact of shutting it down "- Closing down the business would negative impact the reputation of the company and this negative impact can be pervasive and may impact on other location's operation.- Closing down may not be aligned with firm's mission to support the entertainment and art in the local community. - The last renovation with Sarnia location was 9 years ago and this implies that the venue at the Sarnia has been teared down significantly and less refurbishment also contributed low number of attendees at the Sarnia location. " Providing a thorough analysis of all options, in this case keep open with stable or reduction in prices, renovation and closure, is necessary for a strong response.

Assessment Opportunity #4

Decision on Connery's Bar and Grill (CBG)

YOU DID NOT ADDRESS THIS ASSESSMENT OPPORTUNITY.

You did not provide a useful quantitative analysis.

You calculated the value of CBG and the amounts that FVT would be required to buy Fred's share. In order to make an informed decision it would be necessary to compare the potential proceeds from the sale of CBG to McCain and the cost of the buy out options.

You did not provide sufficient qualitative analysis.

You did not consider all three options: sell 100% of CBG to McCain, FVT purchase Fred's 25% of CBG or allow Zobair to purchase 25% of CBG. A complete analysis should have considered all options. Although you identified all three options "FVT currently has three options: (1) Buyout Fred, (2) Sell CBG to McCain and (3) Sell Freds portion to Zobair's wife. " you did not analyze each. Your qualitative analysis was limited to "- Fred is one of the key success factor of the CBG. With his departure, the CBG may not generate same level of cash flow. - With the sale of CBG, FVT needs to outsource the light lunches from 3rd party or discontinue offering those selections. This may lower the quality and selection of service that the customers used to enjoy. - FVT does not have an experience in running a business. - The size of management is already reduced and the firm may not have enough management resource to oversee the restaurant operation.- With the sale of CBG, FVT will lose the synergy created from the acquisition.- Zobair's wife's expertise and competency in operating a restaurant business is not examined. " To improve your response you should ensure that you consider all of the options in sufficient detail to make a conclusion.

Assessment Opportunity #5

PPV investment decision

YOU DID NOT ADDRESS THIS ASSESSMENT OPPORTUNITY.

You did not provide a useful quantitative analysis.

You did not provide sufficient qualitative analysis.

The case provided an estimate of the npv for this potential investment. Your quantitative analysis was limited to repeating the fact from the case "PPV installation is proven to generate positive NPV." Useful analysis included calculation of the payback period, and calculation of return on investment and comparison to FVT's objectives.

Assessment Opportunity #6

Ethical and governance issues

YOU DID NOT ADDRESS THIS ASSESSMENT OPPORTUNITY.

You did not identify/analyze Zobair's actions which indicated potential ethical problems.

You did not appropriately address the ethical concerns related to Flixrewards errors.

You did not identify/analyze Stephanie's position on strategic issues that indicated potential governance problems.

Summative Assessment #2

Analyzes the major issues

Reviewer's additional comments and recommendations for improvement:

Several times in the board dialogue Stephanie made comments that appeared to indicate that she disagreed with FVT's new mission/vision (e.g. "the mission and vision statements were changed, after much heated discussion, with Stephanie being the only dissenting shareholder". This should have been identified and discussed as a potential governance issue going forward.

Summative Assessment #3

Conclude and advise

Did the candidate provide useful conclusions on the major issues, rank the issues appropriately and recognize the constraints?

YOU DID NOT ADDRESS THIS ASSESSMENT OPPORTUNITY.

You did not provide adequate conclusions and advice on the issues FVT was facing.

While you concluded on individual issues you did not provide an overall conclusion which brought together the various issues which you addressed. Your recommendations did not consider financial constraints on future investments such as the limit of \$2.5 on investments that the Board placed in effect or the maximum borrowing.

Reviewer's additional comments and recommendations for improvement:

The recommendations you provided for the issues were clear. For example "Conclusion FVT should not invest in PPV but rather save capital for the newer technology coming out next year."

Summative Assessment #4

Communication

Strengths and weaknesses in your communication:

Your communication was generally well done and easy to read and follow. It is useful to format your excel with commas and no decimal places. For example instead of "4173.333333" format as 4,173 (thousands).

Overall

Reviewer's additional comments and recommendations for improvement:

Thoroughly read the case. In your calculation of the value of CBG you stated "The calculation is based on the discount rate required rate of return of 15% as the rate of return appropriate for the restaurant industry was not provided. " the rate to be used was provided in the case "We need an idea of the value of CBG in order to make a decision. I do not think there has been any change in the rate of return of 17% in the restaurant business since 2017." Your response was short at approximately 2,800 words. In order to fully analyze the issues try to provide more coverage.