Section 1  
Introduction of e-Exams

The December 2017 Integrative Business Solutions (IB) module examination was successfully conducted using e-Exam software, the first paperless examination for the Singapore Accountancy Commission (SAC). The SAC will progressively convert all examinations to an e-Exam format, with the four professional programme modules being administered as e-Exams for the June 2018 session.

Completing the IB examination using the e-Exam software gave Candidates access to all the data and software programmes on their personal laptops. Candidates were also permitted to use any paper-based materials and books which they felt would be useful, simulating the closest environment to their daily routine at work, but with all internet access and other forms of electronic communication access disabled. There was no change to the total length of the examination, remaining at four hours and 30 minutes.

About the case study company

As with previous IB examinations, Candidates received Advance Information (AI) documents approximately three weeks before the examination date to undertake research, analysis, and preparation. The AI documents contained information, including financial data, on a hypothetical company named Hikari-FAB Pte Ltd (H-FAB) and it had a total of 52 pages with 18 exhibits. This home-grown company was the brainchild of a young entrepreneur who had always dreamed of heading her own fashion label. Her clothing lines and accessories were geared towards the avant-garde and daring, which set them apart from much of the market, including run-of-the-mill blog-shops and fast fashion brands.

The Examination Day Documents (EDD) were given to the Candidates on the examination day itself. The EDD completed the case study scenario introduced in the AI and set out the requirements for the report that the Candidates were required to write. The EDD had 21 pages with 6 additional exhibits. Candidates were expected to combine their pre-reading and analysis of the AI, their other pre-examination research, and the new information in the EDD to address the issues raised in the requirements and demonstrate their ability to work diligently and accurately under time pressure.

New information in the EDD provided various options for expansion that were not necessarily mutually exclusive. These options tested the Candidates' ability to apply their knowledge and professional judgment to recommend the most viable
combination having regard for both the short-term and long-term goals and performance of the company.

**General comments on the overall performance of Candidates**

Approximately a third of the Candidates did not sufficiently analyse the information and/or communicate their findings. Future IB Candidates are strongly advised to prepare for and actively participate in the activities presented in the IB Workshops and to draw upon these activities when they are undertaking their analysis of the AI and when writing their reports. Valuable marks were lost because Candidates neglected to use the appropriate tools that they had developed throughout their Singapore CA Qualification candidature, resulting in a disjointed generalised narrative rather than presenting viable options, outlining appropriate plans to achieve strong organisational performance, and recommending sustainable value-added solutions in a comprehensive professional report.

Many Candidates failed to clearly structure their report. The main body of the report should be divided into sections and each section should have its own heading incorporating keywords from the specific requirement part that is being addressed (a signpost for the reader). Experience shows that logical headings within a report break up the text and make the structure of the report easier to understand, and this makes the report easier to read and more professional (and will garner more positive grading).

It was clear that a number of Candidates had undertaken extensive analysis and written summary points as part of their preparation, however, many of these Candidates were then unable to adapt to the surprises and twists in the EDD, resulting in generalised statements that did not address the requirements. While the SAC strongly encourages Candidates to form study groups and attend tuition classes, trying to force fit pre-prepared solutions to the scenarios and events provided in the EDD is likely to result in a poor performance and even failure. In this regard, Candidates are reminded that plagiarism, collusion, and all forms of cheating in an examination will be subject to misconduct disciplinary rules, which may result in failure of the module and/or being excluded from becoming a Chartered Accountant of Singapore.

**Section 2**

**Analysis of individual questions**

**Requirement 1 – Executive Summary**

This requirement asked Candidates to prepare an Executive Summary of the issues they raised in response to requirements 2, 3, and 4. The examiners expected more from the Candidates for this requirement. Time management continues to be an area where improvements can be made. Writing an Executive Summary is a standard requirement of all IB examinations. Candidates should have a very clear understanding of the structure of the Executive Summary. For example, hardly any Candidate did an official signoff in their report, and some Candidates did not even have the addressee in the Executive Summary.
To do well, Candidates must prepare their summary to the same standards that are expected of them when communicating with their clients on professional matters. Candidates must exercise professional judgment in deciding the key findings to include, state their final recommendations, and main justifications. Many Candidates lost marks because their summary was not a true summary of the body of their report or their summary did not deal with pertinent points. It was also clear that some Candidates were ambivalent in their analysis and recommendations or gave very general answers that were not specific to the various requirements posed.

The weaker Executive Summaries were generally not well organised and did not adhere to a proper format. As in previous IB examinations, most Candidates merely summarised their standalone answers to requirements 2 to 4 without any attempt to draw out the common and compounding impacts and implications arising from the issues in each requirement. Several Candidates did not provide any key numbers to support their final recommendations and most Candidates’ summaries ended abruptly after discussing requirement 4 with no thank you to the client or signoff.

### Requirement 2 – Financial Performance

Many Candidates did not address this requirement specifically and wasted time providing extensive irrelevant financial analysis numbers - adopting a scattergun approach by including all their pre-prepared calculations regardless of whether they were relevant or not without applying professional judgment based on the new facts presented in the EDD.

A number of Candidates also neglected to provide quality commentary to give insights to the calculations made and to enlighten the reader as to the value and significance of the financial analysis presented.

This outcome is indicative of Candidates who were unable to determine the key numbers to report and who did not apply professional judgment and scepticism when reporting trends and projections.

One area where the Candidates performed satisfactorily was advising on the financial reporting issues that would have significant implications for H-FAB as the business grows.

Candidates are reminded to make good use of the activities undertaken during the IB Workshops and to draw upon these activities when undertaking their analysis of the AI and when writing their reports. Despite extensive reinforcement during the IB Workshops, almost 75% of Candidates neglected to make reference to appropriate models (e.g. PESTLE, Porter’s Five Forces, etc.) when providing an overview of the prospects of the fashion industry in Singapore and, therefore, lost valuable marks.

### Requirement 3 – Investment appraisal

While extensive financial analysis was undertaken in preparation for the examination, Candidates came less well equipped to address the valuation
requirement. A number of Candidates neglected to read this requirement carefully and overlooked important instructions (for example, did not provide a valuation for Plan A or Plan B).

Discussion on the valuation methodologies was shallow, with a number of Candidates using listed companies as a benchmark then contradicting themselves (for instance, using a discounted cash flow model despite acknowledging that H-FAB was in an unstable growth phase). Another area for improvement is in the clear articulation of, and justification for, the assumptions used.

Some Candidates just reproduced their prep-prepared valuation of H-FAB without using the new information in the EDD or actually answering the question.

**Question 4 – Venturing into Malaysia**

Despite multiple signposts in the AI, many Candidates came under-prepared for a tax-related requirement. This requirement was split into two parts. **Part (a)** sought advice on the Singapore income tax implications of the proposed arrangements to H-FAB and to Ling Ng (the founder) and required Candidates to provide a computation of H-FAB’s minimum annual Singapore income tax payable.

Most Candidates did not provide any analysis of or discuss Foreign Tax Credit (FTC) pooling. Many Candidates also did not include a Singapore tax computation even though this was specifically required. In relation to Ling, many Candidates overlooked the personal income tax issues altogether, while a minority of Candidates wasted time discussing issues relating to Goods and Services Tax (GST), stamp duty, and customs duties which were not required.

In relation to structuring the venture in Malaysia (**Part (b)**), many Candidates only looked at the Malaysian tax implications but then did not advise on the Singapore tax position. In addition, some Candidates did not interpret the agency risk associated with the Permanent Establishment (PE) correctly.

The overall performance for Question 4 would seem to suggest that the Candidates were generally weaker in tax planning.