

YOUR AUTOMATED FEEDBACK REPORT
May 2022 Common Final Examination (CFE)
Day 1 – CTI V1

Day 1 – CTI Version 1

Candidate Number:

Enclosed is your Automated Feedback Report for the Day 1 portion of the May 2022 Common Final Examination (CFE). This Report is provided to all candidates who received a failing status on Day 1 of the CFE. Commentary on the Day 2/3 portion of the exam is not provided in this Report.

The automated feedback in this report highlights the aspects of your response that were either missing or did not meet the minimum standard for demonstrating competence as established by the Board of Examiners. Since each Day 1 case is unique and includes different issues, you are strongly encouraged to use this report to identify the high-level weaknesses in your approach to responding to Day 1 rather than on your performance on the specific issues that are unique to this simulation.

Using the marking data collected, this feedback report is automatically generated based on your response. You will notice that the feedback comments are general in nature, as they were developed to describe the main deficiencies exhibited by most candidates. Therefore, while this report is provided to help you identify the key deficiencies in your response, it is important to note that some subtleties of your particular response may not be captured in this generalized report. To obtain feedback more tailored to the specifics of your particular response, a personalized Performance Analysis Report (PAR) can be requested for an additional cost. Contact your provincial body for more information.

SUMMATIVE ASSESSMENT OPPORTUNITY #1 – Situational Analysis

Your response to this Summative Assessment Opportunity met the Board of Examiners' minimum standard for competence, and therefore, this Automated Feedback Report does not include any specific feedback concerning this aspect of your response.

SUMMATIVE ASSESSMENT OPPORTUNITY #2 – Analysis of Major Issues

AO#2 Qualitative Section

Response to the Sengames Acquisition AO lacked sufficient qualitative depth

You did not discuss the implications of the case facts provided to the level of depth that was required. In order to provide value to the users of your report, you need to elaborate on the case facts that you choose to include within your analysis by discussing the implications of how those case facts may affect the outcome of the potential strategic investment.

For example, for this strategic alternative, the following case fact was provided in the simulation: "Irene has agreed to work for CTI if we purchase Sengames". Simply listing a case fact like this one within your analysis is not sufficient. Instead, the user of your report should be provided with a relevant discussion of how the case facts you choose to include in your analysis may affect the viability of the alternative. In this example, a potential implication could have been: "Irene's expertise for games and puzzles made for the over-60-years-old market could be a major asset for CTI. Given that CTI currently lacks experience within this market, it may be challenging to incorporate Sengames within CTI's existing business. Irene's offer to work for CTI would likely help to mitigate this risk."

AO#2 Quantitative Section

Response to the Sengames Acquisition AO did not challenge or question the quantitative data provided by Sengames

Although all the quantitative data provided for the Sengames acquisition came from Sengames, you did not question the accuracy or validity of this information to the level of depth required. For example, the income statement for Sengames was prepared by Irene (the owner of Sengames who does not appear to have a background in accounting or finance), and the valuation of the patents was made by Sengames themselves. Given that Sengames has a vested interest in making their business appear as valuable as possible, the data should have been questioned, and a recommendation should have been made to conduct further due diligence.

AO#3 Qualitative Section

Response to the Marly Endorsement Proposal AO lacked sufficient qualitative breadth

You did not identify and discuss a sufficient number of the case facts that were provided in the simulation. For example, you were provided with the following case facts that were relevant to this investment alternative and that could have been included in your response:

- *Marly may be willing to help with the development and alterations of CTI's products; her input may prove valuable and could result in better products.*
- *More and more companies within the toy industry are using celebrity endorsements to market and differentiate their products. CTI could follow this trend and use Marly to help promote its products. Moreover, given this trend, without an endorsement deal, CTI's product sales may lag behind the products that have an endorsement.*
- *Marly is only 14 years old, and it may be a challenge to work with her (through her agent), especially when she appears to have strong opinions about where CTI should allocate its focus/investment dollars.*

It is important to read the case carefully to identify the case facts that are relevant to the decision that you are required to analyze. Relevant case facts include both the macro-level considerations that are a part of the entity's overall situation (SO#1) as well as the case facts that are specific to the alternatives that you are required to assess. It is important to include and discuss both types of case facts within your analysis of the major issues.

Response to the Marly Endorsement Proposal AO lacked a sufficient discussion of a crucial decision factor

You did not discuss a crucial aspect of this strategic investment decision to the level of depth required. Given the large impact that they may have on the outcome of an investment decision, certain case facts are more important than others and should be discussed in depth.

For this AO, a strong response would have identified and discussed the following important decision factor:

As Thomas pointed out, the terms of the endorsement deal as proposed by Marly and her agent appear to be unreasonable and should be renegotiated. For example, the stipulation that 80% of the profits made through her endorsements need to be reinvested into CTI's traditional games and puzzles would significantly limit CTI's ability to control their own investment capital. Further, the current proposal requires CTI to pay Marly \$3 million in upfront cash for a five-year contract. However, it is unclear whether this endorsement will be valuable to CTI over that entire period. Rather than an upfront fee, it would be more fair to CTI if an annual payment was made with the stipulation that if Marly's public reputation is damaged for whatever reason, CTI can pull out of the endorsement deal with no penalty.

AO#3 Quantitative Section

Response to the Marly Endorsement Proposal AO lacked a valuable quantitative analysis

The quantitative analysis that you provided was not valuable in relation to helping CTI assess the attractiveness of this opportunity. Within the simulation, you were provided with the information necessary to calculate the estimated effect of the potential Marly endorsement on CTI's overall profit. This estimated effect on the company's profit should have then been compared to the initial expense of the endorsement (\$3 million). Your response lacked value because you failed to provide a quantitative analysis that the company could effectively use to assess the viability of this strategic alternative. This could have been because your calculation contained too many errors, was not comprehensive enough, or did not involve using an appropriate quantitative assessment tool.

AO#4 Qualitative Section

Response to the KILO Upgrade/Downgrade AO lacked sufficient qualitative depth

You did not discuss the implications of the case facts provided to the level of depth that was required. In order to provide value to the users of your report, you need to elaborate on the case facts that you choose to include within your analysis by discussing the implications of how those case facts may affect the outcome of the potential strategic investment.

For example, for this strategic alternative, the following case fact was provided in the simulation: “The industry is trending towards video games, and KILO has the potential to truly take off”. Simply listing a case fact like this one within your analysis is not sufficient. Instead, the user of your report should be provided with a relevant discussion of how the case facts you choose to include in your analysis may affect the viability of the alternative. In this example, a potential implication could have been: “It is clear that video games are gaining popularity and that CTI can capitalize on this growth through making investments into the development of video games. However, CTI should try as best as possible to ensure that the company’s traditional game/puzzle division is not negatively affected by these kinds of investments (such as through a loss in focus on the company’s main driver of revenue and profit which is currently the game/puzzle division).”

AO#5 Qualitative Section

Response to the BATNIX Development Proposal AO lacked sufficient qualitative breadth

You did not identify and discuss a sufficient number of the case facts that were provided in the simulation. For example, you were provided with the following case facts that were relevant to this investment alternative and that could have been included in your response:

- *Experts contend that young people should spend more time with educational products that help develop creative and critical thinking; given the information that has been provided about BATNIX, it appears that the game aligns with the recommendations of these experts.*
- *Marly mentioned that she may help promote CTI's video games if the games were socially responsible. Given the proposed elements of BATNIX, Marly might be willing to help promote the game, which could help increase sales.*
- *Although growing, the market for video games like BATNIX is small compared to the market for KILO; given CTI's limited investment dollars, it might make more financial sense to invest in KILO's upgrade.*

It is important to read the case carefully to identify the case facts that are relevant to the decision that you are required to analyze. Relevant case facts include both the macro-level considerations that are a part of the entity's overall situation (SO#1) as well as the case facts that are specific to the alternatives that you are required to assess. It is important to include and discuss both types of case facts within your analysis of the major issues.

Response to the BATNIX Development Proposal AO lacked sufficient qualitative depth

You did not discuss the implications of the case facts provided to the level of depth that was required. In order to provide value to the users of your report, you need to elaborate on the case facts that you choose to include within your analysis by discussing the implications of how those case facts may affect the outcome of the potential strategic investment.

For example, for this strategic alternative, the following case fact was provided in the simulation: "BATNIX promotes less sedentary screen time and more outdoor activities". Simply listing a case fact like this one within your analysis is not sufficient. Instead, the user of your report should be provided with a relevant discussion of how the case facts you choose to include in your analysis may affect the viability of the alternative. In this example, a potential implication could have been: "Although still a video game, BATNIX seems to be more socially responsible relative to KILO given that BATNIX promotes outdoor/educational activities. Some parents will find these components attractive as an alternative to the more entertainment-based/addictive video games such as KILO."

Response to the BATNIX Development Proposal AO lacked a sufficient discussion of a crucial decision factor

You did not discuss a crucial aspect of this strategic investment decision to the level of depth required. Given the large impact that they may have on the outcome of an investment decision, certain case facts are more important than others and should be discussed in depth.

For this AO, a strong response would have identified and discussed the following important decision factor:

Many of the risks that apply to the investment into KILO also apply to the potential investment into the development of BATNIX. For example, finding qualified programmers to help with the development of BATNIX could be a challenge, given the current shortage of these experts. This risk is increased when considering how long it may take to develop BATNIX before it is ready to be marketed. Given that the popularity of video games tends to decrease quickly, it may not be realistic to assume that BATNIX will remain popular long enough for this project to be a profitable one. Before an investment is made, CTI should conduct further market research to quantify and then attempt to mitigate these risks.

SUMMATIVE ASSESSMENT OPPORTUNITY #3 – Conclusions and Recommendations

The conclusions and recommendations provided did not adequately address the limited cash resources that were available to CTI

Within the simulation, it was made clear that CTI had limited cash resources/financing available to make strategic investments. The recommendations that you provided did not consider this constraint to the level of depth required, and therefore, your response lacked value.

The conclusions and recommendations provided did not recognize the simulation's mutually exclusive investment proposals

Within the simulation, it was made clear that some of the available investment options were not possible if other options were chosen. For example, for the Marly endorsement option, it was stated that Marly would only accept the deal if KILO was downgraded back to its original form. Therefore, it would not be possible to both pursue the Marly endorsement as well as the upgrade of KILO. Your recommendations did not recognize these limitations and therefore, your response lacked value.

OVERALL PERFORMANCE SUMMARY OF MAJOR DEFICIENCIES

The qualitative analysis component of the response did not meet the minimum standard

Overall, your qualitative analyses were not strong enough to meet the minimum standard.

In order to achieve an adequate qualitative analysis, it is important to identify and discuss a wide breadth of case facts that are relevant to the decisions that you are analyzing. In addition, you should focus on providing an adequate level of depth by detailing the implications of the case facts you choose to include in your analysis and by focusing on the issues that are the most influential and relevant to the decision at hand. It is important to read the case carefully in order to identify the most important issues as they relate to the decisions and recommendations that are required.

Response did not discuss the company's overall strategic direction to the minimum standard required

In the simulation, you were asked to consider CTI's overall strategic direction. Your response either missed this issue or you did not discuss this component of the simulation to the adequate level of depth, and therefore, your response lacked value.

One example of an overall strategic discussion that would have been applicable to CTI was the split between the traditional aspects of CTI's business (educational games and puzzles) versus the new opportunity to investment in video games that deviated from the company's stated mission, vision, and new corporate social responsibility code of conduct. In relation to this divergence, elements such as the availability of developers, the products that each division already had in development, the alignment with CTI's mission/vision/values, and the level of competition that each division was likely to face could have been integrated within your response to satisfy the company's request for your comment on its overall strategic direction.

The response did not provide an integrated and summative conclusion to the minimum standard required

The final step in your response to a simulation should be to provide an overall conclusion that is consistent with your analysis and that integrates the main elements of the simulation. In your conclusions and recommendations, you failed to consider the implications of the simulation's constraints and therefore, your conclusions lacked value.

In an adequate response, the overall conclusion/recommendation that you provide would have integrated the crucial considerations that were present within the simulation. In this simulation, the integrated conclusion would have focused on whether to move forward with each of the strategic options that were present while also considering the company's available financing and the company's overall strategic direction (such as whether to focus the company's investment dollars on educational products or entertainment-based products similar to KILO). By providing an integrated conclusion, the ability to step back and see the larger implications that your recommendations would have on the company is demonstrated.