

YOUR PERFORMANCE ANALYSIS

**September 2021 Common Final
Examination (CFE)**

Day 1 DHC VERSION 3

Candidate Number

Enclosed is your personalized performance analysis report for Day 1 of the September 2021 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 2021 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.

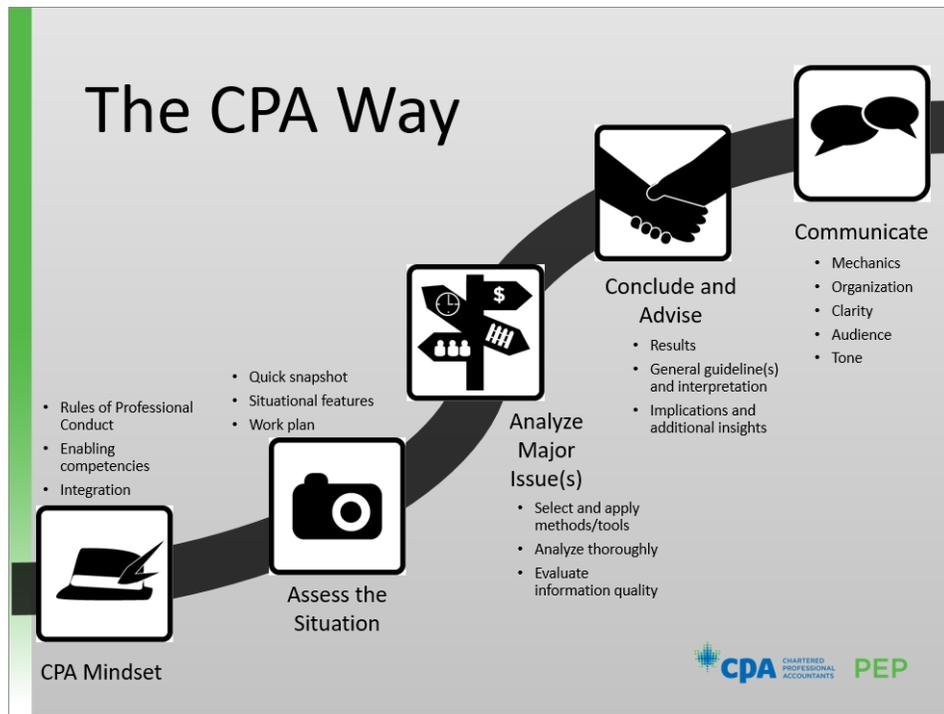
There are two parts to this report:

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 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 2021 CFE (**DHC Version 3**). 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 3 case, there are a couple of significant changes that affect the company on a holistic level i.e., the negative attention DHC had suffered in Eastern Canada as a result of Doug and the proposal to leave Eastern Canada in order to build the Western Corridor. 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 include whether to purchase an equity interest in Peak Revie, whether to purchase HHH, whether to purchase and renovate the castle in Tofino, and whether to renovate the hotel in Cape Breton. The final major issue pertained to whether DHC should leave Eastern Canada to instead focus the company's operations in Western Canada (the discussion of this issue could have been integrated into the discussion of the other major issues as well). 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 Version 3 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 major quantitative element relative to the Western Corridor opportunity (AO#6).

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 negative attention DHC had suffered in Eastern Canada as a result of Doug and the proposal to leave Eastern Canada in order to build the Western Corridor.

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 DHC may lack the cash resources necessary to move forward with some of the investment options presented and that DHC does not necessarily have to abandon Eastern Canada in order to pursue the Western Corridor opportunity.

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 V3 DHC

Summative Assessment #1 - Situational Analysis

The candidate uses elements from 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 (i.e., mission/vision/objectives/key success factors/trends) when analyzing the issues/opportunities DHC was facing.

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

Summative Assessment #1 - Situational Analysis

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. Linking your qualitative points back to the current situation and DHC's objectives is important for the client in making a decision. Well done in this area.

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 equity interest in PR?)

YOU DID NOT ADDRESS THIS ASSESSMENT OPPORTUNITY.

You did not provide a useful quantitative analysis.

Although you attempted to provide a quantitative analysis of the Peak Revie proposal, your calculation contained errors that made your result unable to provide value to your decision on this option. You analyzed the return on investment into the proposal, but incorrectly calculated the net profit and did not add the management fee offered to DHC as part of their return on this investment.

You did not provide sufficient qualitative analysis.

September 2021 Common Final Examination (CFE) - Day 1 DHC VERSION 3

The case provided a lot of specific information that could have been incorporated into the advantages and disadvantages of pursuing the proposal. Your response lacked this type of depth in its discussion, for example, you said, "DHC will have access to its fleet vans to transport DHC customers to its hotels which would provide additional personalized customer service to clients". You could have added depth to this point by saying that the vans could add transportation services to the hotel as vacation packages, which are a current industry trend, and transport guests between several DHC properties as part of the Western Corridor proposal. You also provided a bare minimum of pros and cons for discussion to meet the requirements for breadth.

Assessment Opportunity #3 (Purchase HHH hotel?)

YOU DID NOT ADDRESS THIS ASSESSMENT OPPORTUNITY.

You did not provide a useful quantitative analysis.

Although you attempted to provide a quantitative analysis of the potential purchase of HHH, your calculation contained input errors that did not allow your result to provide value to your decision. You attempted to calculate the return on investment, however, you considered the invested amount to be the amount of financing required for the option after the down payment and not the entire cost of the investment. You were also meant to compare the cash flow generated from the investment to the cash required to service the loan from Martha.

You did not provide a sufficient qualitative analysis.

Assessment Opportunity #4 (Purchase and renovate the castle in Tofino?)

YOU DID NOT ADDRESS THIS ASSESSMENT OPPORTUNITY.

You did not provide a useful quantitative analysis.

You did not provide a sufficient qualitative analysis.

Although you provided some discussion of this decision, your analysis lacked breadth. Your analysis was brief and although you did consider some important situational analysis links, there were many other case facts that were important to discuss in this AO. Your analysis focused on the brand visibility of this option, for example, you said, "Furthermore, many celebrities and British royals have also stayed here which not just increases brand visibility but also solidifies the excellent customer service that Tofino castle provides, which aligns with DHC's vision of providing exceptional service in a unique and luxurious historical setting." Although this sentence contained many links to the situational analysis, they were very general and did not add much value to your discussion in terms of identifying and discussing the important case facts. There was an opportunity to discuss areas such as the alignment of the historical property with the mission and vision of DHC, and its closeness to affiliated activities, which are important contributors to the company's success. You also could have discussed the potential of this purchase to lead to more negative publicity from the local population, and how this publicity would have even more potential for poor reviews and ratings in the public eye than the current situation the company is facing with Doug. It may not be worth the risks for DHC given the negativity and uncertainty surrounding the renovation of this property. It is important to focus on these more influential connections to add the required depth to your response.

Assessment Opportunity #5 (Renovate the Cape Breton hotel?)

YOU DID NOT ADDRESS THIS ASSESSMENT OPPORTUNITY.

You did not provide a useful quantitative analysis.

For this strategic alternative, you should have performed an ROI calculation of the renovation of the Cape Breton Hotel, considering the projected increase in ADR and occupancy after the renovations have taken place. Although you attempted to provide a quantitative analysis of the investment, you did not consider revising the projected values after the renovation.

You did not provide a sufficient qualitative analysis.

Your qualitative discussion of the sale of the Cape Breton hotel was very brief, with only a few case facts that lacked depth and links to the situational analysis. For example, one of your cons was, "DHC could escape bad press in the East." which did not explain the deeper implications of this decision to DHC. The case provided a lot of specific information that could have been incorporated into the advantages and disadvantages of choosing to renovate this property. There was an opportunity to discuss areas such as the historical importance of this hotel, and the potential for relatively high performance of the property compared to other locations. It also is an important part of the company's brand visibility as it is the only location left in the east of the country, which would mean leaving the entire market if it were sold. You also could have discussed the risk of this property being exposed to negativity if the bad reviews from Doug Mallette were to spread further east and impact this property, and how that could impact the performance of the property.

Assessment Opportunity #6 (Build the Western Corridor and leave Eastern Canada?)

YOU DID NOT ADDRESS THIS ASSESSMENT OPPORTUNITY.

You did not provide a sufficient qualitative analysis.

You identified that there was an issue regarding the negative reviews by Doug Mallette in Ontario and addressed this by considering the consulting firm's offer to rectify the issue. Your response could have had more value if you discussed the potential impact of these negative reviews on DHC's decision whether or not to fully divest from the east and pursue the Western Corridor by selling Cape Breton. While this could have been a pro for selling the Cape Breton property, given the proposed solution by Camden and Co., it seems like a poor strategy for the company to sell the property based on this easily mitigated issue. It is important to consider the connections between these issues in your response. The Western Corridor was an important proposal in this case and should have been treated as a strategic option for DHC. An industry trend for travelers is to prefer vacation packages where their accommodation, transportation, and activities are purchased together. If DHC were to connect its western properties, by using the vans and choosing hotels with affiliated activities, the company has the potential to improve the ADR and occupancy rates of all of these properties by having guests stay at multiple locations in one trip. This is an attractive proposal, which could affect the individual decision for each of the issues proposed. A strong response would consider the impact of a Western Corridor on the decisions and construct their discussion around this as an overall strategy.

Summative Assessment #2 - Analysis of Issues

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

An adequate qualitative analysis includes a balance of pros and cons and qualitative points that go beyond the restatement of case facts. Many of your discussions missed having a sufficient number of advantages and disadvantages discussed with enough depth to provide the client with value for their decision-making. You encountered problems in your quantitative analysis and often made errors in your calculations that would not have provided DHC with the most relevant and useful information. While your calculations don't necessarily require a lot of detail, it is important to ensure you know how to accurately use each tool for the analysis to ensure you use the correct inputs. An adequate qualitative analysis includes a balance of pros and cons and qualitative points that go beyond the face value issues of the case. A hallmark of Day 1 is the identification of larger issues facing the company that should be integrated into your discussion overall. For this case, that was the Western Corridor proposal. It is important to identify these big picture issues and consider how they might impact each of your recommendations as well as the company as a whole, and address them in each decision you make.

Summative Assessment #3 - Conclude and Advise

YOU DID NOT ADDRESS THIS ASSESSMENT OPPORTUNITY.

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

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

Your combination of recommended investments for DHC resulted in a cash requirement that exceeded what was available to spend

You did not provide an integrated and summative conclusion to the minimum standard required.

Your response did not include an overall summative conclusion.

Summative Assessment #3 - Conclude and Advise

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

Your response failed to consider an important issue to this case which was the availability of financing for all recommended investments. DHC had only \$ 18 million in financing available, which was not enough to invest in all of the options you recommended, which essentially lead to an overall recommendation that was not possible for the company to implement. It is important to consider any constraints the company is facing when making your recommendations to ensure your response is useful to the client. Your recommendations did not clearly address this concern. For example, you suggested that DHC continue with plans to renovate the Cape Breton hotel, while also considering purchasing the Tofino Hotel, and Peak Revie, which would not be possible, even with the sale proceeds of Cape Breton. Providing an overall, integrated conclusion is an important aspect of a Day 1 case. This closing paragraph provides you with an opportunity to take all of the individual issue decisions and integrate them with the larger issues the company is facing and present an overall direction and strategy for the company. This should consider if you are working within any constraints and considering how the individual issues integrate with each other. For example, in this case, it is important to consider the company objectives and the potential for the Western Corridor proposal to increase the overall performance of each western hotel. But it is also important to recognize that not all options can be pursued as DHC has a limited amount of financing. By recognizing these facts, your final conclusion should present a solution that is a realistic compromise between the constraints and opportunities for growth.

Summative Assessment #4 - Communication

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

Summative Assessment #4 - Communication

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

Your communication was generally well done. You provided a good structure to your response, separating the paragraphs and including headings for your quantitative and qualitative analysis, as well as pros/cons and advantages/disadvantages. This made your response easy to read and follow.

Reviewers overall comments on candidates performance:

September 2021 Common Final Examination (CFE) - Day 1 DHC VERSION 3

It is important to keep in mind that Day 1 is designed to test enabling skills. Integration of key strategic points throughout your response demonstrates a depth of understanding of the situation presented. You should take time to think about what type of quantitative analysis would help the client in making their decisions. In most of your calculations, you made input errors so that you did not yield useful information in determining the best course of action. It is also important to compare the results of your calculations to the targets that were provided within the simulation. This will help to support your recommendations. The qualitative discussion in a Day 1 case is an important element, and it is important to address the case facts for each issue with enough breadth and depth. There are often many case facts, and a strong response considers which case facts should be more heavily weighted when making a final decision on the option. There are always some that are more important to the company's overall strategy and direction than others, and it is important to consider these closely when making a recommendation and compromise on the more minor factors. The approach you took to analyze the qualitative considerations was superficial in that most items you presented were case facts with no additional analysis or explanation as to why that case fact was an important consideration and how it would affect the viability of the option that was being assessed. Your qualitative analysis was also limited in terms of breadth (meaning that you did not include a sufficient number of relevant case facts within your analysis). It is important to take the case facts a step further and make a connection to something the company values. Explaining the "why" or "so what" can help you provide value for your client. It would help to do a "step back" on each issue and ask yourself what impact this issue has on the overall company and how it fits with the existing challenges the company is facing, as well as its new goals/objectives (financial constraint, ADR and occupancy rates, and potential integration with the Western Corridor proposal). This larger integration should be incorporated into your analysis and recommendations. The overall conclusion is a key consideration in your paper and an opportunity to highlight your strategic thinking. Taking the time to not only list your individual recommendations, but to discuss how they relate to one another, any global issues you have identified, and your strategic recommendation for the company demonstrates your ability to think strategically about the issues. By ensuring you include an overall conclusion in your response, you would ensure you meet these requirements of the case.