

## SINGAPORE CA QUALIFICATION EXAMINER'S REPORT

**MODULE:** BUSINESS VALUE, GOVERNANCE & RISK

**EXAMINATION DATE:** 18 June 2025

### **Section 1**

#### **General comments**

The June 2025 BG examination focused on NutraJuice Limited, a tropical fruit juice processing company with global operations and Singapore as its key market. The company faced strategic challenges around risk management, corporate governance, sustainability and investment appraisal.

A major focus of the case involves a proposed investment in another company to strengthen NutraJuice's supply chain and expand its product offerings. This opportunity calls for the application of financial analysis and investment appraisal techniques, particularly the Adjusted Present Value (APV) method, to assess potential returns and risks. Financial ratio analysis is also essential to evaluate NutraJuice's current performance and strategic positioning.

Additionally, the company seeks to improve its environmental and social impact by integrating ESG principles into its strategy and reporting, as well as addressing the challenges associated with sustainable manufacturing and distribution in a global context.

The examination tests not only technical competencies in areas such as risk assessment, investment appraisal, governance, and internal controls but also the ability to interpret and communicate complex business issues. Candidates are expected to demonstrate how NutraJuice can enhance business value through strategic decision-making, sustainable leadership, and long-term sustainability planning.

Question 1 assessed candidates' ability to evaluate risk scenarios, propose mitigation strategies, explain how information supports internal controls, and identify ways to enhance value in NutraJuice's manufacturing and distribution operations.

Question 2 required candidates analyse NutraJuice's FY2025 performance relative to FY2024 by performing the followings:

- Calculate key financial ratios using the data provided.
- Interpret the results and assess how these impacted the company's financial outcomes.
- Recommend additional management information, beyond ratios, to enhance decision-making.
- Consider internationalisation strategy.

Question 3 presents two investment options for NutraJuice to expand its fruit supply sustainably. Option 1 involves setting up a new Urban Vertical Farm (UVF) in Singapore, and Candidates are to evaluate this using the Adjusted Present Value (APV) method. Option 2 proposes the acquisition of a UVF start-up. The start-up is valued by its owners at 30 times its current revenue (which is low), prompting candidates to critique the suitability of this valuation given its lack of profitability and early-stage status.

The final part of this question requires a comparative evaluation of the two options, highlighting the pros and cons of building versus buying, before making a strategic recommendation to the Board.

Question 4 assessed candidates' understanding of stakeholder roles in corporate governance, the principles behind Corporate Governance Code provisions, how good governance supports financing from lenders, and the advantages, challenges, and feasibility of sustainability initiatives.

Candidates are encouraged to complement their technical skills with stronger interpretation, application, and structured analysis. While calculation abilities are generally sound, greater focus is needed on interpreting results and drawing commercially relevant conclusions.

In governance and sustainability questions, candidates should use their own words to explain concepts, provide practical, business-focused recommendations, and apply principles to the case scenario rather than relying on generic or textbook responses.

Careful reading of each question and effective time management are essential. All questions should be attempted, with sufficient depth in later responses. Including clear conclusions or recommendations where required is key to achieving full marks.

Structured, well-reasoned, and case-specific answers will better demonstrate the applied understanding expected at this level.

## **Section 2**

### **Analysis of individual questions**

#### **Question 1**

Part (a): For this part, Candidates were required to evaluate four risks identified by NutraJuice's by considering its risk frequency (high/medium/low) and risk impact (high/medium/low).

Generally, Candidates performed well although some confused the explanations of risks "Likelihood" with "Impact". Additionally, some Candidates answered the questions with one-word answers such as High, Medium, Low without providing any supporting justification based on case facts. This lack of elaboration made it difficult to assess whether they fully understood the risk assessment process or had properly

interpreted the scenarios. Providing clear, well-supported explanations is essential to demonstrate a thorough grasp of how likelihood and impact influence risk evaluation.

Part (b): For this part, Candidates were required to advise a risk mitigation strategy for each risk evaluated in part (a).

Generally, Candidates performed well, however some responses included generic and unelaborated risk mitigation answers (e.g. training, automation). In some cases where elaboration was provided, some of the explanations were irrelevant to the case study. Candidates were advised to offer more detailed and relevant explanation in order to achieve higher marks.

Part (c): For this part, Candidates were required to explain how the characteristics of information can strengthen the internal control environment and provide an example related to the sales, procurement or production operations of NutraJuice.

Candidates did not perform well for this part. While most candidates demonstrated an understanding of each information characteristic, many struggled to explain its significance in the context of internal controls. Some responses merely defined the characteristic, missing the core requirement of the question. Candidates were expected to provide an example relevant to the case facts mentioned; however, such examples were only provided in a few instances. As a result, many answers remained generic and lacked application to the specific scenario.

Part (d): For this part, Candidates were required to recommend measures to improve the efficiency and reliability of its product manufacturing and distribution.

The question specifically asked for measures related to the manufacturing and distribution areas, but this was overlooked by some Candidates. In several cases, responses repeated risk mitigation measures already provided in Part 1b, rather than offering new, context-specific solutions.

## **Question 2**

In general, Candidates performed reasonably well in Question 2, which tested their ability to analyse NutraJuice's financial performance, suggest relevant management information, and assess considerations for international expansion.

Part (a): For this part, Candidates were required to calculate the financial ratio for the year ended 31 March 2025 versus the year ended 31 March 2024.

Candidates performed well for this question part. Most candidates successfully calculated the required financial ratios, such as revenue growth, gross profit margin, and return on capital employed (ROCE). While the majority demonstrated competence with numerical accuracy, few Candidates made calculation errors specifically in the ROCE formula—often due to misapplication of capital employed components.

Part (b): For this part, Candidates were required to use the financial ratios calculated in Part (a) and with the information provided in the operating report to interpret the financial performance for the year ended 31 March 2025 compared to the year ended 31 March 2024.

A common shortfall was the lack of qualitative analysis. Many Candidates relied heavily on restating the calculated ratios without linking them meaningfully to NutraJuice's operational context or discussing underlying business drivers such as supply chain disruptions or cost pressures. Furthermore, a significant number of responses omitted an overall conclusion, which affected completeness and coherence.

Part (c): For this part, Candidates were required to advise on three other types of management information, in addition to the financial ratios calculated in Part (a).

Performance in this part was generally strong, with the majority of candidates scoring full marks by identifying three types of relevant management information. However, a notable group misinterpreted the question, offering unrelated financial metrics or broad business improvement ideas such as investor relations or capital raising strategies, instead of focusing on management information specific to NutraJuice's products. This underscores the need for a more thorough reading and interpretation of the question.

Part (d): For this part, Candidates were required to outline six factors when introducing NutraJuice's products into international markets.

Most Candidates successfully identified and described six relevant factors for consideration when launching NutraJuice's products into international markets. Responses typically reflected an understanding of strategic and operational elements such as market demand, regulatory differences, and supply chain logistics.

### **Question 3**

This question required candidates to evaluate two investment options related to Urban Vertical Farming (UVF) using financial techniques, valuation reasoning, and strategic analysis. Overall, this was a demanding question that revealed significant variation in candidates' understanding and application of investment appraisal methods, particularly the Adjusted Present Value (APV) technique.

Part (a): For this part, Candidates were required to calculate a suitable discount rate, determine the net present value (NPV) and determine the APV by adjusting the NPV for tax savings and subsidies on loan payments and loan arrangement fees.

Most Candidates demonstrated a basic understanding of how to compute the ungeared cost of equity, and many were able to begin the NPV calculation from first principles. Key elements such as the initial capital expenditure and salvage value were generally well captured. Most Candidates also appropriately applied the

concept of tax shields, although a number made errors in the discounting process—suggesting a need for stronger technical precision.

A common mistake was failing to focus on incremental revenue arising from the UVF project. Instead, many based their analysis on total revenue, which includes the business's existing operations—thus distorting the base NPV calculation. Similarly, several Candidates misunderstood that the projected revenue increases were relative to the base year, not compounded year-on-year.

While most Candidates could compute a discount rate using the CAPM formula, some made minor computational errors. Furthermore, while most Candidates recognised the importance of adjusting for tax savings from capital allowances and interest expense, many missed out the debt issuance costs, which should have been factored into the APV adjustment. Notably, a small number of Candidates failed to compute APV altogether, indicating a gap in understanding of this valuation technique.

Part (b): For this part, Candidates were required to determine a valuation of start-up company and comment on the suitability of the valuation.

This question part was less well-attempted. Majority of the Candidates left it blank. Among those who attempted, most Candidates were able to compute the startup's valuation. However, few Candidates explained the reasonableness of using a price-to-sales (P/S) multiple in the context of a loss-making startup with negligible earnings. Although some candidates questioned the high valuation multiples, there was generally a lack of deeper insight into the methods used for valuing startups.

Part (c): For this part, Candidates were required to evaluate pros and cons of acquisition of Option 2 (acquisition of a UVF start-up company) compared with Option 1 (New UVF Setup)

Performance in this part was highly varied. Majority of the Candidates were able to identify at least three pros and cons of acquiring the UVF startup versus setting up a new plant. However, many responses repeated points or lacked contextual relevance to NutraJuice's operational goals. Many did not provide a clear recommendation on which option NutraJuice should pursue. This absence of a conclusion weakened otherwise technically sound responses.

#### **Question 4**

Part (a): For this part, Candidates were required to explain the role of the stakeholders to contribute to good corporate governance.

Candidates answered this part of the question satisfactorily. Many Candidates described the general role of stakeholders without clearly linking their contributions to the promotion of good corporate governance.

Part (b): For this part, Candidates were required to explain how adopting the Singapore Code of Corporate Governance could enhance governance.

Most Candidates provided satisfactory explanations, although a few relied heavily on quoting the relevant provisions from the Code of Governance in the question. This may be attributed to the fact that some of the highlighted provisions already contained key governance terminology, making it challenging for Candidates to rephrase or explain the underlying principles in their own words.

Part (c): For this part, Candidates were required to explain factors why adopting the suggested Singapore Code of Corporate Governance provisions will help to secure new debt finance with lenders.

The performance of this question part was moderate. Most Candidates were able to identify and explain relevant factors for securing new debt financing with lenders. However, some showed a lack of distinction between lenders and investors, which affected the accuracy of their responses. While most Candidates were able to earn partial marks, only a few provided sufficiently comprehensive answers to achieve full marks.

Part (d): For this part, Candidates were required to evaluate pros and cons for each of the two proposed sustainability initiatives and make a recommendation on how to proceed.

Candidate performance on this question was mixed. While most candidates were able to present the advantages and disadvantages of the proposed initiatives, many did not provide clear recommendations or conclusions, which limited their ability to achieve full marks. As this was the final question on the examination paper, this may have contributed to some incomplete or unanswered responses. Additionally, as the topic represents a relatively new area within the accounting field, some responses included broad statements (e.g., reducing carbon footprint) without sufficient explanation of how these outcomes would specifically benefit the company.