

YOUR PERFORMANCE ANALYSIS

**September 2022 Common Final  
Examination (CFE)**

Day 1 CFL Version 1

Candidate Number

Enclosed is your personalized performance analysis report for Day 1 of the September 2022 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 2022 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.

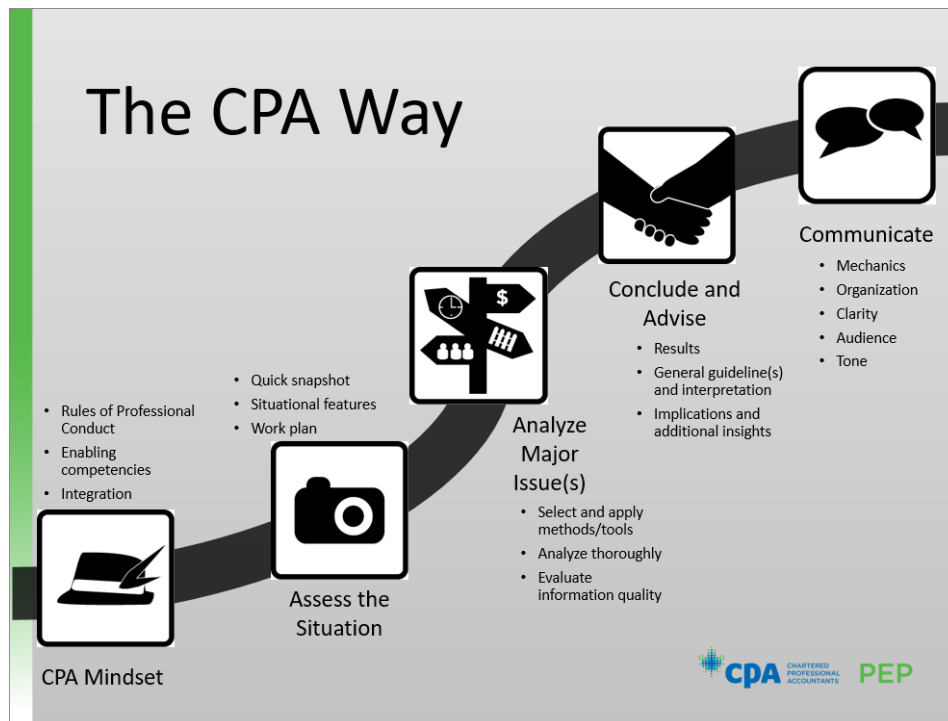
There are two parts to this report:

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 2022 CFE (**CFL 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
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 CFL'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 CFL Version 1 case, there are a couple of significant changes that affect the company on a holistic level i.e., the decline of the performance of the fitness gyms, and CFL's limited available cash for making investments. 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 which age demographic CFL should target at its fitness gyms, whether to become the national distributor of Zenfit or instead sell CFL's current agreement with Zenfit, whether to expand or sell the company's climbing facilities, whether CFL should acquire RJ's Health Clubs, and finally, whether either Louisa or Albert would be a good replacement for Rosa on CFL's board of directors.

#### **Quantitative**

A balanced analysis requires consideration of both the quantitative and the qualitative factors presented in the simulation. The qualitative and quantitative considerations in CFL Version 1 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 the last major issue mentioned above, since there was no calculation required for the discussion on whether either Louisa or Albert would be a good replacement for Rosa on CFL's board of directors.

#### **Qualitative**

A balanced analysis requires consideration of both the quantitative and the qualitative factors presented in the simulation. 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, which in this case was the financial constraint and the board's desire to target a specific age demographic within the company's fitness gyms.

### **Conclude and Advise**

The report should have included conclusions on each of the five major issues facing CFL. 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 CFL may lack the cash resources necessary to move forward with some of the investment options presented and that some options complemented each other whereas other combinations did not make good strategic sense (such as suggesting CFL target the over-55 demographic while also expanding the Zenfit agreement).

### **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 V1 CFL

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#### SUMMATIVE ASSESSMENT #1 - Situational Analysis

The candidate uses elements from a reasonable situational analysis when analyzing the major issues facing CFL.

YOU DID NOT ADDRESS THIS ASSESSMENT OPPORTUNITY.

Your response did not include a discussion of the company's overall internal and external situation at the beginning of your report.

You did not integrate elements of your situational analysis (i.e., mission/vision/objectives/key success factors/trends) when analyzing the issues/opportunities CFL was facing.

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

*Your response began with a good situational analysis that highlighted the important changes that had taken place since Capstone. This outline is meant to provide a good foundation for your case and allow you to make links back to the situational analysis while analyzing the strategic issues, which you did. One example where you did well in linking back to your situational assessment is where you wrote "Under-40 calls for more capital investment - This is a KSF for having modern and up-to-date equipment". These links help to add depth to your response and provide the user with a better understanding of the strengths and weaknesses of each alternative. Continue providing more of these links in the future to increase the depth of your discussion*

#### Summative Assessment #2 - Analysis of Issues

The candidate completes a reasonable assessment of the major issues facing CFL (AO#2 to AO#6).

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Assessment Opportunity #2 (Which Age Demographic to Target?)

YOU DID NOT ADDRESS THIS ASSESSMENT OPPORTUNITY.

You did not provide a useful quantitative analysis.

You did not provide a sufficient qualitative analysis.



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Your response to this AO included mostly case facts covering breadth but failed to provide depth to your discussion. You did not link the case facts back to the reasons why they were relevant considerations for the company. It would have been helpful for you to separate the under-40 and over-55 discussions into their own pro/con sections, as there were many points that you could have discussed for each that would have helped you add depth here. For example, as a pro for the under-40 demographic, you said "Under-40 demographic is more in touch with new technology, (i.e. wearable fitness trackers), which is an increasing market". This is simply a restatement of case facts. When you don't link your points back to the situational assessment, KSFs, or goals of the company, your points can lack value. When you provide a qualitative point from the case, always make sure you include the implications of the point and how it might affect the strength/weakness of what you're discussing. In this example, you could have elaborated that in pursuing the under-40 demographic and aligning with the increasing technology trend, CFL's gyms with Zenfit technology can experience increased membership and increased revenues in a competitive market. Always try to tell the reader why each point is important and how the point will affect the strength/weakness of the proposal. There were also a few opportunities in this assessment where you could have linked the demographic decision to the other strategic options. For example: selling the Zenfit rights is more aligned with the over-55 demographic, opening more climbing gyms is synergistic with under-40 demographics, expanding out East with RJ's is supportive of the over-55 group, choosing Louisa over Albert serves the under-40 group. You can demonstrate your strategic approach to the case by ensuring that you integrate your recommendations on the various assessment opportunities.

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**Assessment Opportunity #3 (Expand or Sell Zenfit Agreement?)**

**YOU DID NOT ADDRESS THIS ASSESSMENT OPPORTUNITY.**

**You did not provide a useful quantitative analysis.**

**You did not provide a sufficient qualitative analysis.**

Your analysis only discussed the opportunity to expand its distribution rights with Zenfit and did not include a discussion about the immediate opportunity to sell the rights to the agreement. Including an analysis of both opportunities was important to achieve sufficient breadth on this assessment opportunity. An analysis of selling the agreement could have included CFL returning to its core operations and focusing on the fitness gyms, reducing the uncertainty involved in a highly competitive marketplace, ways that the influx of cash could be used, losing the additional exposure to the under-40 demographic, and losing their 10% discount which will increase equipment costs. Again, your response to this AO included mostly case facts covering breadth but failed to provide depth to your discussion. You did not link the case facts back to the reasons why they were relevant considerations for the company. For example one of your points was that "Zenfit is popular with 25-39 age demographic - Given the industry update of increased popularity of wearable devices, this would be in-line with current market trends". While this links to your situational assessment, it does not go to the next step of telling CFL why they should consider this in their decision-making. Does aligning with the market trend increase memberships, loyalty, revenues, or EBITDA? For each point you make in your qualitative discussions, it is important to tell the reader WHY it is relevant to the recommendation. There were also a few opportunities in this assessment where you could have linked the sell or extend Zenfit decision to the other strategic options. For example, the distribution agreement requires a presence out East that could be supported by the acquisition of RJ's 25 facilities. Other places where you could have linked the Zenfit decision to your decision on another strategic objective is in highlighting that you recommended that CFL pursue the over-55 age demographic and that if they moved forward with that target group, then Zenfit will no longer be a good fit and will not experience the same degree of synergies.

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**Assessment Opportunity #4 (Expand or Sell Climbing Facilities?)**

**YOU DID NOT ADDRESS THIS ASSESSMENT OPPORTUNITY.**

**You did not provide a useful quantitative analysis.**

**You did not provide a sufficient qualitative analysis.**

*Your qualitative discussion for this option lacked depth overall. While you listed some case facts to cover some breadth, you often failed to link them back to the situational analysis and discuss why they are relevant to CFL. You wrote "Previously CFL members were angered by the conversion - This won't be the case with this expansion as these are net new climbing facilities and not CFL gym conversions". You needed to take this comment further to clarify that member satisfaction is a key component of member retention, which is a KSF for CFL. When you don't link your points back to the situational assessment, KSFs, or goals of the company, your points can lack value. Always try to tell the reader why each point is important and how the point will affect the strength/weakness of the proposal. When you provide a qualitative point from the case, ensure you highlight the implications of the point and how it might affect the strength/weakness of what you're discussing. Two of your three cons were quantitative in nature, and therefore of little value for a qualitative discussion. One discussed the additional expense of hiring a senior manager, while the other discussed the fact that opening all 6 gyms would not be feasible with only \$2M cash. There were also a few opportunities in this assessment where you could have linked the climbing gym decision to the other strategic options. For example, Louisa used to climb competitively so if CFL keeps the climbing gyms, then it would align with hiring her as Rosa's replacement over Albert. You can demonstrate your strategic approach to the case by ensuring that you integrate your recommendations on the various assessment opportunities.*

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**Assessment Opportunity #5 (Acquire RJs?)**

**YOU DID NOT ADDRESS THIS ASSESSMENT OPPORTUNITY.**

**You did not provide a useful quantitative analysis.**

**You did not provide a sufficient qualitative analysis.**

*Again, your qualitative discussion for this option lacked depth overall. While you listed some case facts to cover some breadth, you often failed to link them back to the situational analysis and discuss why they are relevant to CFL. For example, you wrote, "Cash flow issues due to reduced membership and revenues" which is a restatement of case facts. You could have connected this to CFL's goal of increasing EBITDA and how acquiring RJ's could be in contradiction to this goal if the trend continues. Ensure you look for these higher-value connections within the case and include them in your response to demonstrate your understanding of the larger strategic factors the company must consider. Again, too many of your points were quantitative in nature, referencing significant capital and an increased wage expense. While these are relevant to your recommendation, they should not be the focus of your qualitative discussion. There were also a few opportunities in this assessment where you could have linked the RJ acquisition to the other strategic options. For example, if RJ's is acquired, then CFL will have access to a space in Eastern Canada where they can operate a Zenfit showroom if they expand their distribution rights. Albert is also from Eastern Canada, so acquiring RJ's and hiring him as Rosa's replacement could enable management synergies that will improve CFL's chances of success when expanding into an unfamiliar region.*

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**Assessment Opportunity #6 (Rosa's Replacement)**

**YOU DID NOT ADDRESS THIS ASSESSMENT OPPORTUNITY.**

**You did not provide a sufficient qualitative analysis.**

## **Summative Assessment #2 - Analysis of Issues**

### **Reviewer's additional comments on strength/weaknesses and recommendations for improvement:**

*Overall, your response would be improved by paying more attention to the important factors in the case and ensuring that you integrate these factors into your decision-making overall. There are important situational assessment factors that you highlighted in your response, but you often failed to make the connections between these and the case facts in your analysis of the strategic options. Your quantitative analysis was well done. You generally selected an appropriate tool that focused on CFL's EBITDA objective. You also compared your calculated valuations to the sales/purchase prices given, which made it clear that you understood the financial implications of pursuing each option in isolation. The qualitative sections were lacking in the depth of your discussion points, which was a pervasive issue that did not meet our expectations. 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. There was a key occasion where your qualitative analysis lacked breadth and you needed to take more time to provide a balanced assessment of the option to sell the Zenfit distribution rights. When given this type of scenario, it is important for you to discuss the strengths and weaknesses of both sides.*

### **Summative Assessment #3 - Conclude and Advise**

**YOU DID NOT ADDRESS THIS ASSESSMENT OPPORTUNITY.**

**You did not provide an adequate amount of analysis pertaining to CFL's financial resources.**

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*CFL's management was clearly indicating that they did not have the financial resources to pursue all the opportunities available to them at this time. This should have driven how your recommendations were presented to the CFL board. You did acknowledge the \$2M cash available to CFL but you did not go a step further by trying to help solve that problem. Here it was critical that you considered the \$2 million cash that CFL had available to fund the investment options and that your recommendations were feasible (for example, there is not enough cash to build 8 climbing gyms and purchase RJ's). You could have suggested in your analysis that the cash from the sale of the Zenfit distribution agreement or the climbing facilities could finance another strategic option, but you needed to clearly make that link as part of your conclusions. Another option would have been to acquire RJ's 25 facilities and then access the bank financing. You needed to clearly link your recommendations and the inflow/outflow of funds between the strategic options as part of your conclusion.*

**You did not provide conclusions/recommendations that strategically integrated the core elements of the simulation and/or CFL's objectives.**

*In the case, there were some significant opportunities to comment on the merits of the company to pursue a strategy that focused either on the under-40 or over-55 age demographic. Each of the strategic option recommendations could have been tied into this overall strategy for the company. In your response, you failed to make any substantial links between your discussions of the issues, your recommendations, or an overall strategy for the company. For example, if you had recommended that CFL target the over-55 demographic and then acquired RJ's (which aligns with an older membership already) and targeted the over-55 demographic there as well, the company's earnings would have improved significantly. This would satisfy the board's objective to improve CFL's EBITDA. Alternatively, there was a synergy between targeting the under-40 age demographic and then extended the Zenfit agreement (as the younger group likes and uses the techy machines). These valuable links could have been made in your qualitative analysis of any of the issues. For example, the distribution agreement requires a presence out East that could be supported by the acquisition of RJ's 25 facilities. If you are expanding out East and pursuing an older demographic, then Albert would align best with the new strategic direction. If you recommend the under-40 group and opening more climbing gyms, then Louisa could be a better fit. You recommended to pursue the over-55 demographic, but kept the Zenfit rights and kept the climbing gyms, which do not objectively align with the new target market. To alleviate this conflict, you could have perhaps proposed that CFL operate under different brand names to reduce brand confusion.*

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

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

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*You recommended to continue with the Zenfit agreement, specialize the gyms for the over-55 group, not acquire RJ's, and to keep the 8 climbing gyms but not expand right now. Remaining status quo on the climbing gyms is not a sufficient conclusion. You needed to suggest that you could build 2 additional gyms right now given the \$2 million in cash available to CFL, or to build once additional EBITDA is generated. Your independent conclusions to each issue were clear and supported by your analysis, however your summative overall conclusion for CFL did not make your conclusions clear. Remember to be explicit in what you are concluding and why, especially when you are proposing an overall strategy for the company. While it is important for your final conclusion to restate the recommendations of each strategic option, the final conclusion of your response should be an opportunity to take a step back and advise on the company's overall strategic approach. Within the simulation there were many links between the strategic options available to CFL, as well as the global situation that would have made certain combinations of decisions more valuable. For example, if CFL had chosen to target the over-55 age demographic and then acquired RJ's and targeted the over-55 demographic there as well, the company's earnings would have improved significantly. This would satisfy the board's objective to improve CFL's EBITDA. Alternatively, there was a synergy between targeting the under-40 age demographic and then extended the Zenfit agreement (as the younger group likes and uses the techy machines). Those are only two examples where you could have identified and discussed the connections between the AOs to come to the strongest recommendations. In the future, focus on integrating your overall conclusion where the recommendations you provide make strategic sense given the company's big picture situation and the board's objectives. If the company has a cash constraint, look for ways that it can be mitigated to help them achieve their goals or try to scale back or negotiate preferable terms on the strategic options that would make it feasible. In this case, CFL was able to build 2 climbing gyms with the funds they had available.*

### **Summative Assessment #4 - Communication**

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

### **Reviewer's additional comments on strength/weaknesses and recommendations for improvement:**

*Overall, your communication was good. Your paper was well laid out and easy to follow, using bullet points and headings appropriately. Your spelling and language use were suitably professional.*

### **Reviewer's overall comments on candidate's performance:**

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*Overall, your paper addressed each issue and there were some strong sections that used your situational assessment well. You often showed good breadth in your discussion points and linked them back to your situational assessment. Continue making these valuable connections. The biggest issue with your response was the lack of depth in your qualitative analysis and the lack of integration between your recommendations (financial and synergistic). Your main drawback was the lack of depth and connection of the situational analysis throughout the rest of your paper. Each strategic issue contains many new points that are often easy to list as pros and cons. However, in order to provide an adequate response, you must consider specifically how each case fact will affect CFL if they proceed with the option being discussed, as well as the impact on CFL's overall strategy. You also need to discuss both sides of a keep or sell opportunity to provide a complete analysis. You could have also provided stronger advice by recognizing the various synergies between the strategic proposals presented (such as how RJ's was equipped with yoga/meditation studios, which appeal to the older demographic, if targeted). In the future, do your best to identify these links and then incorporate them into your analyses as well as your recommendations. In looking at each strategic option as part of a bigger picture, you will be able to link your recommendations throughout your response and make an integrated conclusion that takes the bigger picture into consideration when making your final recommendation.*