SECTION 2:

EXAM WRITING STRATEGY –
HOW TO BEAT THE MQE

MQE Strategy 101: a general framework for success on the MQE (the 5 golden rules)

As with any logic game, business venture, or professional exam, it is important to have a strategy. We have compiled the following **5 golden rules of exam strategy** (aka **MQE Strategy 101**).

Rule #1: Start studying by practicing past MQE exams under 'real' exam-like conditions.

In our view, Rule #1 is the key to one of the most frequently asked questions about how to prepare for the MQE, which is, *"How do I set a study plan?"* **The answer: Plan to focus the majority of your time on 'practice-writing' prior MQE exams under exam-like (i.e., time-constrained) settings.**

Many candidates may think the best place to start studying is by reading and re-reading the "technical" (i.e., topics and definitions of what is testable under the MQE Competence Framework). While this is important, in our experience, this is the wrong approach.

The better approach is to **start by writing practice exams** and then **marking and debriefing** the exams. There are a number of reasons for this:

1. **Serving as a diagnostic tool for identifying technical weaknesses.** Technical weaknesses can still be a big problem, but there is a lot of technical material to learn, and getting practice in writing past exams is likely to serve as an indicator of where you need to focus your technical review the most. By immediately throwing yourself into writing some past MQE's and marking these exams using the suggested marking keys (Section 5) against the CICBV suggested solutions, you are more likely to **identify your technical weaknesses** and thus can start working on them. In our view, this is a much more efficient strategy than reviewing every syllabus topic in detail (which can be overwhelming, and will inevitably entail reviewing certain topics with which you are already highly versed).

2. **Helping to identify topics that come up frequently.** As you do more practice exams, you are likely to see patterns of the types of syllabus topics and scenarios that have come up year after year. Past performance is no guarantee of future success, but it's a start when it comes to anticipating which areas are likely to be tested going forward. We have summarized the case situations, roles, deliverables, and technical areas tested in Section 6.

3. **Improving your time management skills.** As mentioned throughout this book, **time management issues are often the reason why certain candidates are unsuccessful in their MQE attempt.** Practicing writing exams under real time constraints will ultimately improve your time management discipline.

4. **Helping to build confidence for exam day.** Candidates easily find themselves rattled on exam day by something that is new and/or unexpected (be it an unfamiliar industry, a topic that has not surfaced in many years, an unusual role in the case, etc.). Without a doubt, you will likely see something that will 'rattle you' so **expect the unexpected** at least once during the real thing. The more exams you write,

the more likely you are to feel confident that you can handle anything that comes your way on exam day.

Rule #2: Think like a marker.

Many candidates will find that four hours is a short window of time in which to address every aspect of every question on the MQE. For this reason, when writing, one must think not only like a candidate sitting the exam, but also get in the mindset of a potential MQE marker. At the risk of pointing out the obvious, a marker can only evaluate what is written on your exam paper – **a marker can't mark what is in your head!**

When you write (or type) something on your exam paper (or spreadsheet), the question you should be continually asking yourself is, "How will these words translate into marks?" If they won't, then these words have limited value in helping you get to the 60 marks needed to pass. (More on time management below.)

Unfortunately, questions on the MQE are generally not completely directive – they don't tell you where the marks are in each question. Instead, they simply provide a total of how much each question is worth relative to the entire exam; for an exam where there has historically only been 2 to 5 questions per year, this is not overly insightful. However, there are usually many hints in each question that make it clear as to the areas that are of the highest mark value.

In order to think like a marker, you need to **understand the marking key.** In Section 1, we briefly discussed the basics of how the MQE is marked:

- In general, more than 100 marks are up for grabs from different aspects of each question;

- For various sections of the marking key, there are internal maximums which limit the number of marks that can possibly be scored in that area; and

- Professional judgement marks are awarded for concise, comprehensive and well-structured, 'professional' CBV-like responses.

As you by now know, the magic number is to get to 60 marks. If you properly **practice-write, mark and debrief** enough past MQE's, you should begin to start thinking like a marker, and see improvement in your ability to craft responses to questions that earn more than 60 marks. Section 5 of this material includes our suggested marking keys for prior MQE's; while these are obviously not the official CICBV marking keys (these are kept secret), we believe they are a good proxy to use for the purposes of tracking your progress.

See further discussion on best practices for debriefing at the end of this Section.

Rule #3: Don't miss out on 'easy marks'.

Rule #3 is a follow-on rule to Rule #2. If the end goal on exam day is to get to 60 marks, then **it is important to make sure that you max out on the easy marks available**.

Analysis of past MQE's (and, in particular, marker feedback comments) shows us that there have historically been a significant number of easy marks available on exams – which, if addressed/earned properly by candidates, would go a long way toward reaching the 60-mark threshold.

By 'easy marks' we are referring to syllabus topics that come up virtually every year and which candidates should expect to see. These are the types of marks that should be easily within reach of most candidates (i.e., not overly complex) and are relatively evident/obvious from reading the question. If you master the art of crafting responses to these types of topics, you benefit in two ways:

1. Securing/locking up the 'easy marks' with confidence by having developed an efficient way in which to approach a number of different topics/concepts; and

2. Saving yourself more time on the exam for the unexpected/unusual elements of a question which will inevitably come up.

Therefore, the keys to exploiting the easy marks on an exam are:

- Being able to quickly identify them; and

- Once they have been identified, mastering an efficient way to address them in your response.

We have compiled a list of the 'easy mark' topics in Appendix A.

Rule #4: Learn from the mistakes of others (and don't repeat them!)

MQE candidates are provided with the real questions and solutions from prior MQE's. Embedded in the CICBV's suggested solutions are *italicized comments* that provide major points of feedback compiled from the markers of that year's MQE. These *italicized marker feedback comments* are a goldmine for candidates, as they highlight the areas that were generally missed by candidates (in addition to those that were done well, but the CICBV tends to emphasize the areas of required improvement more than the areas of strength). We call this a goldmine because the comments can help you in two ways:

- They aid in benchmarking yourself to the pack to see how you would have fared in certain areas if you had written the exam that year.

- They help identify frequently-tested topics and frequently missed topics.

- They identify areas of required improvement.

MQE *INSIGHT*

Rule #5: Stick to time limits and first principles.

In short:

- **Cases on the MQE are often time traps, whether by design or by accident.** (As we discussed, one of the aspects that the CICBV is evaluating is candidates' ability to make smart choices with their time allocation when presented with an overload of information/data.)
- **Time mismanagement is one of the easiest – if not <u>the</u> easiest – ways to fail the exam.** This isn't just our view, but one which the Institute's marking committee has repeated time after time. (You can read numerous examples of marker feedback comments from past MQE's in Section 4 which clearly indicate that candidates have continued to mismanage their time year after year on this exam.)
- If you find a curveball thrown at you on the day of the exam (and this is likely to happen), stick to the basics, take a step back and ensure you identify the crux of the question (i.e., your role, audience, deliverable and key issues), and look for 'easy marks' (as per Rule #3). **When in doubt of how to approach something, stick to first principles.**

Tips for effective marking and debriefing

How to effectively mark an debrief an exam

Effective marking and debriefing entails the following:

- Review the CICBV's suggested solution for the question. (Remember that the CICBV solution guides reach a degree of perfection that is generally unrealistic to achieve in under four hours. Don't get discouraged if your response is substantially less complete or not as well organized as the CICBV's suggested solution … this is to be expected.)

- Use the suggested marking keys in Section 5 to determine how many marks you would have scored (out of 100). Keep in mind internal maximums when marking each section of each question.

- See where you missed out on opportunities to score marks. In particular, look for the 'big chunks' of marking key without any marks awarded. You should ensure that you aim to cover all key areas.

- Keep track of the errors you are commonly making. If necessary, keep an 'error log'.

Maintaining momentum from practicing more exams

If you are marking and debriefing your responses to prior MQE's properly, you should start to see improvement over time. We suggest keeping a log (either in your head or on paper) to track your progress (i.e., the number of marks you are scoring on each exam attempted).

Reviewing solution guides will help you with:

- Identifying frequent topics that come up year after year.

- Determining how much depth is required to score marks in various situations and/or technical areas.

- Observing how the exam has changed over time (and what things have stayed the same).

As we discussed in Rule #4, **marker feedback comments** can help identify common errors that writers make and give you the added benefit of seeing how you would have compared to the herd (i.e. did you get caught in a common trap or were you one of the few that picked up on a commonly overlooked issue in the case?) Section 4 outlines some of the common pitfalls identified from past marker feedback comments.

Keeping an error log or some other method to track the errors you are frequently making can help fuel your progress with respect to developing an effective writing style. History tells that candidates have continued to make many of the same mistakes year after year; don't fall into the same cycle of repeating mistakes!

Developing efficient response-structuring (aka writing) strategies

Writers who obtain the best results are the ones who can succinctly communicate the most professional responses in four hours. This means you need to find some shortcuts in your writing without sacrificing on the depth and professionalism of your analysis. How do you do this? By paying attention to your behaviour of how you read, write, and plan your responses.

Reading

Reading MQE questions is a skill unto itself, for two reasons:

1. The exams have been including more and more data points in the questions, the purpose of which may not be apparent at first glance.

2. The information in an MQE question generally isn't presented to you in the order that you need!

In the more recent exam years (2011-2015), the MQE has consisted of only two questions. This means that the individual questions for these exams have become longer in nature and more complex, with a greater need for multi-step analysis and integration in forming good answers.

- Any question that requires multi-step analysis means that you need to think about **how to prioritize the different steps that you might need to take in your analysis** (because it is often the case that you need to do one piece of analysis before the other).

Accordingly, as you read, you should be writing/marking down various items or observations you need to include in your analysis. Candidates often have different preferences for this (i.e., highlighting, circling, margin notes, etc.) There is no right or wrong way of keeping track, but it is important to develop a style that works for you so that as you read each piece of information, you are thinking about how it will fit into your overall response. (Remember the goal is to address all of the deliverables as concisely as possible.)

The following is a list of questions to ask yourself as you are reading an MQE question:
- What is my role?

- What am I being asked to provide? i.e., What is (are) the deliverable(s)?

- In what form will my written deliverable be provided? (i.e., a full report under CICBV Standards, a separate communication, or both?)

- What case facts will be integrated into the analysis, and which case facts are irrelevant?

- What quantitative analysis will I need to perform to answer the question?

- How will I prioritize the different pieces of analysis so that my response will flow in a logical way?

- Are there any shortcuts I can take in reducing the amount of time needed to answer a question?

Planning

Reading and planning go hand in hand when answering questions on the MQE. Clearly, in the interest of time management, some degree of planning a response is required. The best way to plan is to **plan as you read.**

Look at the number of minutes allocated to the question. This is important to keep yourself on track to finish the entire exam. In the past few years, the first question on the MQE has been set up as a deliberate time trap (with multiple required components of the response tempting candidates to go over time). If Question #1 is a 132-minute question and the exam starts at 1:00 pm, be sure that you can finish and move on to Question #2 by 3:12 pm.

To outline or not outline?

Anyone who has previously written case-based professional accounting exams may have been trained/taught to prepare outlines for each written response to an individual question/case. While planning is clearly a very important element in developing an efficient writing style for the MQE, some candidates may find that there is not enough time to do a full "outline", and may prefer to keep track of the required deliverables in margin notes.

Whether or not to prepare an outline is a personal choice and will likely evolve over time with practice as you gain more confidence in your writing style. (Some candidates may prefer to use full outlines in the earlier stages of their exam preparation, and move away into briefer outlines – or no outline – as they develop more comfort and confidence heading into Exam Day.)

- At the very least, you should have some mechanism in place (e.g., margin notes, highlighting or circling key words or figures) to ensure that you are not missing out on easy marks.

- Remember that anything in your exam response will be considered by the marker, but **not anything that is written on the question paper (i.e., margin notes).**

How much time should be spent on reading and planning a question?

The amount of time you spend reading and planning your response will all come down to a personal level of comfort (and again, will evolve over time). If you're a slow reader, you will obviously need to spend more time reading and absorbing the question (which means you will need to find efficiencies in writing your response – see below).

As a general rule of thumb, we recommend spending no more than 30% of the total time allotted to the question on reading and planning.

Understanding your role and requested deliverable(s)

Considering the reader/user in the case, the purpose of your communication often dictates how much depth you need to go into in various aspects.

It is important to understand when you need to write a formal report and when you don't. Sometimes this is very clear from the question; in other cases, it may not be.

- Wasting time on demonstrating knowledge of reporting standards is a costly mistake when there is no need for a formal report.

- As easy as this concept may sound, a review of prior marker feedback comments tells us that – more frequently than one would think – candidates make significant errors in not understanding whether or not a formal report is required, even when it is explicitly stated in the question. (A list of marker feedback comments is set out in Common Pitfall #4.)

- While we discussed earlier the need to read and plan relatively quickly, **make sure you are clear on your role, your audience/the users and whether or not a formal report is required before you start writing!**

- If you have read the question and it is still not evident as to whether or not a formal report is required, go back to first principles and use the following decision tree to determine whether a report would be required under CICBV Practice Bulleting No. 5. For the purposes of the MQE, this decision tree can help in one's approach to writing strategy (i.e., whether writing a report is worth the effort).
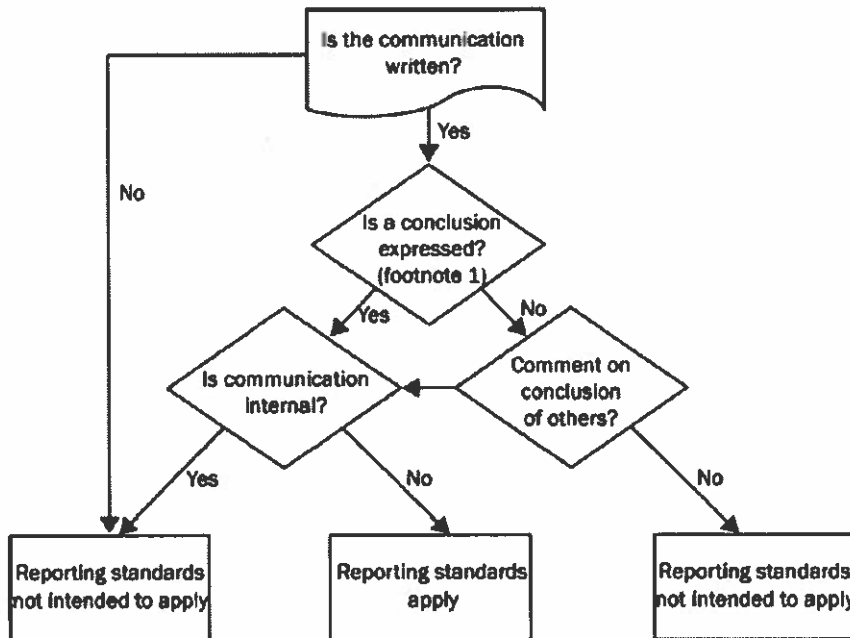
1. An essential component to which the Practice Standards are intended to apply, is the application of professional judgement.

Source: CICBV Practice Bulletin No. 5

Selecting the right valuation approach

Look for triggers in the question.
Often (but not always), when information is provided in an MQE question, it is there for a reason. The Institute generally does not try to throw you 'red herrings'. As you read a question, it is important to ask yourself, "What am I expected to do with this information?" Sometimes a question will be very explicit in directing writers to what is expected. However, much of the time, within a question, you will need to look for 'triggers' or clues that give you an idea. Some examples are provided below:

- **Provision of forecasts (or inputs to prepare forecasts):** if you are provided with information pertaining to cash flow forecasts, chances are more likely than not that the DCF is the right way to go. (This should also trigger you to comment on the appropriateness of the forecasts/projections – e.g., reasonability of assumptions, etc.)

- **Royalty rates:** generally trigger the use of a relief-from-royalty method.

- **Discount rates:** if you are given the data to notionally derive a discount rate (either using CAPM or the buildup method), chances are there are marks awarded to it. If there are no inputs provided for the discount rate and the question provides EV/EBITDA multiples for guideline public companies and/or precedent transactions, you can probably get away with a capitalized EBITDA approach (using the multiples derived from the market data). However, if you are given both (i.e. inputs for an independent WACC determination <u>and</u> market multiple data), there are likely marks awarded for both (a) deriving the discount rate using an appropriate methodology and (b) using the market multiples to reconcile/test the reasonability of your valuation conclusion.

Thinking like a marker – as you write

Always do a cost vs. benefit analysis.
In the context of the MQE, the "cost" is time/effort and the "benefit" is the number of marks received. Every minute and every second count, as does every half-mark. A key challenge in the MQE is **converting written analysis into marks** (at least 60 marks, and hopefully more). As you write the exam, you must maintain an acute awareness of what you are putting down on paper and how it is (or is not) converting into marks.

Think about internal maximums.
It's never possible to know with certainty how the exam marking key will be structured, but after you have practiced and debriefed 5+ exams using the sample marking keys in Section 5, you should have a general idea of how the internal maximums might be imposed on the question at hand. This will dictate how much time you spend on the various aspects of your response.

- Example – normalization adjustments when looking at historical EBITDA: the question may provide you 7 adjustments, but you can probably get away with 3 or 4 most material ones and spend the rest of your time addressing something more difficult or that you would otherwise miss. Normalization adjustments should be relatively obvious (i.e. you shouldn't have to go hunting for them). *[Note: this consideration may be less relevant now that the majority of candidates can use the spreadsheet tool in*

Securexam, but it is still a time-saving strategy that you may want to consider if you are having trouble finishing questions on time."

Appearance and layout can influence the marker (positively or negatively), so use lots of white space.

- **If writing by hand:** use as many booklets as you need such that there is sufficient white space for the marker to read your handwriting. This also allows you the opportunity to go back and add to a given page if you have an after-the-fact thought or conclusion that you need to squeeze in.

- **If writing by computer:** leave lots of space between various sections. Ensure that you reference schedule numbers in order to help the marker follow the analysis between the narrative text and your spreadsheet calculations.

- **Draw attention to your conclusions:** underline, bold, or do something to make them clear to the marker, as conclusion marks are important (more on this below).

Learning to write efficiently

There are numerous examples of marker feedback comments which suggest that well-organized responses are heavily rewarded by markers. This goes back to Rule #2 ("Think like a marker.") If you were marking the MQE, which would you prefer marking: a paper that is easy to follow, or a paper where you need to go hunting for marks?

However, in a time-constrained environment, what sets successful MQE writers apart is their **ability to structure a well-organized response in an efficient way, and to focus on the 'meat' of the question.** Unfortunately (and perhaps counterintuitively), this means that you may need to find some shortcuts in your response writing in order to finish the exam in time. This only comes from practice (think back to Rule #1).

- At the end of the day, your goal on this exam is to show the marker an intelligent and professional thought process.

- It's important to remember that **the marker can't mark what's in your head** – so you should do your best to document the thoughts that are critical to your analysis. As you do more practice exams you will get a better familiarity of where you can afford to cut corners in writing, and where you can't. There is a fine line in what you can get away with and what you can't when it comes to being efficient without missing out on marks.

- That said, the exam is being marked by CBV's (as opposed to an audience that is completely new to valuations). In other words, while you need to explain your thought process, you don't need to "dumb down" analysis too much; you can expect that markers will be familiar with many commonly used valuation terms and acronyms (see below).

Finding shortcuts

Don't "boiler plate" a report template or simply regurgitate case facts without linking them back to your analysis. Not only is this a cardinal sin from a marker feedback perspective (see "Common Pitfall #1"), it can also be a terrible time-wasting habit. Spending unnecessary time adding extra background facts to your report for the sake of making it look nice is a detriment unless it impacts your analysis.

The "so what?" test

- As you are writing something on paper, you should be asking yourself: **"So what?** What is the impact of what I'm writing?"** If it isn't something consequential that generates insight, it's probably not going to be worth a lot of marks.

Remember, the exam isn't designed to test perfect math, and it doesn't reward perfect math. This may be less of an issue for candidates writing the MQE on a computer in 2016, but has historically been a source of time mismanagement for writers in prior years. The switch to a computerized format in 2015 has made it easier to do calculations using the Securexam spreadsheet tool (by copying formulas across cells); however, we include the following examples (and other examples throughout the course materials) as imperative time-saving tips for anyone planning to write by hand.

- As discussed previously, it is more important to demonstrate a solid and professional thought process than it is to have a mathematically perfect answer.

- If you find yourself making an arithmetic mistake in your calculations, don't waste time going back to fix it (though this may be easier to fix with computerized testing). Remember: **the ultimate number is not what the markers are looking for,** but rather, the thought and analysis that lead you to that conclusion (and any use/advice arising from your conclusion).

- If doing long calculations or a row-by-row DCF analysis, it is not necessary to show absolutely every calculation – but again, be careful in leaving too much out.

- Time-saving tip – income tax calculations. If you get down to EBITDA, it is more efficient to write: "less taxes @ x%" (or whatever tax rate you're using) and draw a line across the page. At most, you'll probably only get 0.5 marks or 1 full mark for tax-effecting a cash flow in a CCF or DCF analysis. Another example of a time-saving tip for quantitative analysis lies in normalization adjustments that are the same amount in each year. Just write the figure in the most recent year and then draw a line across the page.

Condense your writing style and eliminate verboseness.

- Get comfortable with the use of point form. Just as the exam doesn't reward perfect math, it doesn't reward perfect English, either. The use of point form is perfectly acceptable, and to an extent, encouraged – so long as it is clear and doesn't compromise the professionalism of your response.

- The use of common valuation acronyms (i.e. FMV, DCF, ACB) is fine without writing these terms out in full. *[Note, however, that there is often a half-mark awarded for defining the appropriate standard of value applicable for a particular case, so be sure to include the FMV definition where relevant, but feel free to use the abbreviated term after that.]*

- If the name of the subject company can be shortened/defined to an acronym at the beginning of your response, do it – "MQEI" is a lot shorter to write than "MQE Insight", especially when repeated numerous times throughout a response.

Find efficiencies in analyzing guideline public companies or precedent transactions. In the more recent MQE's, there has been a pattern of providing candidates with significant amounts of market data that is required to be integrated into their analysis. Assessing similarities/differences in assessing public company trading multiples/transaction multiples is an area where writers can sometimes get caught up in spending too much time.

In assessing guideline public companies or precedent transactions, it is important to **clearly conclude whether each company or transaction is comparable (or not) to the subject company.** However, this must be done efficiently (thoughts on ensuring efficiency below):

- Focus on key differentiators that impact your analysis (for example: size, geography, product/service offerings), and quickly conclude whether each one is comparable or not.
    - Examples: "Company A is comparable because of similar business risk profile, similar product mix, similar size, etc." or "Company B is not comparable because it focuses on a much different market, is less profitable and is much larger in size and purchasing power". Make sure you make a specific conclusion as to the comparability of each one, and don't simply regurgitate case facts. (i.e., you need to conclude that a company is comparable or is not comparable – be very clear to the marker).

- If more than one guideline public company can be deemed "not comparable" for the same reason, it is acceptable to save time and lump this group of companies together in analyzing their comparability. However, you still must provide a clear conclusion:
    - Example: "Companies C, D and E are not comparable to the subject company because they have a product mix that is far more diversified and therefore have a different cash flow risk profile."

Don't do any quantitative analysis derived from the comp data until you have refined your comp set, having already excluded any companies or transactions that are deemed not comparable. This includes calculating any averages, medians, etc. This is an excellent example of effective prioritizing of the various 'to-do's' on the MQE; if done correctly, it can free up a significant amount of time for other aspects of the question.

If you are going to do quantitative analysis in separate schedules, avoid duplicating narrative in the notes to the schedules and the body of your response. As you do more exams you should figure out your preferred rhythm of how you want to integrate quantitative calculations into your writing. In general, we find that the use of notes to schedules are often most efficient vs. qualitative discussion in the verbiage portion of the report. It is important to think of your response as the first draft of the deliverable, which should be a skeleton of the most important and relevant considerations and analysis, rather than a grammatically correct and complete report. On the flip side here, you need to be careful that you're not sacrificing conclusion marks (see below).

If you find yourself repeating certain parts of your analysis ... don't!!! There are many examples of potential time traps in which writers may find themselves repeating various sections of their analysis – without

getting rewarded for this additional time and effort. Remember to maintain an ongoing cost/benefit (time vs. marks) analysis as you write.

- Example #1: many recent MQE questions have required candidates to value two or more entities or assets within a single question which an inexperienced writer would think warrants two distinct discount rates. However, in such cases, the marks awarded for doing a full-blown, detailed WACC/discount rate derivation are typically only awarded once since many of the components of the derivation will be the same (e.g., risk-free rates, equity risk premium, etc.). In such a situation, prepare the detailed WACC analysis for the first business and conclude (i.e., after doing a full-blown WACC analysis using CAPM, you have concluded that the WACC for Company A is 15%). If the second business is riskier, qualitatively discuss the factors warranting a higher discount rate for this business and conclude on a discount rate (i.e., 17% for Company B). However, be cognizant that if there are other areas of differentiation between the two companies/assets being valued (e.g., market debt/enterprise value ratio, debt interest rates, etc.), the Institute expects that you will account for those differences in your calculation and analyses.

- Example #2: many recent MQE questions have required candidates to do a formal valuation report in addition to a separate memo within the same question. To the extent that anything in the memo can be referred back to the report in order to avoid repetition, take advantage of this. **There is no expectation and no marks given for repeating the same analysis.**

- Example #3: reporting standards – marks in this area are generally constrained by internal maximums, so be aware of how much depth is sufficient in order to max out in each of the following areas:

  - Company background
    - 1-3 short points relating to the company's operations, risk profile, etc. (with the goal of linking this into your valuation analysis).

  - Economic overview (if required)
    - Be careful not to spend too much time here. What is more important is showing the marker that you are aware of the need for this section (if you are required to complete a comprehensive valuation report).

  - Industry overview (if required)
    - 1-3 short points relating to the industry and how this will impact your valuation analysis. Keep in mind that consideration of such factors may also be reflected in the selection of an industry risk premia if the build-up method is used, so avoid the repeating the points.

  - A lot of the facts from the Company Background will end up being considered in the discount/cap rate analysis (as opposed to a simple dump of case facts) – if you can find an efficient way to link the two while writing, this will save time. However, when planning the layout of your answer, be mindful that markers will want to see that writers know all of the

sections that are required to go into a formal valuation report; markers don't like to go hunting for marks, so the easier that your response is to follow, the better.

The importance of concluding

Common Pitfall #6 in Section 4 outlines a number of past marker feedback comments which suggest that candidates get sloppy when it comes to providing clear conclusions to the marker. We expect that this frequently occurs because candidates are scared of being 'wrong'. But it is important to remember that there is much judgment involved in a valuation and, in particular, on an exam scenario. Markers will award both content and professionalism marks to candidates who make conclusions based on their analysis and utilize that conclusion in any follow-on analysis.

There are typically several half-marks available within the exam for providing conclusions throughout. The following list is not exhaustive but provides some examples of the types of conclusions that you may be required to provide throughout your response:

- Type of report/communication that is appropriate in the circumstance.

- Whether guideline public companies or transactions are comparable to the subject company (as discussed above).

- Maintainable earnings/cash flow (if using a CCF method).

- Reasonability of cash flow projections/forecasts and underlying assumptions (if using a DCF method).

- WACC/discount rate selected for each business being valued.

- Value of redundant assets.

- Enterprise value.

- Equity value.

- If there are multiple entities/components being valued within a single question, be sure to make clear the conclusion of value with respect to each one.

Considerations for a computer-based testing environment

Hand-writing vs. computer-based responses

Up until 2015, a key challenge for MQE writers has been the practical difficulties that come with hand-writing for four hours (writing fatigue, managing the written layout/organization of one's response, and the inability to edit/revise layout of the response once it is already written). Since 2015, candidates have been able to use Securexam in order to write their responses via a laptop computer.

Securexam provides candidates with a basic word processor for narrative responses and a basic spreadsheet tool for quantitative analysis.

Our experience of working with writers from across Canada indicated that **an overwhelming majority of candidates used Securexam in 2015 and 2016.** However, we did see a handful of cases in which candidates elected to write by hand.

Whichever way you decide to go with respect to your method of writing the exam (computer or hand-written), make your decision relatively early on in the study process so that you can complete as many practice exams as possible using the same method that you will use on the actual exam day. This will enhance the degree of reality experienced in your practice exam and will help you better adhere to Rule #1 (practicing under 'real' exam-like conditions).

It is also important to note that the installation of Securexam on your laptop must be done in advance of the exam in order to write electronically (see the CICBV's Policy on Examination Rules in Section 3).

Hand-writing – pros and cons

- *Pro:* if you have never used Securexam and are worried about your computer crashing during exam day, the hand-writing approach is tried, tested and true.

- *Con:* Hand-writers may be at a disadvantage compared to computer writers with respect to the volume of information that you can include in your response
    - If you are not used to hand-writing for four hours consecutively, this takes practice.

- *Con:* Hand-writers may need to be more cognizant of how to structure their responses in advance, since they will not have the benefit of flexibility that a word processor and spreadsheet provide.

Securexam – pros and cons

- *Pro:* without a doubt, using a computer should enable candidates to get more down on paper in four hours vs. hand-writing (if they are reasonably fast typists).

- *Con:* getting used to computerized testing takes practice, especially for anyone who didn't use Securexam to write their CICBV course exams. The word processing tool and spreadsheet tool in Securexam are not exactly like Microsoft Word and Excel. Even though it could be argued that they should generally enable faster analysis, candidates should still take caution against spending too much time adjusting column widths, dollar formats, etc. in the spreadsheet tool. (Remember: mathematical perfection is not rewarded on the MQE – this principle also holds true for spreadsheet formatting.)

- *Con:* though unlikely, computerized writing may not be any more efficient for slow typists.

Setting a study plan

Following Golden Rule #1, we know that the best way to prepare for the MQE is to practice, practice again, and practice some more – by writing past MQE papers under 'real' exam-like conditions, using whichever method (manual or computer) you have decided to use for the actual exam day. The next questions we are generally asked are:

1. **How many exams** should I write?

2. **When (over the course of the summer)** should I write them?

3. **If I don't have time to practice-write some of the exams,** can I simply read the exam and the suggested approach?

Our answer? It depends, of course.

Setting a study plan is an individual process, and there is no one-size-fits-all approach that will guarantee success. When mapping out how you will prepare for the MQE, it is important to do an honest self-assessment of your personal strengths and weaknesses and ask yourself the following questions:

-   *What is the relative strength of my technical knowledge base going into the exam?* Technical weaknesses have a habit of persisting and can make case-writing more difficult. If you find, after a couple of practice exams that there is an understanding gap with respect to the technical material, you will need to devote more time to technical review than other candidates might. At this point, you should have some idea of where you stand in this respect, based on your performance in the CICBV courses.

-   *Am I a good test-taker?* Are you an exam 'stress-ball', prone to panic under the pressure of a real exam? Or have you historically spent your life breezing through every exam you've written? While we don't suggest anyone overestimate their abilities without sufficient practice, most candidates should have a general idea of how they have historically fared on tests and examinations through university courses (and, in many cases, other professional exams – see below).

-   *Do I work with the CICBV standards on a regular basis?* If you work in a firm or valuation practice where you routinely write reports under CICBV standards, this may work to your advantage in helping you write responses more quickly and intuitively. (On the flipside, in some instances this may mean that candidates need to be careful to not attempt to make their answers *too perfect*.)

-   *Am I still in exam-writing mode?* If you haven't written an exam in years, then you may need more time to warm up. If you have just finished your last round of CICBV courses in March, you may still be in exam-writing mode – but keep in mind that the MQE is very different from the individual course exams.

- ***Have I written any other professional financial exams?*** If you have written exams such as those for the CPA (CFE), CA (UFE) or CFA, you may find this as a helpful experience as you prepare for the MQE. However, don't think of this as a free pass on studying – as discussed in Section 1, the MQE is a unique animal. It is *somewhat* similar to the UFE in its case-based format; however, there is only one day (and one shot) to prove your abilities. There is some overlap with the CFA in terms of technical knowledge, but the equity valuation section covered in the CFA exams is only a fraction of the total CFA Body of Knowledge and is tested in far less depth than that of the MQE. (Not to mention that the CFA exams are largely multiple-choice, and so the mechanics of putting theory into practice in a case-based format are very different.)

- ***How much time can/will I take off work before the exam?*** In ideal world, everyone writing the MQE would have one or two weeks off prior to the exam in which to devote 100% of their energy to studying. However, in reality, not everyone has this luxury, and if you don't have that time available, you will need to be proactive and front-load some of your preparation efforts so that you fit in a sufficient amount of practice. Also remember that work (and personal life) commitments can unexpectedly get in the way – so depending upon your role it may be a risky proposition to leave all of your studying to be done in the time you have off.

- ***What other commitments/obligations do I have going on in my life?*** Only you can answer this question with a view to how it will impact the amount of time you have available to study.

The bottom line

Regardless of your answers to the questions above, we recommend that all candidates practice-write **at least the five most recent exams under exam-like conditions.**