

CGMA AUGUST 2015 EXAM ANSWERS

Variant 2

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CIMA will not accept challenges to these answers on the basis of academic judgement.

Section 1

From: Finance Manager

To: Manjiri Kamat, Director of Finance

Re: Article in Soccer Weekly

Hi Manjiri,

Challenges

The first challenge is the resourcing of the team. The players will all have full-time jobs as players at club level and their clubs will have to be willing to release them. In order to succeed, the clubs will have to be willing to agree to quite a significant commitment so that the players have a chance to train together and to learn to play as a team. The affected clubs will still have to pay wages to the players concerned and there is quite a significant financial commitment. Clubs may feel that their primary duty is to their fans and to their shareholders and so they may be unwilling to agree to such a request.

Establishing the team will require that it works towards the registration requirements of international bodies such as FIFA. Without such accreditation, it is unlikely that many international sides will wish to play against Veldoun and so there will be very little interest in the national side. The Veldoun Soccer Association will have to be given sufficient resources and encouragement to achieve this.

In the short-term, it is inevitable that the Veldoun team will do badly against more experienced teams from countries with a stronger soccer tradition. Supporters may be discouraged by early failures. The press in Veldoun will have to be persuaded to emphasise progress and the need for patience, otherwise the team will find it even more difficult to achieve acceptance.

Commercially, the team will have to be able to sell tickets. It may be difficult to attract supporters from other countries unless the opposition is from neighbouring countries. Potential supporters from Veldoun may be unwilling to buy tickets if they are not willing to move beyond supporting

their favourite clubs. Again, the support of the media will be crucial in advance of fixtures. Press comment should focus on the potential for an interesting and possibly even exciting match rather than the likelihood of a poor result.

Players may be unwilling to play for the Veldoun team. They may feel that agreeing to play will be a distraction from club soccer, which could hold back their careers. They may also feel that their long-term careers will be threatened if they are associated with losing international matches for the national team. That could mean that the Veldoun side is unable to field its strongest side, even if club managers can be persuaded to release players.

Predicting success

The most obvious and probably the most relevant starting point would be to identify the eligible players from whom the national team could be selected. Most are likely to be playing in the Veldoun Soccer League, which makes it easier to gather information about their strengths and weaknesses.

The Delphi method would involve asking soccer experts to make some informed assumptions about the players that are likely to be selected to play and on their prospects. The views of as many different experts as possible, such as soccer journalists and commentators or club managers, should be pulled together and evaluated to draw out any commonly held views. Assumptions about the selection of players and the style of play should be noted so that those views can be discussed with decision-makers such as Jose Gonzales and the national team's coaching staff.

Managers and coaching staff from Veldoun Soccer League clubs may be willing to share information about the form and performance of their players in order to assist Jose Gonzales. Such information could be useful to their League opponents though, and so it may not be a particularly helpful source of information.

It may be possible for the clubs in the Veldoun Soccer League to release players to train together from time to time and for them to play against other club sides. Alternatively, this ad hoc team could play against a team made up of expatriate players, many of whom have some international experience. Such an arrangement would enable the players to learn to play together and would also enable Jose Gonzales to experiment with different styles of play and combinations of players.

There may be other countries that are in a similar position to Veldoun with respect to their soccer culture whose performance can be used as a basis for comparison. Newly formed national teams may have similar characteristics that will enable us to determine whether we are likely to be embarrassed.

Big Data can be used to analyse statistics on individual players who might form part of the national side. For example, factors such as age, number of matches played, numbers of goals scored (or allowed) could be analysed for international players in other countries. Similar statistics can be gathered for potential players for Veldoun's national side. Such statistics may be helpful in establishing how such players succeed in terms of international matches. It may be difficult to find many comparatives though, because many other national teams will be comprised of more experienced players.

Big Data could also be used to analyse the success of sides that use particular formations and tactics. For example, if Gonzales proposes an attacking style of play then the use of analytics may enable a prediction of the likely outcome of such a style of play. Video of matches can be analysed to break team performance down by looking at statistics such as; the percentage of time spent in possession of the ball, the number of attempts on goal and so on. Such statistics could

be used to analyse the performance of the Veldoun team in practice matches, to decide whether they indicate any expectation concerning success or failure.

Section 2

Commercial risks

If the match against Spain is televised in Spain then it may showcase some of Glory's players. There could be interest in buying the players while they are still under contract to Glory thereby generating cash and possibly profit.

The match could also raise the profile of Veldoun as a soccer playing country. This could make it easier to attract Spanish players to Glory and so build up the strength of the club, which could only attract more fans and possibly make it easier to sell broadcast rights internationally.

Other downside risks include the fact that almost a quarter of Glory's first team players will be away on international duty while the season is under way. If that costs us places in the league then the fans may become disgruntled and attendances could drop.

We might counter that risk by motivating the reserve team players, perhaps by offering them additional training to sharpen their skills and better enabling them to fill any gaps in the side.

Also, fans might not be interested in watching a side containing as many as four reserve side players. Attendances might drop even if we are winning while these players are absent.

We might use the media to build some excitement and even some curiosity as to how the side will manage while deprived of key players. We could send out the message that loyal fans are needed to demonstrate their support in order to encourage the side and to "lift" them to victory. This could actually be a valuable marketing opportunity if handled correctly.

If we do lose ground in the league then we could use the media to build some excitement to encourage the fans to support the team and to ask them to get behind the players. We could possibly even exaggerate the difficulties associated with climbing back up the league in order to generate some excitement concerning the next few matches.

Our players could be injured while playing international matches. Serious injuries could threaten the players' careers and make them worthless on the transfer market.

We should make it a condition of releasing the players that adequate medical facilities will be available to monitor our players before and during the match. If need be, we should have a member of our coaching staff travel with the team and that person should have the authority to veto a player's participation in training or even in the match if there is a risk of any minor injury being exacerbated. Our coach could also be able to have the player taken off and substituted during the match if there is an injury issue.

We should check the insurance implications of a serious injury while a player is on international duty. We may be left with the costs of arranging suitable health care to treat any serious injury.

That may put Glory at a disadvantage, although it is likely that the other clubs will have lost their strong players as well. Walleen is likely to be as badly affected as Glory. The team may actually benefit by giving the manager the opportunity to try some other players from the reserve team.

There could be a risk of longer-term loss. Players may be injured during any competitive match and the risks could be increased by the competitive nature of international soccer. They could also risk illness due to the exposure to infection during international air travel or the change of food and climate in Spain. The match against the reserve team will also create the risk of injury to the reserve players at a time when Glory will be depending on them to cover for the international duty.

Implications of lying

Montoya may be angry at missing the opportunity to play in his national side. If he is denied the opportunity to play for Spain then he may wish to move to another club.

The Spanish press may take an interest in the reasons for his failure to appear. That creates the risk that the deception will be uncovered, perhaps by Montoya himself if he chooses to leak the truth. The club could create a scandal that will be difficult to live down.

Glory could lose the opportunity to sell Montoya before the end of his contract if it is accepted that the player has health problems. His value on the transfer market could also be higher if he is an active international player. If he is disillusioned then he may be demotivated and could be less valuable as a player in Glory's first team.

Ethical implications

Even though Glory is not subject to CIMA's Code of Ethics, it would be valid to evaluate the club's behaviour against the Code as a sensible framework for evaluating behaviour.

Glory is hardly behaving with integrity, which would require it to be straightforward and honest. The club is also pressing the team doctor, who is personally subject to the medical professions ethics, to lie. It would be far more honest to simply refuse to release Montoya and to be honest about the club's need to have the player.

To an extent, Simon's justification is a breach of objectivity. If the refusal is partly motivated by a desire to help the Veldoun team then that is a slight abuse of power by the club.

This is clearly a breach of professional behaviour because it could have a serious negative impact on the club's reputation and that of soccer in Veldoun. It creates an impression of a side that is lacking in professionalism and sportsmanship. This is further exacerbated by the fact that the Spanish team is effectively doing Jose Gonzales and the Veldoun Soccer Association a favour by agreeing to play this match.

Section 3

From: Finance Manager
To: Martin Morris, Chief Executive Officer
Re: Funding the national team

Hi Martin,

Share price

The club's profit is likely to decrease by the 3% levy. There is a chance that some interest will be generated in soccer in the longer term and that some of the funding could be recouped through increased ticket sales and improved broadcasting rights, but that is a slim possibility.

There could be a further loss if the broadcasting of international matches leads to fewer club matches being broadcast and so the clubs (including Glory) may be paid less from that source.

In the event that the Veldoun Soccer Association makes a profit, it will be reinvested in the development of the sport and none of it will be returned to the clubs. The prospect of attendances increasing because of youth football is remote.

Perhaps the share price will remain the same, rather than decreasing, because of the motives of the shareholders. Kartar owns 35% of the club and clearly relishes his association with the club. He will appear to be disloyal if he sells any of his shares and the share price will plummet if he does. The other shares are largely held by fans, who probably wish to own part of the club that they support. Such shareholders are less interested in profits than the norm and so the club is unlikely to see any volumes of shares being sold in the light of the decision.

Business model

The Veldoun Soccer Association's revenues will be linked to the ticket revenues generated by the clubs. That would make Glory's contribution a little more than V\$1 million. Glory is one of the largest clubs, so it is unlikely that the other clubs would pay as much as that.

The Veldoun Soccer Association is presently running at a very low level of activity and yet appears to have spent V\$5.5 million on a limited contract for Jose Gonzales and two friendly matches against Spain, one at home and the other away.

Presumably, the national team will generate some revenue from its own ticket sales and broadcasting rights, but they may be minimal unless there is significant interest in watching the national side. It may have to pay a club for the use of a stadium for home matches. Joining FIFA so that it can compete effectively in international tournaments such as the World Cup will require the recruitment of additional staff and the associated travel and professional fees that will be involved.

Overall, the business model appears to be unlikely to succeed. The clubs are giving a fairly substantial sum, but that is not linked to the Association's needs. There is unlikely to be any long-term future for the national team unless it can establish itself and enter into major competitions and there are unlikely to be sufficient resources in order to do that.

Governance structure

The proposed structure is badly thought out. Firstly, ten board members is likely to be too many which will create an inefficient management structure. It will be difficult to reach a consensus within a board of ten members and considerable time will be spent on debate and in seeking compromises.

The directors will each see themselves as representatives of their respective clubs, which will further complicate decision-making and governance. The larger clubs will contribute more and will feel that they have different interests to the smaller clubs, but each board member will have the same amount of influence.

Arguably, the interests of the national team will have very little in common with the interests of the league clubs. There is very little point in involving the league clubs in the management of the national team, even if they are contributing to its funding through a levy. It would be far more effective to elect a Board of Directors for the Association on the basis that they can contribute to the effective management of the national team.

The one advantage of involving the clubs in this way is that it will be far more difficult for them to refuse to release players or rearrange fixtures to meet the needs of the national team if they are actively involved in decision-making.

Performance

The Association should be given a number of specific objectives and a timeframe for each.

Firstly, there should be a plan in place for them to seek full membership of FIFA, so that Veldoun can indeed play in international competitions such as the World Cup and regional soccer championships. The timing of that should be linked to the final entry dates for these major competitions, so that the Association is working towards the next competition, or the one after that if the immediate timeframe is too tight.

In seeking membership, there should be a short to medium intention to create an effective national team. There should be a plan to select a pool of eligible and competent players. There should be a plan to establish regular training camps so that players are seen to be available and capable of working together. Ideally, there should be a realistic number of fixtures against other international sides.

It may be unrealistic to expect the national team to win many matches in the short-term, but it would be ideal if the fixture list could include some sides against which Veldoun might be evenly matched in the hope that it can win a few matches.

In the longer term, there should be evidence of progress in various competitions, with a formal discussion after every match of the team's performance and the lessons learned.

There should also be a hope that the Association will be able to stimulate an interest in soccer in Veldoun's schools and the number of school teams could be used as an indicator.