

This document should be read in conjunction with the examiner’s suggested answers and marking guidance.

General comments

This paper was based on a pre-seen scenario which described CrownCare, a large dental practice. The scenario was made available in advance and five exam variants were set, each presenting additional scenario-based information and setting four tasks to be completed. Each task was split into either two or three specific elements. The industry is interesting and is accessible to candidates from all countries. Information on this industry is widely available.

Overall, the standard of answers presented was reasonable and better than in the previous diet. The main problem, as usual, was candidates not answering what was asked and failing to draw on information from the exhibits and the preseen. Candidates often gave very general answers which did not fully answer what was asked. The financial reporting answers were a little better but still not as good as they could be.

As with all the case studies, the strongest answers were properly applied to the case study.

Some candidates demonstrated a poor understanding of several syllabus areas, including material that is clearly ‘core’, such as all technical areas of financial reporting and some of the more technical areas of management accounting such as project appraisal and performance measurement. This was very disappointing. Many candidates seemed confident in the E pillar tasks but were weak in the F pillar tasks and in some of the more technical P pillar tasks. It is very important that candidates study all syllabus areas as one weak question can be enough to pull marks down to a fail.

The layout and logical manner in which answers were presented was reasonable.

Summary

The standard of scripts was reasonable. As expected there were some very poor scripts and some excellent ones with the vast majority somewhere in the middle. The technical knowledge of financial reporting was poor in many cases as was knowledge of management accounting. It is essential that candidates study all the parts of the syllabus including financial reporting and also all areas of the management accounting syllabus. There were some very good scripts, submitted by candidates who had clearly prepared well, made good use of the pre-seen material and were technically competent, those were in the minority. The main problem with many scripts was the lack of application of knowledge to the case study. Candidates would benefit from practicing past case studies and actually writing out answers to them.

It should be clear that candidates must have a good knowledge of the pre-seen material before sitting the case study.

Variant 1

	Designed to test ability to:	Competency being tested:	Syllabus lead learning outcome:
Task 1	Justify need for an Activity-Based Management system	Technical skills	P2 A1a - evaluate activity-based management
	Discuss elements of strategic planning	Business skills	E2 A1a - discuss the concept of strategy and the rational/formal approach to strategy development
Task 2	Determine need for internal benchmarking	Leadership skills	P2 B2a - prepare performance reports for the evaluation of projected and actual performance
	Advise on need for provision in the financial statements	Technical skills	F2 B1c - discuss the provisions of relevant international accounting standards ...
Task 3	Advise on establishment of coaching system	People skills	E2 B1b - discuss HRM approaches for managing and controlling individuals' performance
	Evaluate arguments relating to project appraisal	Business skills	P2 D2b - discuss the risks associated with the collection and use of information and F2 A1a - discuss the characteristics of different types of long-term debt and equity finance
Task 4	Evaluate pricing strategies	Technical skills	P2 C2a - discuss pricing strategies and their consequences
	Discuss the usefulness of a competitor's financial statements and evaluate the potential for the finance function to create value	Leadership and people skills	F2 C2a - discuss the limitations of ratio analysis based on financial statements that can be caused by internal and external factors and E2 C1b - discuss the effectiveness of handling relationships between the finance function and external experts and stakeholders

Comments on performance

Task1

Requirement 1

Activity Based Management

In the first element of the task most candidates were awarded a reasonable mark for knowledge of ABM and ABC but few had the deeper understanding of the situation i.e. that the company was seeking to gain insight and control of costing and pricing control. The facts of the scenario were nicely balanced to allow debate on whether it could be worthwhile to move to a more detailed system could be argued either way but when they did argue a case, most candidates assumed that the change was absolutely necessary completely ignoring the practicality and value of implementing such change.

Requirement 2

Management models

In the second element of the task candidates were slightly weaker, failing to demonstrate any more than rudimentary knowledge of the rational planning model with few candidates mentioning, let alone seeking to apply, any other strategic planning model to the situation. Most assumed that Morrison had overstepped his authority and had ignored the rational model stages. No more than a handful of candidates suggested that he had in effect carried out some analysis though the trial already undertaken (probably with full consultation) and so was following the rational model. More understanding of the models were required for candidates to gain high marks in this requirement. Application of the theory on planning models to a scenario was sadly lacking in many answers.

Task 2

Requirement 1

consider internal benchmarking to rationalise differences observed. Application of IAS37 against potential claims.

Most average candidates gathered marks for consideration of internal benchmarking although few gave any real evidence of depth of understanding. Considerable time was often wasted by candidates by discussing and attempting to establish the reasons for the higher failure rate shown by the company (even though it was only 1% above the industry norm) which was not part of the criteria.

Very few candidates presented general discussions on the scope, need, advantages and disadvantages, costs and value of implementing an internal bench marking system based on the statistics, which was disappointing as the question was laid out to support a variety of arguments on both sides. Application of knowledge to the case was lacking in many answers.

Requirement 2

Application of IAS37 against potential claims.

In the second element of this section hardly any candidates mentioned materiality. Most candidates demonstrated knowledge of the principles of IAS 37 even if they did not mention the accounting standard as such. Application of the standard to the case study was often limited and confused. On the whole the insurance aspect was ignored, claims were described both as liabilities and contingent liabilities with only about 20% of candidates even considering whether they would be valid or not. Better candidates picked up on both insurance and prior notification of risks but these were surprisingly sparse with most assuming liability.

Task 3

Requirement 1

Coaching, likely challenges posed on developing an effective system and how to overcome.

Most candidates achieved a reasonable mark in this question.

The first part of this task was answered reasonably well. Most candidates were able to identify sufficient challenges to achieve a reasonable mark. The consideration of how these problems could be overcome was often sadly lacking and few candidates showed any understanding of any HR sensitivity or pragmatic approach to program rollout. There were a wide variety of possible scenarios presented from the pre-seen and candidates should have been able to demonstrate strong application of knowledge to the case. 20% of candidates or less presented any cohesive arguments beyond rudimentary suggestions.

Requirement 2

Difficulties posed in investment analysis for a project where the objective is to save as yet unknown or indeed unquantifiable costs, Cost of Capital.

In requirement 2 of the task there were some excellent responses to identifying the difficulty of predicting cash flow from the proposal. Stronger candidates recognised the main difficulty immediately and gave suggestions as to extrapolation of avoidance of cost as a negative cash flow or similar but the weaker ones produced general waffle on NPV calculations on rote learning mostly unrelated to the case study.

Although most candidates recognised that the cost of capital could not be zero very few were able to go beyond a statement that shareholders need a return on their money i.e. dividends. Only a small minority were able to identify the problems of calculating the cost of equity in a company such as CrownCare because of its unique status.

Task 4

Requirement 1

Pricing Strategies in the face of cheap foreign competition evaluation published financial statements in assessing competitor capabilities and sustainability.

The identification and discussion of 2 pricing strategies proved a fairly straight forward task for most candidates. However, some choices were rather basic and generic and failed to substantiate their advantages in the given scenario; cost plus is hardly an appropriate pricing strategy in terms of fending off strong competition. Many candidates correctly identified good aspects of promotion, reputation, quality, aftercare and proximity for return visits. A few weak candidates misinterpreted the whole situation and assumed CC were to expand overseas!

In the second part of the task it was surprising how few candidates went straight to the point which is, of course, the lack of detail available within published financial statements. Many gave vague answers on the limitations of ROC as a ratio, accounting policy variations etc. without mentioning this key problem. There were also some excellent answers here, giving many facets of why even detailed analysis gives at best indicative or actually misleading information.

Requirement 2

Finance department creating business value.

With regard to the potential of the finance function to add value all candidates had to do in order to pass was to return to their work in section 1 and discuss improvement of the company's costing systems rather than giving a generic type answer not directly related to the case study. A sizeable minority failed to give any significant response here which was disappointing.

Variant 2

	Designed to test ability to:	Competency being tested:	Syllabus lead learning outcome:
Task 1	Discuss merits of potential acquisition	Business skills	E2 A1b - compare and contrast alternative approaches to strategy development
	Evaluate implications of profit v investment centres	Leadership skills	P2 B1a - discuss the information needed for decision making in different organisational structures
Task 2	Interpret accounting ratios	Business skills	F2 C1b - evaluate the financial performance, financial position and financial adaptability of an entity based on the information contained in the financial statements provided
	Evaluate project	Technical skills	P2 C1b - discuss the financial consequences of dealing with long-run projects, in particular the importance of accounting for the 'time value of money'
Task 3	Discuss motivation of professional staff	People skills/Leadership skills	E2 C1a - evaluate the issues associated with building, leading and managing effective teams
	Discuss calculation of cost of debt and advise on suitability of debt finance.	Technical skills	F2 A2b - calculate the post-tax cost of debt for an incorporated entity and P2 D1b - analyse risk and uncertainty
Task 4	Advise on need for impairment adjustment to goodwill and recommend approach to retention of professional staff	People skills	F2 B1a - produce primary financial statements for a group of entities in accordance with relevant accounting standards and E2 B1b - discuss HRM approaches for managing and controlling individuals' performance
	Discuss role of target costing	Technical skills	P2 A1c - discuss techniques for enhancing long-term profits

Comments on performance

Requirement 1

The first requirement asks whether the acquisition of Luxedent is consistent with the ongoing implementation of Crowncare's strategy. Crowncare has quite a clear target niche for its business model and Luxedent, arguably, diverts from this. The question seeks an opinion and candidates were rewarded for the quality of their arguments. The key issue was that a move upmarket is probably more consistent with strategy than a move down. If Crowncare does not acquire Luxedent because of concerns about implementing strategy then the company may struggle to expand further because it is already in most other areas of the City. There were some good answers to this requirement with many candidates making good arguments.

The question specifically asked about the implementation of strategy and not about the strategy itself and a number of candidates did not gain many marks as they only discussed the strategy itself.

Many answers were well structured which was very good.

Requirement 2

Candidates should have been able to see that Luxedent was effectively an investment centre in the sense that it was previously an autonomous unit. The company was directly accountable to its shareholders.

The acquisition of a new practice that occupies a different segment of the market raised questions as to the extent to which Crowncare ought to constrain the current management in order to create consistency and to exercise authority or whether it might be preferable to grant a degree of autonomy in the interests of making best use of the management team's experience. This was answered badly as many candidates struggles to say much. Many candidates answered the question they wanted to answer rather than what was asked and scored low marks for this requirement.

Task 2

Requirement 1

Candidates were asked to relate the ratios that have been calculated in the reference materials to the business models. Luxedent is successful but appears to be less profitable than Crowncare in terms of generating returns from its assets. Better candidates should have recognised that goodwill on acquisition depresses Crowncare relative to Luxedent and so the disparity is even more marked than it appears at first glance. Candidates did not really answer this very well and few candidates recognised that the nature of Luxedent's business made it difficult to emulate Crowncare's greater productivity.

Many candidates did enough to score a pass in this requirement but few gave very good answers.

Requirement 2

Deciding whether the investment in consultancy is a good thing really depends on whether Crowncare's operation of Luxedent will yield a greater return if it buys the advice and initial support from its founders. Candidates were not asked whether this is a good investment, they had to explain how that investment will be evaluated. The principal argument should have been whether the founders can teach Crowncare's managers anything of any great value. There is also the fact that retaining the services of the founders will send out a signal to patients and to staff. In spite of the clear requirement many candidates did not read the question properly and tried to answer another question which was whether it was a good investment. This was the main reason that candidates did not score highly in this requirement.

It is very important that candidates read the requirements carefully and answer what is asked.

Task 3

Requirement 1

The first requirement has two separate aspects and each should be considered separately.

There are significant differences between the motivational issues affecting Luxedent and Crowncare. The former has only just been absorbed into the Crowncare Group. Also, there are relatively few of them, so the secondment is likely to be rather more onerous a commitment. Many candidates answered this badly and barely discussed the motivational issues of both parties which was what the question asked.

There was very little scope for repeating the same points under both categories, but candidates managed to repeat the same points again in this part. There were no marks rewarded for repetition.

Candidates should recognise the differences between the two groups of participants. This question was poorly answered with candidates not thinking through the implications for both parties.

Requirement 2

This requirement also has two elements that were marked separately.

The first issue was that there was what appears to be a discounted bond, where the discount is concealed by the deferral of interest, which is subsequently paid in a lump sum on maturity. Candidates should have been aware of this issue both from the discussion in the text concerning cost of debt and also from their understanding of accounting for debt instruments. Candidates were very weak in this area and found it very difficult to discuss the bond in any depth. Some candidates missed this part out completely. It is very important that the technical aspects of financial reporting are covered when preparing for the case study exam.

The interaction between business and financial risks is essentially looking for an understanding of the effects of gearing. Candidates should have been able to appreciate the problems for servicing cash flows if the investment does not yield a steady and predictable

return. It was surprising the number of candidates who did not mention gearing or debt in their answers. Marks were quite low for this requirement.

Task 4

Requirement 1

The two parts of the first requirement should have been considered separately by candidates, despite the fact that retaining staff is crucial to the value of the goodwill on acquisition. The loss of staff is likely to have a more immediate impact on patient loyalty than anything else. There were many candidates who failed to discuss the loss of staff in any detail in their answers. This was an important issue and candidates who did not discuss it found it difficult to gain enough marks to pass the requirement.

Requirement 2

Candidates should have made use of the understanding of dentistry from the preseen to identify the problems. Dental work does not necessarily lend itself to removing features or downgrading work and so candidates will have to think of other ways in which target costing might be applied here. It seemed that candidates did not understand the issues associated with target costing. When the candidates discussed target costing in some detail they then often did not apply the issues to the requirement. Candidates found it difficult to apply target costing to dentistry. Partly as some candidates had quite clearly not studied the preseen material.

Variant 3

	Designed to test ability to:	Competency being tested:	Syllabus lead learning outcome:
Task 1	Discuss impact of change on value chain	Business skills	P2 A1c - discuss techniques for enhancing long-term profits
	Discuss impact of investment on WACC	Technical skills	F2 A2c - calculate the WACC for an incorporated entity
Task 2	Discuss challenges associated with setting transfer prices	Business skills	P2 B3b - discuss transfer pricing systems
	Advise on management of internal conflicts	Leadership skills	E2 C2b - discuss approaches to managing conflict
Task 3	Discuss responsibility for industrial accident arising from staff negligence	People skills	E2 B1b - discuss HRM approaches for managing and controlling individuals' performance
	Advise on suitability of TARA and recommend accounting treatment	Technical skills	P2 D2a - discuss risk management and F2 B1c - discuss the provisions of relevant accounting standards ...
Task 4	Evaluate approach taken to investment appraisal	Technical skills	P2 C1c - evaluate investment appraisal techniques and explain their results
	Evaluate arguments concerning asset lives for depreciation and competitor analysis	People and leadership skills	F2 B1c - discuss the provisions of relevant accounting standards ... and E2 A2b - discuss the approaches to competitor analysis including the collection and interpretation of trend data

Comments on performance

Task 1

The first task began by asking the candidate to explain how having their own laboratory would affect Crowncare's value chain activities. A good answer here would look at inbound logistics, operations and outbound logistics, and also recognise that support activities would also be affected. This first task was generally well attempted, with many candidates producing well thought through explanations which correctly identified many of the key points.

Candidates were then asked to explain how Crowncare would determine the impact of the investment on their weighted average cost of capital, and whether the impact would be affected by proceeding with a larger investment mainly funded by debt. This was much less well addressed, with many candidates demonstrating a lack of technical knowledge. Some did not recognise that Crowncare was not listed, or that it was currently funded entirely by equity, and provided "textbook" style answers advising that the cost of equity should be determined by reference to the market price of the shares, and the cost of equity and debt averaged. Where candidates did recognise that Crowncare was not listed, they did not appreciate that a similar listed firm could be identified and used as a basis for estimating the cost of equity. Very few made the link between risk and reward or recognised that if this project was high risk the cost of equity might rise. A surprising number considered that WACC was not applicable due to the lack of debt, and that estimating the cost of equity for an unlisted company is not possible.

Task 2

The second task began by asking the candidate to explain the challenges associated with setting transfer prices for Tonlab, a dental laboratory acquired by Crowncare, and to recommend how these could be addressed in the best interests of the company as a whole.

Many candidates focussed on explaining the different types of pricing strategies which could be applied without discussing the challenges presented by this specific scenario. It would have been appropriate to explore the varying margins for different products and the need to take account of discounts offered by competing laboratories when setting prices for internal sales. Few candidates made use of the numbers provided to illustrate their responses.

The second part of this task asked candidates to recommend how best to address the potential conflicts between Tonlab and Crowncare's individual dental practices. This was often well attempted, with candidates adopting a variety of approaches, but making sensible suggestions as to how the conflicts could be overcome.

Task 3

The third task introduced a letter regarding an accident suffered by a senior dental technician who suffered an eye injury when not wearing the safety goggles she had been issued with. Candidates were asked whether Crowncare is responsible for the injury sustained, given that she was not wearing the goggles.

Some candidates did not address this first requirement at all. Many answers were very simplistic, with candidates merely stating that Crowncare would be responsible, without considering the employees duty to consider her own safety.

Candidates were also asked to advise on whether the TARA framework could have been used to classify and mitigate the risk, and also whether it will be necessary to make a provision for any compensation. Many explained the TARA framework well, but some did not apply it to the scenario at all, just setting out TARA without considering how this risk would be classified or whether the application of TARA would be helpful in reaching an optimal response to this risk.

Many candidates showed good knowledge of the conditions which need to be met for a provision to be made, but few recommended taking advice from Crowncare's legal advisors. Some did not recognise the issue of reliable estimation.

Task 4

In the final task candidates were told that Citydent, a competitor of Crowncare, is offering 3D scanning technology which had been evaluated at Crowncare as having a negative NPV. The candidate was asked to respond to the suggestion that Citydent's decision to invest in the technology means that Crowncare's NPV computation must be inaccurate.

Whilst many candidates responded well to this requirement, answers generally focussed on differences between Citydent and Crowncare which could lead to different NPV results. Fewer candidates discussed the difficulties in accurately estimating future cash flows. Some weaker candidates explained the NPV process but did not discuss the specific issues presented by this scenario.

The candidate was finally asked to respond to a suggestion that Crowncare's depreciation charge should be understated in order to improve reported profits, and to consider whether the management team has been negligent in conducting competitor analysis of dentists in Capital City.

Many candidates provided a good discussion of the depreciation issues including the requirements of CIMA's code of ethics and the implications for the financial statements of understating depreciation. Discussion of competitor analysis was often vague and unfocused. Few candidates recognised the practical limitations of competitor analysis or discussed in any depth what could be assessed by Crowncare.

Variant 4

	Designed to test ability to:	Competency being tested:	Syllabus lead learning outcome:
Task 1	Evaluate business risks	Business skills	P2 D1b - analyse risk and uncertainty
	Evaluate competitive advantage	People skills	E2 A1c - explain the approaches to achieving sustainable competitive advantage
Task 2	Recommend approach to internal performance reporting	Leadership skills	P2 B2c - discuss the criticisms and behavioural aspects of budgeting in responsibility centres
	Recommend financial reporting treatment	Technical skills	F2 B1c - discuss the provisions of relevant accounting standards ...
Task 3	Recommend pricing strategy	Technical skills	P2 C2a - discuss pricing strategies and their consequences
	Evaluate usefulness of competitors' financial statements and evaluate proposal for review of proposed treatment plans	Business and leadership skills	F2 C2a - discuss the limitations of ratio analysis based on financial statements that can be caused by internal and external factors and E2 C1b - discuss the effectiveness of handling relationships between the finance function and other parts of the organisation and the supply chain
Task 4	Evaluate proposal for change management programme	People skills	E2 D1b - recommend techniques to manage resistance to change
	Evaluate proposals to improve costing system and to issue shares to staff	Technical skills	P2 A1a - evaluate activity-based management and F2 A1a - discuss the characteristics different types of long-term debt and equity finance

Comments on performance

Task 1

Requirement 1

Dealt with the risks associated with the creation and operation of a dental insurance scheme that Crowncare would sell to its patients. Crowncare presently promotes a third-party insurance scheme that would no longer be accepted by the company. The most immediate risk would be the possibility that patients would be unwilling to change their insurer and so they may move to a different dentist. There could also be concerns that the cost of providing treatment under the scheme could prove more expensive than expected, although that is not necessarily a major concern because Crowncare has detailed records of the charges that it makes to the existing insurer and so it should be possible to estimate the cost of meeting its commitments. Most candidates offered realistic arguments in response to this requirement, including the potential upside risk that Crowncare will generate additional income from the sale of insurance.

A significant minority of candidates drew an unrealistic parallel between Crowncare's provision of dental insurance and the news report in the preseen about a hospital group that created a captive insurer to cover PPE. There was no suggestion that Crowncare's insurance arrangements would change, other than the dental insurance. Thus, there would be no concern that a property fire or similar catastrophe would be uninsured.

Requirement 2

Asked about competitive advantage arising from this new insurance company. Many candidates wrote about the competitive advantage that Crowncare could obtain as a dentist, in terms of being more responsive and being able to offer a better range of treatments under its own in-house insurance cover. Those arguments were valid and were rewarded. Better candidates developed their answers further by discussing the competitive advantage that Crowncare would enjoy as an insurer, bearing in mind the fact that it already has contact with its own body of dental patients and is, hopefully, a trusted part of their lives. By thinking widely about the implications, many candidates scored a better mark overall.

Task 2

Requirement 1

Asked about the implications of self-insurance for the internal reporting of performance by individual practices. The exhibit attached to the requirement showed that insured work is presently invoiced to the third-party insurer and so the revenues earned by each practice can be seen to reflect the work undertaken by the practice. The issue arising from bringing the insurance in-house would be that patient revenues would be earned as fixed monthly payments rather than on the basis of dental work done. That means that reporting monthly revenue by practice could prove misleading because it would not reflect the actual activity in the laboratories. Many

candidates appreciated that this was the issue and developed arguments that were based around the idea that practices should continue to report their performance on the basis of the treatments provided. Weaker answers paid little or no attention to the scenario and the requirement and tended to discuss the reporting issues associated with revenue recognition in the financial statements, even though that had not been requested and also despite it being the subject of the second requirement.

Requirement 3

Asked about the financial reporting issues arising from the provision of dental insurance. Most candidates were aware of the requirements of IFRS 15 and discussed the need to provide the service that had been paid for. Stronger answers recognised that the insurance policy was essentially a combination of a prepayment for preventive examinations and hygienist work as well as an insurance element to cover the cost of any insured dental work that was required despite the preventive treatment. Arguably, the insurance premium should be split between the two elements and accounted for as and when CrownCare's commitments to patients has been discharged.

Task 3

Requirement 1

Dealt with the pricing of dental insurance. The exhibit supporting this requirement offered assistance in the form of a summary of a focus group exercise. Stronger candidates made good use of the findings from the focus group to ensure that CrownCare did not risk losing patients through overcharging. Weaker answers tended to offer an almost random selection of pricing approaches that would bear little or no real relevance to the case. For example, price skimming is unlikely to succeed given that patients are unwilling to pay more for CrownCare's treatment. In the same vein, penetration pricing may be unnecessary given that CrownCare knows how much patients are paying to the third-party insurer and would, presumably, be prepared to pay to CrownCare.

Requirement 2 – this had two sub-task

Sub-task 1

Was the usefulness of competitors' financial statements for pricing decisions. Very few candidates thought beyond generic concerns about accounting choices, such as estimates of asset lives and the like. There was a very limited understanding of the disclosures that one would expect to find in a competitor's financial statements and the usefulness of those disclosures.

Sub-task 2

Continued with a discussion of the implications of practice managers reviewing treatment plans before work commenced. This requirement was generally answered well, with many candidates recognising the threat to dentists' morale if they had to seek permission before proceeding with work and concerns that practice managers might not be particularly well qualified to evaluate the approach being taken.

Task 4

Requirement 1

Dealt with the impact of a change management programme. It was generally answered well, although a significant number of candidates discussed the steps to be undertaken in order to bring about a change management programme, rather than the ways in which a programme would help Crowncare.

Requirement 2

Had two elements, the first being the advantages of improving the costing system. Most candidates were in favour of the change, which was an acceptable conclusion provided a satisfactory argument was offered in support. Many candidates identified the potential benefits of an improved system, but said little or nothing in respect of the associated costs.

The second element asked about the potential implications of granting shares to dentists. Many candidates offered arguments based on motivation and retention of dentists. Some common arguments were somewhat weaker. For example, there was a concern that existing shareholders would have their control weakened, which made little sense because the existing shares are well spread across 40 individuals and so that aspect of their ownership would be unaffected.

Variant 5

	Designed to test ability to:	Competency being tested:	Syllabus lead learning outcome:
Task 1	Discuss leadership challenges	Leadership skills	E2 B1a - discuss the concepts of leadership and management
	Evaluate difficulties associated with making a profit from a new market segment	Technical skills	P2 A1c - discuss techniques for enhancing long-term profits
Task 2	Advise on competitor analysis	Business skills	E2 A2b - discuss the approaches to competitor analysis including the collection and interpretation of trend data
	Discuss usefulness of competitors' financial statements and relevance of IRR	Leadership and technical skills	F2 C1b - evaluate the financial performance, financial position and financial adaptability of an entity ... and P2 C1c - evaluate investment appraisal techniques and explain their results
Task 3	Recommend approach to internal benchmarking	Business skills	P2 B2a - prepare performance reports for the evaluation of projected and actual performance
	Recommend response to problems with internal communication and financial reporting	People and technical skills	E2 C2a - discuss the roles of communication, negotiation, influence and persuasion in the management process and F2 B1c - discuss the provisions of relevant international accounting standards ...
Task 4	Evaluate business risks	People skills	P2 D2a - discuss risk management
	Advise on accounting implications of disposing of subsidiary	Technical skills	F2 B2a - demonstrate the impact on the group financial of disposing of all or part of a shareholding

Comments on performance

Task 1

Requirement 1

Most candidates ignored the question requirement and chose to write about the risks involved in taking VHS patients. While answers briefly included the practice heads refusal and/or the problem with staff development these were amongst other problems such as patients leaving / private patients thinking it is unfair and also the answers then looked to solutions to these problems such as rotating the dentists round all the practices so that they can get development/training that way or writing to the private patients convincing them that the quality of service would still be there. As the focus of the answers was not on leadership challenge points specifically it was difficult for candidates to achieve a pass grade.

Requirement 2

Again candidates didn't seem to read the question carefully enough and many answers gave ideas of how the practice could set about saving costs instead of discussing how it would be difficult to make a profit.

Most answers started by stating the lower rates that VHS would pay out for treatment and the impact on the margin (but then as mentioned they got drawn into discussions re cost savings) which allowed for some credit to be obtained.

There were some good answers and these candidates brought in details such as the weak local economy and the impact this had on patients spending habits and attitude towards dental care. Some candidates also discussed the limitations of the current IT system in recording costs from the pre-seen information which was a good use of this information.

Task 2

Requirement 1

Most candidates had a reasonable attempt at this section but the answers did tend to focus on the type of information and the source of the information rather than explaining why it would be useful for competitive analysis.

The difference between scripts was usually down to the quantity of information and sources discussed. Weaker candidates just focussed on two pieces of information ie the size of the practice or the dentists' qualifications but better candidates brought in many more points. Weaker candidates also suggested that CrownCare should act as patients to assess the quality of the dentists but this would be difficult in practice to do.

Requirement 2

There were many very good answers here with most candidates discussing the limitations of financial statements ie past info / info at a fixed point in time as well as realising the limitations of the figures provided. Candidates were also good at analysing the ratios given many realising that accounting policies would affect the depreciation thus the ROCE as would investment decisions in discussing the 2 companies results. As a result many candidates achieved full marks here.

IRR was more of a challenge for candidates and many answers were often very short and disappointing with many candidates only stating that the IRR was the point where the NPV = 0 and quoting the 2 figures provided for the 2 companies.

Task 3

Requirement 1

Many candidates wrote an introduction explaining benchmarking with competitors and KPIs and generally why a company would benchmark. While there is some merit to this sort of introduction it then seemed to lead candidates away from the actual question which was to try to uncover a possible fraud, it wasn't a generic question about benchmarking. Often candidates discussed KPIs which were not at all relevant in trying to identify if a fraud had taken place, but for comparing CrownCare with its competitors.

Those candidates who realised the question was about the fraud often gave a discussion on the internal controls that should be in place to prevent the fraud from happening which was not required.

Requirement 2

Most candidates appreciated the initial communication problem with the Head of Practice having to take VHS patients but then seemed to stray into discussing different types of communication ie that face to face communication would be better than email so they turned the answers into a generic one about methods of communication rather than focussing more on the scenario.

Better candidates discussed the Head of Practice issue as well as the need to communicate the investigation into the fraud with the employees and the need to reinforce the company ethics with all the staff and these answers were good as they were comprehensive over all of the issues that needed to be communicated.

With the financial reporting most candidates showed good knowledge of the basics of IAS 37 and the conditions needed. The majority of candidates then assumed that a contingent liability needed to be disclosed as the provision could not be measured. Most candidates also wanted to disclose the issue with no thought to the materiality.

Task 4

Requirement 1

The risks were very well answered. Most candidates came up with a good variety of risks including reputation, market share, lost revenue/patients and staff impacts which was great. Some candidates tried to move towards a more generic answer in setting out the risks under the TARA framework which created quite a lot of work but wasn't needed, and didn't really gain additional credit.

Requirement 2

Answers to this requirement were usually quite weak, especially for the P&L with most candidates only managing to state that any gain/loss on disposal would go through the P&L. Weaker candidates mistakenly discussed the cash going through the P&L. Better candidates also discussed the need to include pro-rata profit and loss items to the date of disposal.

BS items were handled better with many candidates discussing removal of the assets and liabilities line by line, the fact there was no Non-Controlling Interest to worry about and discussing the original goodwill and probable impairment. In addition, better candidates discussed changes in equity and discussed the accounting treatment for assets held for sale (and the technical knowledge shown by these candidates for the standard was very good).

In general, candidates must learn the technical aspects of the F pillar, in many cases if the marks for technical accounting had been higher candidates would almost certainly have passed.