

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 a cruise company. The pre-seen was made available before the exam. Five unseen papers were set, each one based on an aspect of the pre-seen scenario. Each unseen variant was broken down into four tasks, each of which was further broken down into two requirements.

The cruise industry has gone through a number of changes in recent years, with the development of new offerings. There are all inclusive cruises, singles cruises, small ships and large and family cruises. This provided a rich environment for the case study. The cruise industry is accessible and many candidates should have had an idea how it works. The similarity to the hotel industry should also help candidates.

Overall, candidate performance was poorer than expected with some candidates showing little technical ability. There were three main areas of concern.

Firstly, many candidates struggled to relate the P and F Pillar material to the requirements in the scenario. There was a tendency for weaker candidates to describe techniques in an abstract manner, without applying them to the circumstances in the case. Such an approach did not reflect the requirements of the paper and so marks were lost.

Secondly, there was an even further deterioration in knowledge of the F Pillar material. The concerns expressed in previous reports appear to have been overlooked because many candidates showed very little understanding of the content of the F2 material.

Finally, candidates are not reading the questions properly and answering what has been asked. Many are guilty of shoehorning in a prepared answer on another topic which is a poor approach. Marks are not awarded unless the requirements are addressed.

Candidates continue to demonstrate an awareness of business and of practical management. That is clearly desirable, but such knowledge must be coupled with an understanding of the technical syllabus content in order to score well.

## Variant 1

	<b>Designed to test ability to:</b>	<b>Competency being tested:</b>	<b>Syllabus lead learning outcome:</b>
<b>Task 1</b>	Explain usefulness of RFID data	Technical skills	P2 A1a - evaluate activity-based management
	Evaluate need for change	Leadership skills	E2 D1a - discuss the concept of organisational change
<b>Task 2</b>	Evaluate advantages and disadvantages of Big Data Analytics	Business skills	P2 D2b - discuss the risks associated with the collection and use of information
	Evaluate revenue recognition policy	Technical skills	F2 B1c - discuss the provisions of relevant international accounting standards in respect of the recognition and measurement of revenue, ...
<b>Task 3</b>	Evaluate bundling price strategy	Business skills	P2 C2a - discuss pricing strategies and their consequences
	Evaluate passenger data as a source of competitive advantage	People skills	E2 A2c - explain the approaches to achieving sustainable competitive advantage
<b>Task 4</b>	Evaluate validity of comparison between two entities	Technical skills	F2 C2a - discuss the limitations of ratio analysis based on the financial statements that can be caused by internal and external factors
	Explain the behavioural concerns over top-down budget	Leadership skills	P2 B2c - discuss the criticisms and behavioural aspects of budgeting in responsibility centres
	Identify the HRM challenges associated with motivation	People skills	E2 B1b - discuss HRM approaches for managing and controlling individuals' performance

## Comments on performance

### Task 1

#### Requirement 1

Candidates should have been realistic about the extent to which the RFID data might inform management's understanding of costs. Candidates should have indicated that there might be inefficiencies that could be managed in the short term, but also considered the possibility that there were decisions that could affect long-run costs, such as repurposing the area occupied by the swimming pool if it isn't used.

Good answers should have been realistic about the benefits that the RFID data might make possible. Very few candidates really did this in their answer. For example, it would be possible to count the number of passengers in the pool at any one time, but that would require a member of pool staff to conduct the counts. It would also be difficult for a manual count to indicate whether the pool is used by the same 20 passengers all day, every day or whether it is used less frequently by a wider cross-section of passengers.

#### Requirement 2

The assertion that was made in the question could be argued both ways, but there was no specific requirement for candidates to argue both for and against. Candidates were free to develop their own ideas about whether the data would enable Cruisecalm to enhance the passenger experience.

A good answer should have been realistic about the type of information that might be obtained from this system. Many candidates expected the system to do far more than was possible and gave unrealistic answers. This approach did not score well.

### Task 2

#### Requirement 1

Candidates should have focussed on the advantages and disadvantages of analysing Big Data (as required). Many answers were very descriptive about the Three Vs. These answers were not awarded many marks. Candidates had to identify the ways in which they might lead on to advantages or disadvantages of Big Data.

A good answer would have reflected the fact that Big Data is a powerful technique that is by no means infallible when it comes to developing useful insights from data. Many candidates gave very theoretical answers to this requirement.

## **Requirement 2**

Candidates should have offered a realistic argument, based on IFRS15 , that revenue should not be recognised until the cruise has been completed and Cruisealm has fulfilled its performance obligation.

Candidates could have discussed the matter of cruises that are under way at the year end. It could be argued that the costs and revenues associated with the portion of a cruise that has been completed can be accrued at the year end, provided they can be measured reliably.

This is essentially the first diet in which IFRS 15 is examinable (although it has been on the books for some time). Candidates were awarded marks for discussion based on IAS 18 *Revenue*.

This question was done badly with very few candidates showing much understanding of revenue recognition. Candidates must study the F Pillar. It is much harder to pass the case study exam with gaps in understanding.

## **Task 3**

### **Requirement 1**

Candidates were required to consider bundling as a means of simplifying pricing and associated value for money decisions by customers who are considering booking their first cruise. That opens up a host of complexities that might be worth exploring in some detail.

A good answer should have considered the implications of product bundling for all sales, not just those to confused first-time passengers. Very few candidates did this. There were a number of candidates who did not appear to understand the concept of bundling which was disappointing.

### **Requirement 2**

This requirement asked candidates to demonstrate some understanding of the basic business model that was described in the pre-seen. Past data about previous bookings and cruises will have immense value, but this is an industry in which companies introduce quite significant innovations in order to stay ahead of the competition. Reacting to historical data will not necessarily help the company to remain competitive with other cruise lines. This requirement was not done well with some candidates showing very little understanding of the business model. Candidates should enter the exam with a good knowledge of the contents of the pre-seen information.

## **Task 4**

### **Requirement 1**

This requirement comprises two linked requirements.

Candidates should have considered operations in terms of the fact that Polony is an established business that is three times larger (in terms of ships) and serves a different market. There was a wide scope for differences to be brought out that may not have been in the suggested solution. Candidates did reasonably well in this requirement.

The matter of accounting choices may create a knee-jerk argument about currency. That shouldn't necessarily have had an impact on the figures presented in the table, unless there are subtle issues about movements affecting historical book values of Polony's PPE in a manner that undermines comparisons. This meant that many candidates did not answer what was asked. It is very important that candidates read the question carefully and answer what is asked.

### **Requirement 2**

Again, there were two linked requirements in this part of the task. Both require some understanding of the same issues.

Arguments concerning the budget should have allowed for the lack of understanding of this market segment and could be complicated by the interests of senior managers who wish the venture to proceed.

Arguments concerning the management team should allow for the visibility of the venture within Cruisecalm as a whole and the possibility that the management team may feel exposed.

## Variant 2

	<b>Designed to test ability to:</b>	<b>Competency being tested:</b>	<b>Syllabus lead learning outcome:</b>
<b>Task 1</b>	Advise on use of competitor analysis	Business skills	E2 A2b - discuss the approaches to competitor analysis including the collection and interpretation of trend data
	Recommend approach to evaluation of new venture	Technical skills	P2 B2a - prepare performance reports for the evaluation of projected and actual performance
<b>Task 2</b>	Evaluate investment risk	Business skills	P2 C1a - analyse information for use in long-term decision making
	Advise on accounting for leases	Technical skills	F2 B1c - discuss the provisions of relevant international accounting standards ...
<b>Task 3</b>	Evaluate usefulness of target costing	People skills	P2 A1c - discuss techniques for enhancing long-term profits
	Advise on meeting cultural expectations	Leadership skills	E2 B2b - explain the importance of organisational culture
<b>Task 4</b>	Advise on ratio analysis	Technical skills	F2 C2a - discuss the limitations of ratio analysis based on financial statements that can be caused by internal and external factors
	Advise on discussion with external auditor	People skills	E2 C1c - discuss the effectiveness of handling relationships between the finance function and external experts and shareholders
	Evaluate ethical dilemma	Leadership skills	P2 D2a - discuss risk management

## Comments on performance

### Variant 2

#### Task 1

##### Requirement 1

The first task began by asking the candidate how we might use competitor analysis to determine potential sales to passengers from the Eastern Ocean region. A good response to this would have recognised that this is a new market for Cruisecalm who would be competing with existing cruise lines there. Many candidates did not directly address the requirement, explaining how to carry out competitor analysis rather than how the analysis could be used to determine potential sales. Many also attempted to apply a Porters Five Forces or SWOT analysis without relating this to competitor analysis.

##### Requirement 2

This was to discuss the challenges, Cruisecalm might face, in evaluating the Marketing Department with regard to the larger sales targets arising from sending more ships to the Eastern Ocean. Again, whilst some candidates addressed this requirement well, others answered the question “what challenges will the marketing department face” which is not what was asked. Few discussed the difficulties arising in the evaluation of the Marketing Department which would be caused by operating in a relatively unknown market. Many candidates provided general discussion of evaluation methods and approaches to evaluation without regard for how they would apply in a new market.

#### Task 2

The second task presented candidates with a proposal to take a ten-year lease on a ship which could be used in the Eastern Ocean.

Candidates were first asked to evaluate the risks associated with this investment, taking account of calculations which had been carried out and the lack of real options. This was often answered well. Most candidates recognised the issue associated with the NPV calculation and the 85% breakeven point, together with the cost of refurbishing and lifetime of the lease. Candidates were not asked to produce any calculations but could interpret those provided, which most attempted to do.

Candidates were then asked how leasing and operating the ship would affect Cruisecalm's financial statements. Whilst some candidates answered this well, many showed a lack of technical knowledge which limited their responses. Responses were often quite brief and did not show understanding of the accounting treatment of the lease or address the financial impact of operating the ship. Marks were poor for this section.

### **Task 3**

#### **Requirement 1**

Candidates were provided with passenger feedback on the MV Gloriant's most recent Winter season. They were first asked what difficulties would be associated with setting prices for the 2019/20 Winter season, and to evaluate whether target costing would be a useful basis for setting cruise prices on the MV Southern Queen. This was often answered well, with candidates recognising the operational issues in achieving a target cost.

#### **Requirement 2**

Next candidates were asked what challenges there would be in establishing a culture aboard the MV Southern Queen which would match the expectations of passengers from the Eastern Ocean region, and how these could be overcome. Again, this was often answered well, with candidates giving appropriate and specific examples of ways in which cultural expectations might differ and how these could be managed, such as recruiting crew with experience of the region. Weaker candidates often talked in general terms about change management and did not relate their comments to the specific scenario presented by this case study.

### **Task 4**

#### **Requirement 1**

In the final task candidates were informed of the CEO's concerns regarding revenue, profitability and liquidity. They were first asked how they might use the Eastern Ocean's financial statements together with other publicly available information in order to determine the impact of a policy of only taking a 2% booking deposit. This was often not answered well. Many did not have a realistic view of what information is likely to be available and expected to use data which would not normally be disclosed. Surprisingly few candidates suggested using accounting ratios, although better answers did explore the use of appropriate ratios and linked these to other available information.



## **Requirement 2**

They were asked how they might persuade the external auditor not to insist on a provision for losses due to cancelled bookings and whether it would be unethical to cancel any cruises considered at high risk of being lossmaking. Many looked at the issue of persuading the auditor from the point of view of how to negotiate rather than exploring the technical points as to whether or not a provision is required in these specific circumstances. It was disappointing to see some candidates suggesting bribing the auditor in order to avoid making a provision. The marks were low for this requirement.

The ethical issue was often better attempted with many candidates recognising the conflict between the self interest of the board or the shareholders and the interests of passengers who have booked a holiday in good faith. Better candidates made sensible suggestions as to how this conflict could be resolved.

### Variant 3

	<b>Designed to test ability to:</b>	<b>Competency being tested:</b>	<b>Syllabus lead learning outcome:</b>
<b>Task 1</b>	Evaluate suitability of penetration pricing	Technical skills	E2 A1b - compare and contrast alternative approaches to strategy development
	Evaluate advantages and disadvantages of emergent strategy	Business skills	P2 C2a - discuss pricing strategies and their consequences
<b>Task 2</b>	Evaluate investment risks	Business skills	P2 D2b - discuss the risks associated with the collection and use of information
	Recommend accounting treatment of bond	Technical skills	F2 B1c - discuss the provisions of relevant international accounting standards ...
<b>Task 3</b>	Recommend approach to resolution of conflict	People skills	E2 C2b - discuss approaches to managing conflict
	Evaluate arguments concerning benchmarking	Leadership skills	P2 B2a - prepare performance reports for the evaluation of projected and actual performance
<b>Task 4</b>	Evaluate concern that new venture is affecting existing business	Technical skills	F2 C1b - evaluate the financial performance ...
	Evaluate impact of new venture on organisational culture	People skills Leadership skills	P2 A1a - evaluate activity-based management E2 B2b - explain the importance of organisational culture

## Comments on performance

### Variant 3

#### Task 1

##### Requirement 1

This asked for a discussion of the suitability of penetration pricing for the budget cruises that were being offered by Cruisealm. Candidates were free to argue for or against the proposal. In the short term, penetration pricing would increase the likelihood of attracting passengers and filling ships, which could be important if only to demonstrate the value of the new cruises to the market as a whole. Passengers could, however, be discouraged from taking further budget cruises in the longer term if the short-term penetration prices are increased dramatically before next year. Better candidates argued on the basis of the scenario and brought out a variety of arguments, including concerns that too low a price would imply poor quality and concerns about diverting customers from full-cost cruises that will continue to be offered. A variety of arguments were offered and accepted on their merits. As always, a logical argument that used the information in the preseen and the scenario was likely to score a better mark. Weaker candidates often simply described the main pricing models that are available and offered textbook arguments concerning their relevance.

##### Requirement 2

The second requirement asked about the relative advantages and disadvantages of adopting an emergent strategy. Most candidates recognised that the requirement was best answered by taking a step back from the scenario while ensuring that the business issues affecting Cruisealm remained at the centre of the argument. Better candidates reflected on the fact that the basic strategy of competing for business on the basis of quality was causing difficulties and discussed the issues arising from implementing a new strategy to respond to those difficulties. Good answers brought out the fact that the company has a well-defined business model and so the new budget cruises would represent quite a significant change of direction. Weaker answers generally fell into two categories. The first was to offer definitions and explanations of emergent strategies and alternative approaches to strategy setting. The second was to discuss the advantages and disadvantages of the proposal to introduce budget cruises. Neither approach really answered the question.

## **Task 2**

### **Requirement 1**

This requirement asked about the evaluation of an investment in a new online booking system. The classic concern with any investment in IT is that the potential returns are usually very difficult to estimate with any certainty. In this case, it will be difficult to estimate the additional revenues that the new system will generate. The present system can track the number of customers who abandon a booking enquiry, but that does not necessarily indicate whether the cancelled booking was due to an overstatement in the selling price. It may be that the customer simply wishes a price in order to compare Cruisecalm with other holiday operators and had never intended to make a firm booking at that stage. In other words, the errors might not be the cause of the abandoned bookings. It is also possible that the mispricing is not sufficiently material to discourage bookings. An overstatement by, say, a few dollars because of rounding errors is unlikely to have a meaningful impact on the decision to continue with a booking. Weaker candidates focussed more on the errors in the system and offered slightly unrealistic arguments such as the concern that customers would be unfamiliar with the new system and so would choose not continue with their booking.

### **Requirement 2**

This requirement asked about the accounting treatment of a discounted bond. This is a topic that is dealt with by one of the relatively small number of accounting standard that are covered in the syllabus. The question was not particularly demanding because it effectively asked for an explanation of the manner in which discounted bonds should be accounted for. The figures provided in the question were to clarify the nature of the bond and to assist in the explanation of the accounting treatment. Many candidates answered whit question well and explained the manner in which IAS 32 should be applied. Unfortunately, many more candidates were incapable of explaining how the bond should be accounted for.

## **Task 3**

### **Requirement 1**

The first requirement asked about the conflict between two managers over the management of resources within the company. It had been expected that candidates would focus on the business and management issues and would resolve the disagreement by determining an optimal response in the best interests of the company. Many candidates focussed more on the personality issues and ill-feeling that may have arisen over this decision. As always, different approaches to answering the question were accepted and marked on their merits, subject to answers being relevant and correct. Better answers recognised that both managers were trying to do their best for their respective departments and so there is not necessarily a correct response to this dilemma, but there are ways in which a realistic compromise can be found.

## **Requirement 2**

The second requirement dealt with the challenges associated with benchmarking a budget cruise ship against ships operating on a full-service basis. Most candidates recognised that some costs would be unaffected by the changes, but most revenues and some operating costs would be adversely affected by the switch to budget and so would make it difficult to conduct a meaningful benchmarking exercise.

## **Task 4**

### **Requirement 1**

The first requirement dealt with the question of whether the budget cruises would divert revenues from conventional cruises offered by the company. There would be a number of ways in which this could be difficult. Better candidates recognised that bookings and revenues were falling anyway and so the analysis of trends in conventional bookings might confuse a general loss of custom with the decision by some customers to book a budget cruise instead of a normal one. Candidates identified ways in which the data might be analysed in order to identify groups of passengers who might be surveyed.

### **Requirement 2**

The second requirement asked about the implications of the budget line for Cruisealm's organisational culture. The question raised issues arising from the fact that the company's staff are used to providing a very high standard of care and business and are now having to adapt to cutting costs in order to reflect the fact that passengers have not paid for a premium service. That raises questions about both cost management and the interaction with passengers. Better candidates identified those factors and discussed them in a realistic manner. Weaker candidates tended to exaggerate the extent to which the cost cutting will be implemented.

## Variant 4

	<b>Designed to test ability to:</b>	<b>Competency being tested:</b>	<b>Syllabus lead learning outcome:</b>
<b>Task 1</b>	Evaluate argument concerning performance measurement	People skills	E2 A1c - explain the approaches to achieving sustainable competitive advantage
	Evaluate significance of declining performance measures	Leadership skills	P2 B2b - discuss traditional and non-traditional approaches to performance measurement
<b>Task 2</b>	Evaluate usefulness of TQM	Technical skills	P2 A1b - evaluate TQM techniques
	Discuss importance of inter-departmental cooperation	Business skills	E2 C1a - evaluate the issues associated with building, leading and managing effective teams
<b>Task 3</b>	Discuss problems associated with forecasting cash flows	Business skills	P2 C1a - analyse information for use in long-term decision making
	Evaluate impact on deferred tax balance	Technical skills	F2 B1c - discuss the provisions of relevant international accounting standards ...
<b>Task 4</b>	Discuss factors influencing share price	Technical skills	F2 A2a - calculate the cost of equity for an incorporated entity using the dividend valuation model
	Evaluate product risks Discuss implications of delegation	People skills Leadership skills	P2 D2a - discuss risk management E2 B1a - discuss the concepts of leadership and management

## Comments on performance

### Variant 4

#### Task 1

##### Requirement 1

Most candidates could discuss the results of the survey in terms of the importance of the Hotel Department to customer satisfaction and how this was a competitive advantage which was a useful start. In addition, they also brought the results of the survey into the answers, however few candidates then focussed on the question requirement of evaluating the argument that there is little point in measuring the customer satisfaction with housekeeping, restaurant and guest service staff. Instead answers moved into criticising the survey as it had too many questions or explaining how incentives should be given to customers to respond or they moved off into a discussion of the balanced scorecard and provided details of the 4 perspectives and some even suggested KPIs which were not relevant here.

The better candidates that did look at the manager's statement often only gave one side of the argument where an evaluation should involve both sides to provide a more complete answer.

##### Requirement 2

Candidates were very aware that the declining scores would be a problem in terms of loss in customers but from there many candidates gave quite repetitive answers detailing all the problems that a declining number of customers would bring ie lower revenue, lower profits, less investment, disgruntled shareholders etc instead of focussing on the competitive advantage side. So many answers were too narrowly focussed.

#### Task 2

##### Requirement 1

There were many very good answers with candidates often showing a good knowledge of the theory of TQM.

Weaker candidates gave less detail on TQM, focussing just on getting it right first time and continuous improvement, providing answers that were too brief. Better candidates also went through conformance and non-conformance costs in detail. Where very good solutions came through these candidates went through the two problems identified for Mr Jones and highlighted how the conformance/non-conformance costs applied and how to provide solutions.

Weaker candidates either gave a brief outline of TQM with no reference to the problems encountered or discussed the problems and provided solutions ie a cleaning rota or soundproofing the cabin next to the elevator but not discussing any TQM theory.

## **Requirement 2**

Some candidates appeared to have misread the question as their discussion focussed more on forming a new team rather than the challenges that would be faced in assembling teams from different departments. Many weaker answers discussed the selection process of a team leader, having teams of mixed skills and then discussing Tuckman's Forming, Storming, Norming, Performing. Some marks could be rewarded for these answers, but they were not quite what had been asked for, so marks were limited. Many answers also discussed Lewin's freeze unfreeze model and these did not tend to highlight the challenges but did help with how to address them.

## **Task 3**

### **Requirement 1**

This was usually very poor as candidates did not discuss the challenges associated with determining cash flows candidates but discussed the problems of how to finance the new kitchens (equity, loans etc) or they discussed appraising the projects providing detail of NPV, ROI and payback. Neither of these solutions were fully answering the question and limited marks were achieved.

### **Requirement 2**

There were some very good answers where candidates showed good technical knowledge. However, answers relating to the shareholders' understanding were often not done at all or only fleetingly mentioned so low marks were scored.

Some weaker candidates gave vague answers stating ie that the Government's tax policy would give rise to either a tax asset or liability as they seemed unsure as to what the effect would be.

## **Task 4**

### **Requirement 1**

Many candidates decided to agree with the Board's statement that share price is determined by past dividends and dividend growth so they did not really explore factors affecting share price which meant that marks for that part of the answer were often limited, and showed a lack of knowledge.

However better candidates could talk about other influences over share prices such as confidence in the business, economic outlook, risk etc and they also linked this into the proposal for the new kitchens.



## **Requirement 2**

Some candidates didn't read the requirement carefully enough and they only completed one part of this part of the answer. Many candidates didn't write at all about business risks from improving the food quality. Marks were low for this requirement.

Generally, when answered, the food quality part was well answered with candidates usually discussing upside risks and downside risks. Most candidates were aware that the increasing quality would be more expensive and noted that the customers had said that they would not be prepared to pay more. Better candidates also discussed the three types of food offering.

## Variant 5

	<b>Designed to test ability to:</b>	<b>Competency being tested:</b>	<b>Syllabus lead learning outcome:</b>
<b>Task 1</b>	Evaluate impact on value chain	Business skills	P2 A1c - discuss techniques for enhancing long-term profits
	Advise on problems associated with redundancy	Leadership skills	E2 B1b - discuss HRM approaches for managing and controlling individuals' performance
<b>Task 2</b>	Discuss measurement of goodwill on acquisition	Technical skills	F2 B1a - produce primary financial statements for a group of entities in accordance with relevant international accounting standards
	Discuss investment appraisal	Business skills	P2 D1a - apply sensitivity analysis
<b>Task 3</b>	Recommend transfer pricing model	Technical skills	P2 B3b - discuss transfer pricing systems
	Discuss team management	People skills	E2 D2c - discuss management and leadership issues associated with projects ...
<b>Task 4</b>	Explain currency reserve movements	Technical skills	F2 C1b - evaluate the financial performance, financial position and financial adaptability of an entity ...
	Discuss pricing strategy	People skills	P2 C2a - discuss pricing strategies and their consequences
	Discuss relationship between finance, marketing and operations	Leadership skills	E2 C1b - discuss the effectiveness of handling relationships between the finance function ...

## Comments on performance

### Task 1

The candidates were asked to consider the extent, the relocation of administration could affect Cruisecalm's value chain; the challenges with redundancies and how to manage those challenges.

#### Requirement 1

In the first part of this requirement the better candidates scored reasonably well giving responses that covered the potential risks of the relocation and the benefits of modern communication systems rendering location independence of task in hand. Few candidates applied any real depth to the subject and many dealt solely with a single factor.

#### Requirement 2

The second part dealing with handling redundancies was done better with many standard responses given which achieved a borderline pass.

### Task 2

#### Requirement 1

Candidates are asked to consider an acquisition of a non-quoted company in Islandia which could undertake much of Crusiecalm's fleet maintenance.

This requirement presented difficulties for the majority of candidates who showed a very low level of technical ability. The goodwill determination answers were very basic with fair valuation of assets being a problem best solved by a professional valuer. Only a handful of scripts mentioned the intangible assets value. Some better candidates had some idea on the calculation of the fair value of the minority interests. Average and weak candidates failed to go beyond the basic formula for goodwill calculation.

#### Requirement 2

In the second requirement candidates were asked to identify factors having impact on the investment evaluation and explain their effect on future cash flows.

On the whole candidates failed to identify factors to help evaluate the investment. The better ones briefly explored the potential to develop the property overlooking the main docks, linking the administration move from task 1, but few developed this with any real

detail. There was an almost complete absence of looking at or investigation of the existing business. The marks for this requirement very low.

### **Task 3**

#### **Requirement 1**

The scenario forwards 6 months with a move to Islandia just completed. Candidates were informed of Governmental investigation of foreign companies and asked to explain how best to set transfer pricing with a need to minimise the risk of confrontation with the Islandian government.

Responses to this seemingly simple task were often confused. The best candidates gave excellent answers reflecting different scenarios contrasting the situation based on whether Angelo were already at capacity, had idle resources etc, these same candidates also appeared aware of the need to provide an auditable, arms-length, pricing. Unfortunately after these few excellent candidates the rest were poor.

Many candidates tended to regurgitate whatever rote learning they had on different transfer pricing methods without relating anything back to the scenario. A significant number expanded on the aspects of providing local employment for Islandians, but very few made any real tie up with any aspect of actual governmental liaison or lobbying.

The final recommendation of the appropriate approach was often confused or non-existent.

#### **Requirement 2**

This requirement requests recommendations for a project to facilitate the changeover from the present shipyard liaison department in Norland to that of Islandia.

Good candidates were quick to score high marks by identifying team members, skills required, basic methodology and change management principles relating all to the scenario. The majority however took a generic approach and detailed either; basic project management, team profiles, storming norming performing, or a jumbled collection of half remembered aspects of the combination of these. Very few candidates related their answers to the scenario and scored a low mark for this requirement.

#### **Task 4**

We are asked to deal with the foreign subsidiaries statement of financial position, considering how currency reserve movements arising from exchange rate fluctuations will affect the analysis of Crusecalm Group's consolidated statements.

This proved difficult for all but the best candidates, the majority of candidates identified the basic rules for consolidating an overseas subsidiary. However, this was mostly done in either a totally confused, inadequate or incorrect manner. Standard foreign currency for normal trading was often intertwined demonstrating a complete lack of understanding. How currency reserve movements affect analysis of the consolidated statements was ignored by nearly all candidates. Barely a single candidate mentioned the insignificance in size of the subsidiary to its parent. Very poor knowledge and understanding of the F pillar material was demonstrated which was disappointing.

Finally consideration is given to the merits of passing on savings in admin costs to passengers on cruises, with the potential interactions between Finance, Marketing and Marine Operations.

On the whole Candidates grasped the basic market factors presented and gave a reasonable view that dropping prices could only have an adverse effect on cruises already at 95% capacity. That done however there was little added by way of highlighting the interdepartmental interactions requested as the final aspect of the task. Again, marks were poor for this requirement.