



Chartered Institute of
Management Accountants

Management Case Study Exam

Maximum Time Allowed: 3 Hours

Welcome, Candidate Name

If this is not your name, please let your administrator know.

Click **Next** to start the test.

This examination is structured as follows:

Section number	Number of tasks	Time for section (minutes)
1	1	45
2	1	45
3	1	45
4	1	45

The time available for each section is for reading, planning and writing your answer(s).

This information will be available for you to access during the examination by clicking on the Pre-seen button.

[Reference Material](#)[Pre-seen](#)

The Finance Director stops you in the corridor and says the following:

"I have been asked to convene a working party that will report to the Board. The working party's remit is to make a recommendation concerning the proposal that Pizzatime should enter the home delivery market. This will be a major expansion of our business. The idea has come from Marketing and Bilal seems very keen on getting the Board to proceed. In fact he's even had one of his staff produce these flyers. Have a look at this!

I would like you to draft a paper for me that covers the following:

Is this proposal consistent with Pizzatime's current strategy?

What will be the difficulties associated with predicting the profitability of this new sales channel? What decisions will we have to make about the delivery method and location of preparation facilities before we start to analyse potential profitability?"

The flyer for the proposed Pizzatime delivery service can be found by clicking the Reference Material button above.

Are you hungry, but too busy to cook? Why not try Pizzatime's new home delivery service?

It couldn't be easier. Download our free app to your tablet or smartphone, or visit our website. Give us your details, place your order and pay with your credit or debit card. Your pizza will be cooked to order in your nearest restaurant, boxed and delivered to your doorstep in a heated delivery container within 60 minutes of you placing your order.*



*** Terms and conditions apply. Your address must be within the area served by Pizzatime's delivery service.**

Reference Material

Pre-seen

Draft your paper for the Finance Director in the box below.

Cut Copy Paste Undo Redo B I U

Pre-seen

Two weeks have passed since your conversation with the Finance Director. You have received the following email:

From: Matt Spot, Finance Director
To: Financial Manager
Subject: proposed delivery business

Hi,

The working party has agreed that we need to develop some more detailed plans before we make any final decisions about proceeding with the proposal to offer a home delivery service.

Most members of the working party believed that there would be a steep learning curve associated with this new venture. I disagree, but I was in a very small minority so perhaps I was mistaken.

The implementation of this project will be a major undertaking in itself and we will need to think about the most efficient way to break it down into sensible phases. I need you to reply to this email with your thoughts on the following questions:

What are the significant learning curve issues associated with providing a home delivery service? Also, how would you establish the learning rate?

What are the major stages in this project's implementation and how might we organise these?

Matt

Reference Material

Pre-seen

Write your response to Matt's email in the box below.

From: Financial Manager
To: Matt Spot, Finance Director
Subject: RE: proposed delivery business

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Reference Material

Pre-seen

A further six months have passed and the Pizzatime home delivery scheme has been operational for two months, with deliveries being made from just over 200 restaurants.

Pizzatime has contracted out the actual deliveries to Town Logistics. The agreement is that Town Logistics will station between two and four small motorbikes at each participating Pizzatime restaurant. Each motorbike has been fitted with an insulated box to carry pizzas behind the rider. Town Logistics has agreed to base sufficient riders at each restaurant to provide a full delivery service during its opening hours.

You have received the following email:

From: Monica Lall, Chief Executive

To: Financial Manager

Subject: Town Logistics

Hi,

Please read the attached article from this morning's press. I need your advice.

I can confirm that Town Logistics is owned by the wife of our Marketing Director. The contract with them is worth \$6 million per year. Are we required to account for this as a related party transaction? Assuming that the rules don't require us to make the disclosure, should we report it on a voluntary basis?

Also, how can we deal with the conflict between the restaurant staff and the delivery staff? We cannot change wage rates, so any suggestions have to take a different approach.

Regards

Monica Lall
Chief Executive
Pizzatime

The attachment to this email can be viewed by clicking the Reference Material button above.

www.i-landbusinessnews.com

Pizzatime is conflict time

Ben Smith, one of Pizzatime's major shareholders, has called for the resignation of the company's Marketing Director after allegations that Town Logistics, the company responsible for delivering tasty pizzas to your front door, is owned by the Marketing Director's wife.

Mr Smith claims to have uncovered evidence that Town Logistics was created specifically to fulfil the contract for Pizzatime's delivery service.

He has sought clarification from the Chief Executive, but has been told to await the publication of Pizzatime's annual report, which is not due for publication for another two months.

In related news, representatives of Pizzatime's restaurant staff are complaining that Town Logistics delivery staff are paid \$2.80 per hour more than they are. Many have applied for jobs with Town Logistics, but have been told that the company's contract with Pizzatime forbids it from hiring Pizzatime staff.

Reference Material


Pre-seen

Write your response to the Chief Executive's email in the box below.

From: Financial Manager
To: Monica Lall, Chief Executive
Subject: RE: Town Logistics

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 Reference Material Pre-seen

You have received the following email:

From: Monica Lall, Chief Executive
To: Financial Manager
Subject: projected profits

Hi,

The controversy over Town Logistics continues. The Board is feeling a little sensitive to criticism over their management of Pizzatime's relationship with the company. With that in mind, I have had the Finance Director prepare a set of forecast financial statements, which I have attached to this email.

The new home delivery service will have been fully operational for almost six months by the year end. The service has already been hugely successful and has significantly increased both revenue and profit.

The directors' bonuses are linked to reported revenue according to the financial statements. As a retail organisation, our survival depends on sales revenue. Also, our restaurant managers' revenue targets are based on total revenue, including home delivery sales, although many of them have refused to accept responsibility for these sales.

I need your advice on two matters:

The first is that we are planning to argue that the shareholders should take comfort from these figures and should relax and allow the Board to manage Pizzatime without undue interference. Do you agree that these figures show that the Board is excelling?

Can we argue that the present directors' bonus scheme continues to align our interests with those of the shareholders? On a related matter, is the refusal of the restaurant managers to accept responsibility for home delivery sales justified?

Regards

Monica Lall
Chief Executive
Pizzatime

The attachment to this email can be viewed by clicking the Reference Material button above.

Forecast financial statements for the year ended 31 December 2016

Group statement of profit or loss



	31 December 2016 I\$ million (forecast)	31 December 2015 I\$ million (actual)
Revenue	897	597
Cost of goods sold	(205)	(154)
	692	443
Administration and distribution costs	(335)	(308)
Operating profit	357	135
Finance expense	(8)	(8)
Profit before taxation	349	127
Taxation	(116)	(37)
Profit for the year	233	90

Abridged group statement of financial position



	31 December 2016 I\$ million (forecast)	31 December 2015 I\$ million (actual)
Total assets	484	457
Equity	232	197
Total liabilities	252	260

Reference Material

Pre-seen

Write your response to the Chief Executive's email below:

From: Financial Manager
To: Monica Lall, Chief Executive
Subject: RE: projected profits

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CIMA

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Thank you for completing the Management Case Study Exam.

Before you leave, don't forget to collect your printed confirmation of attendance.

Please click the End Exam (E) button before leaving the testing room quietly.