

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 Jord, a modular house builder. 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, there were, however, many poorly written papers, these candidates demonstrated very little knowledge or application to the scenario. The main problem, as usual, was that the candidates were not answering what was asked and were failing to draw on information from the exhibits and the pre-seen.

Candidates often gave very generic responses which did not fully answer what was asked. The financial reporting answers were very poorly presented, foreign currency and related party transactions were extremely weak, leasing was better. As with all the case studies, the strongest answers were properly applied to the case study.

It was very disappointing to see that some candidates demonstrated a poor understanding of several core syllabus areas, such as most technical areas of financial reporting and some technical areas of management accounting – for example project appraisal and performance measurement. 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 good for many candidates.

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 quite 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	Discuss financing of project	Technical skills	F2 A1b - discuss the markets for and methods of raising long-term finance
	Discuss implications of expanding production for JIT	Business skills	P2 A1b - evaluate TQM techniques
Task 2	Compare risks associated with two potential construction sites	Business skills	P2 D2a - discuss risk management
	Discuss communication with stakeholders	People skills	E2 C2a - discuss the roles of communication, negotiation, influence and persuasion in the management process
Task 3	Discuss project appraisal techniques	Technical skills	P2 C1c - evaluate investment appraisal techniques and explain their results
	Explain project management tools and techniques	Leadership skills	E2 D2b – apply tools and techniques for project managers
Task 4	Discuss accounting treatment of machine	Technical skills	F2 B1c - discuss the provisions of relevant accounting standards ...
	Advise on communication with new staff	People skills	E2 C1a – evaluate the issues associated with building, leading and managing effective teams
	Describe factors for setting performance targets	Leadership skills	P2 B2a - prepare performance reports for the evaluation of projected and actual performance

Comments on performance

Task 1

Requirement 1

Good answers should have considered a variety of ways to finance the expansion including grants, existing cash as well as debt and equity, examining the pros and cons of each different approach. This question was not done very well, with many candidates just discussing debt and equity. Many candidates did not refer to the circumstances of the company but just wrote all they could think of on debt and equity which was disappointing. The best answers were where candidates discussed a variety of options and tried to apply them to the case.

Requirement 2

Candidates should have looked at both the short and long-term impacts on JIT working and efficiency. Good candidates discussed that a short-term negative impact is almost inevitable but that there are steps that can be taken to manage that. Good answers then went on to describe how in the long term Jord should be able to move back to a robust and efficient JIT approach. Good candidates recognised that operating over two sites rather than one would not allow Jord to quite reach the levels of efficiency and smooth working it achieved operating out of just one site, even in the long term. There were many weak answers to this question with many candidates just discussing JIT in very general terms and failing to apply it to the case. Some candidates found it difficult to apply JIT to the scenario with several candidates stating it could not be applied to this case. Clearly it was applicable and few good candidates managed to give strong answers.

Task 2

Requirement 1

Good answers should have recognised that there are risks associated with both sites and be able to comprehensively describe the different risks arising at each. Candidates should have covered the specific matters required being voles, quality assurance and operation from two sites. A weaker answer would focus more on the risks of just one site and barely deal with the risks at the other site. Some candidates just picked up on the downside risks of each site and better

candidates discussed the upside risks as well. Most candidates discussed the situation with the voles very well but were not so good at discussing quality issues. Many candidates failed to discuss quality issues at all which was disappointing.

Requirement 2

Candidates should have discussed several stakeholders, ideally selecting the most relevant ones, being shareholders, staff, suppliers and environmental groups. They were awarded marks if they considered other reasonable stakeholders and if the argument for their inclusion is well justified. Good answers went on to look at the most appropriate techniques for communicating with each of these stakeholders, noting that one communication technique does not 'fit all'. There were some reasonable answers with most candidates selecting the obvious stakeholders. Many answers were extremely brief and merely has a line stating the stakeholder and the method of communication. Better answers went on to discuss the communication in more depth.

Section 3

Requirement 1

A good answer should have looked at each of the terminologies of NPV, IRR and DPP providing a brief definition and assessing the relevant pros and cons of each method. Candidates should have then gone on to explain why NPV and IRR results can conflict, exploring the issues with timings of cashflows. Better candidates went on to explain why Site Two was chosen, referring to the superior NPV performance and why NPV as a measure is a better project evaluation technique.

Answers to this requirement were weak with many candidates just rambling on about NPV being superior and stating the weaknesses of other methods. This was a poor approach. Better answers expanded on this and applied the arguments to the case and clearly discussed why site two was selected. Answers to the case studies should always be applied to the case as low marks are awarded for theory.

Requirement 2

This was quite a broad question and candidates were awarded for well described ways to manage a project in the circumstances described. This may involve talking about team composition, management techniques and tools used to manage projects. Credit was given where tools and techniques suggested are reasonable and sensible.

Again, there was a tendency just to list all the project tools and techniques the candidate could think of with very little application to the case. This approach scored limited marks. There were many theory based answers to this question and marks were no high for this requirement.

Section 4

Requirement 1

Good answers outlined that an organisation cannot simply choose to account for and disclose items in a certain way in order to make things simple for the organisation and that they should use the relevant accounting standards to make such decisions. Better answers talked about the correct approach and may note the ethical implications of accounting and disclosing things incorrectly.

Students were given credit for referring to IAS17 and the distinction between operating and finance leases and were also given credit for a discussion based on IFRS16. Some credit was given if neither standard is referred to as long as the treatment of the lease is correct. This question was done quite well by most candidates.

Requirement 2

Candidates were awarded credit for recognising the inherent problems with integrating the new members of staff and be able to suggest sensible solutions to communicate with and train the new recruits. Weaker candidates gave generic answers, but better answers applied their commentary to the specific circumstances of Jord. This question was done well.

Requirement 3

Good answers should have recognised that although management of Jord would like to hit their old high levels of efficiency and old operating targets, this may be problematic once production is expanded, at least in the short term.

A good answer recognised that targets should be adjusted to account for expected changes in short term performance, but that Jord would look to stretch targets as the new systems ‘bed in’ and the learning curve effect takes place.

Most answers to this requirement were very generic and lacked depth. Marks were not high for this requirement. Candidates did not really apply their answers to the case study and tended to be brief.

Variant 2

	Designed to test ability to:	Competency being tested:	Syllabus lead learning outcome:
Task 1	Identify core competencies	Business skills	E2 A1b – compare and contrast alternative approaches to strategy development
	Identify business risks	Technical skills	P2 D2a - discuss risk management
Task 2	Discuss financing of project	Technical skills	F2 A1b - discuss the markets for and methods of raising long-term finance
	Manage motivation problems	Leadership skills	E2 D1b - recommend techniques to manage resistance to change
Task 3	Explain time value of money	Technical skills	P2 C1b – discuss the financial consequences of dealing with long-run projects ...
	Explain recognition of revenue in financial statements	Business skills	F2 B1c - discuss the provisions of relevant accounting standards ...
Task 4	Identify real options in investment appraisal	People skills	P2 C1b – discuss the financial consequences of dealing with long-run projects ...
	Discuss ethical implications of collaboration	Leadership skills	P2 D2a - discuss risk management
	Communicate with stakeholders	People skills	E2 C2a - discuss the roles of communication, negotiation, influence and persuasion in the management process

Comments on performance

Variant 2

Task 1

The first task began by asking the candidate to consider whether Jord had the core competencies and resources needed to bid for the project and complete Phase 1 of the proposal.

A good response would have been to identify core competencies such as Jord's skills in designing and manufacturing sustainable buildings, but also to recognise that the level of resources required should cause concern. Given Jord's existing order book, investment in additional resources would be needed.

Many candidates only discussed competencies, which were generally well addressed, but did not explore the resources needed. Many also did not recognise that the fact Jord is operating at full capacity could mean that this new project would require additional investment.

Candidates were then asked what the business risks of undertaking Phase 1 of the proposal would be for Jord. Some addressed the lack of resources in this section. Business risks such as the reputational risk of failing to deliver such a high-profile project on time, and the potential risks arising from working in Marlia were generally well addressed

Task 2

In the second task the need for investment in further new technology was identified. The candidate was asked to outline ways in which the necessary funds could be raised, and also to discuss whether there could be any alternatives to purchasing the technology outright.

This was generally well addressed, although some candidates ignored equity finance. Better scripts recognised that Jord is unlisted and that this raised complications with raising equity finance, such as difficulty in arriving at a suitable share price, and the potential for existing shareholders to lose control unless the funds were raised by a rights issue.

Many candidates correctly identified leasing as an alternative to outright purchase.

Candidates were then asked to explain what actions the leadership team should take to ensure they do not have motivation problems with the on-site construction team.

This was generally well answered, although weaker responses tended to provide a list of many possible motivational actions without any explanation as to why they were appropriate in this context.

Task 3

In the third task the candidate was presented with some information from a proposal on the Vorsan project. The candidate was first asked why it is important to consider the time value of money and the relevance of the measures used, NPV, discounted payback and IRR.

Some candidates produced very confused discussions on the time value of money. The link between time value of money and inflation was often unclear. Discussion of NPV often reproduced the numbers given in the case study but did not provide any further analysis. Many candidates demonstrated that they understand the concepts of IRR and payback but provided limited application to the scenario.

Secondly candidate were asked to explain how and when the sales revenue for the contract would be recognised in the financial statements.

This section was poorly attempted. Better candidates correctly considered the application of IFRS 15 and explained the criteria which needs to be met in order to recognise revenue. Weaker scripts showed a lack of technical knowledge, with some candidates explaining that all the revenue could be recognised as soon as the contract is signed, before any work is carried out.

Task 4

Requirement 1

In the final task candidates were asked to outline the real options for the phases of the project. Whilst some candidates attempted this well, many did not understand the concept of real options. Some just repeated parts of the scenario while the others used the TARA framework. A good response would have explored options such as the choice to abandon the project and would also have recognised that the option to delay or defer is not realistically available given the time constraints on the project.

Requirement 2

It was to discuss the actions Jord should take to maintain their ethical stance when making the decision to progress the project or not and how the decision should be explained to key stakeholders. The scenario had included Jose Alvarez's offer of all expenses paid holidays to the golf resort if the board commit to the project. Better candidates recognised the ethical issues arising from this offer. However, many discussed ethics in very general terms - for example explaining the CIMA code of ethics - without referring to the holiday offer. Some candidates saw no ethical problem at all with accepting the holidays.

Explaining the decision to key stakeholders was sometimes very briefly attempted. Most identified that shareholders and Mr Alvez needed to be informed, but fewer recognised that staff and suppliers would also need to be updated.

Variant 3

	Designed to test ability to:	Competency being tested:	Syllabus lead learning outcome:
Task 1	Discuss competitive advantage	Business skills	E2 A1c - explain the approaches to achieving sustainable competitive advantage
	Discuss accounting ratios	Technical skills	F2 C1b - evaluate the financial performance, financial position and financial adaptability of an entity ...
Task 2	Discuss accounting implications of foreign acquisition	Technical skills	F2 B2b – demonstrate the impact on the group financial statements of consolidating a foreign subsidiary
	Discuss application of TARA	Business skills	P2 D2a - discuss risk management
Task 3	Discuss transfer pricing	Technical skills	P2 B3b - discuss transfer pricing systems
	Discuss conflict management	Leadership skills	E2 C2b - discuss approaches to managing conflict
Task 4	Discuss business process engineering	People skills	P2 A1b - evaluate TQM techniques
	Suggest performance measures	Leadership skills	P2 B2b – discuss traditional and non-traditional approaches to performance measurement
	Discuss behavioural implications of performance measures	People skills	E2 B2a – discuss behavioural aspects of management control

Comments on performance

Variant 3

Task 1

Requirement 1

Asked for a discussion of the competitive advantage associated with the acquisition of a garden design business that would offer Jord's house buying customers the opportunity to have their gardens designed and landscaped as well. Weak answers tended not to consider the question from the perspective of competitive advantage. Many candidates wrote in very general terms about whether customers might buy garden designs without considering the question of whether offering this service would assist Jord in terms of maintaining a competitive advantage over other housebuilders. Better answers offered clear and logical arguments that reflected the reality. While there are arguments in favour of the provision of this service, there are strong arguments to the contrary. For example, many candidates made the point that it would not be difficult for competitors to replicate the provision of a garden design service. Stronger candidates also picked up on the logistical difficulties associated with service house buyers with a garden design consultancy that is based in a different country. While there were strong arguments against the provision of this service, many candidates developed defensible arguments in its favour. The fact that the pre-seen discussed a competitor who was already offering this service tended to suggest that Jord was in danger of being left behind if it failed to offer this service.

Requirement 2

Dealt with the analysis of a table of accounting ratios. Weak answers fell into the trap of simply describing movements in the figures, with little or no analysis of whether those movements were favourable or unfavourable. Stronger candidates pulled together a worthwhile analysis and offered an overview of the direction that Garden Art was taking. The very best candidates took account of the fact that Jord's interest in Garden Art was motivated by a desire to acquire the company and have it work alongside the house builders, with a view to selling houses. Paradoxically, declining profitability and weak cash flows could be in Jord's favour because they would suggest that the company could be acquired at a discount and that it should have sufficient spare capacity to meet the Jord Group's needs.

Task 2

Requirement 1

Asked about the potential impact of acquiring a foreign subsidiary and specifically asked about the possibility of currency gains and losses in the consolidated financial statements. Many candidates offered weak answers that described the process of preparing consolidated financial statements. Weak answers were frequently padded and said very little about the Jord Group's consolidated financial statements. Stronger answers addressed the requirement in a very literal way, identifying the figures that would be affected and explaining how the fact that Garden Art's figures would be in a different currency would affect the process. Many candidates explained how currency gains and losses might arise, but recognised those gains and losses incorrectly.

Requirement 2

Asked for an explanation of TARA and its application to the risks in the scenario. Answers were generally very weak, with the majority of candidates failing to explain what TARA is. The vast majority of scripts simply stated what the TARA abbreviation stood for, with little or no explanation of the fact that this is a model for the efficient management of business risks. The application of TARA to the scenario was weak, with most candidates simply stating whether a risk should be transferred, avoided, or whatever. There were very few scripts that considered the risks in terms of their likelihood and impact. Few candidates who did often applied the TARA classification in a very mechanical manner, giving impractical suggestions, such as the transfer of risks that could not be transferred in a realistic manner. It should be borne in mind that the TARA framework is intended to guide risk management decisions. It does not give a categorical treatment that must be followed for any given risk.

Task 3

Requirement 1

Dealt with a proposal to manipulate transfer prices so that the group as a whole underpaid its tax charge. Weak candidates recognised that such an artificial transfer price could lead to a tax saving. The majority of candidates recognised that such arrangements are both unethical and are unlikely to succeed in reality because revenue authorities

round the world will generally insist on realistic, arm's length transfer prices. Better candidates addressed that shortcoming and then went on to consider the internal issues associated with this arrangement. Many candidates recognised that an artificially low transfer price might be demotivating for the management of Garden Art. Some candidates wasted time by offering weak arguments in support of this, such as the possibility that Garden Art would refuse to do business with the rest of the Jord Group. Given that Garden Art is a 100% subsidiary, its managers would have little choice but to comply with any instructions imposed by the parent company.

Requirement 2

Asked for a discussion of the conflicts arising since Garden Art was acquired. Stronger answers made a realistic attempt at identifying the potential conflicts and presenting a reasoned discussion of how such conflicts might be overcome. Weaker answers simply repeated arguments already made in respect of transfer prices.

Task 4

Requirement 1

Dealt with the application of business process re-engineering to the newly acquired Garden Art subsidiary. Candidates were asked to discuss both advantages and disadvantages. Stronger candidates recognised that the nature of the business left relatively little scope for the use of BPR to improve matters at Garden Art. This is a business that requires each project to be approached as a separate challenge and for the work to be planned to meet client requirements. A detailed time budget might offer some value, but it would not necessarily be sensible to restrict the time spent on any given project.

Requirement 2

Asked for recommendations concerning performance measures. Most candidates offered sound suggestions and justified those well. Better candidates tended to make their recommendations specific.

Requirement 3

Asked how the introduction of the performance measures might affect worker behaviour. Stronger candidates generally took the opportunity to recommend performance measures that had a readily identifiable

Variant 4

	Designed to test ability to:	Competency being tested:	Syllabus lead learning outcome:
Task 1	Evaluation of strategy	Business skills	E2 A1a – discuss the concept of strategy and the rational/formal approach to strategy development
	Identify upside and downside risks	Technical skills	P2 D2a - discuss risk management
Task 2	Identify impact of acquisition on consolidated financial statements	Technical skills	F2 B2a - demonstrate the impact on the group financial of disposing of all or part of a shareholding
	Advise on performance management	People skills	P2 B1a – discuss the information needed for decision making in different organisational structures
Task 3	Advise on usefulness of learning curves	Technical skills	P2 A1d – apply learning curves to estimate time and cost for activities, products and services
	Discuss voluntary segmental reporting in the context of an unquoted company	Business skills	F2 C2a – discuss the limitations of ratio analysis based on financial statements that can be caused by internal and external factors
Task 4	Outline content of project quality plan	Leadership skills	E2 D2b - apply tools and techniques for project managers
	Discuss issues arising from the use of performance measures	Leadership skills	P2 B2a - prepare performance reports for the evaluation of projected and actual performance
	Discuss characteristics of different phases of a project	People skills	E2 D2a – discuss the characteristics of the different phases of a project

Comments on performance

Variant 4

Task 1

Requirement 1

This was generally answered quite well as candidates made good use of the pre-seen information to structure their answers.

Answers discussing the “vision” were weaker than those for the “mission” as the vision was just one sentence in the pre-seen so weaker candidates tried to cover the components all at the same time whereas better candidates addressed each point in the vision i.e. industry leader, state-of-the-art, quality, cost effective and environmentally sustainable. With the “mission” the pre-seen was split into 3 separate paragraphs and candidates then were happy to discuss each of the three paragraphs in turn so covering more elements.

Better answers managed to provide more complete discussion by thinking of ways that the vision/mission was and was not being met rather than just presenting one argument.

Requirement 2

This was also well answered. Most candidates considered both upside and downside risks which is an improvement over previous sittings where candidates have only considered the downside risks. So answers were well balanced.

The difference in responses came down to the number of risks identified and the quality of the discussions. Weaker candidates could only come up with a couple of risks whereas better candidates were writing up to 9 downside risks and 4 upside risks. Weaker candidates also only listed the risks without providing explanations i.e. noting that moving to cheaper housing would damage the brand but not explaining how it would arise or the impact it might bring.

Task 2

Requirement 1

This was generally well answered. Almost all the candidates started by identifying that Modpod would be a subsidiary and why this was the case.

Candidates then went on to usually discuss combining 100% of the assets and liabilities, some discussion of goodwill, NCI, intercompany transactions and often share capital (remaining that of Jord).

Weaker candidates didn't provide sufficient detail e.g. regarding goodwill, i.e. maybe not discussing future impairments or on consolidation not taking post acquisition profits.

Requirement 2

This part was not well answered. This was because candidates focussed purely on performance management and how it would be done so answers drifted into very detailed discussions about the balanced scorecard and lots of KPI were provided. While this did get awarded some marks it was often not enough for a passing grade as the candidates did not address the part about effectively managing the investment centre so discussions on the level of control and level of decision making were usually omitted.

Task 3

Requirement 1

Candidates did seem to have good knowledge of learning curves and so there were many good answers for this section.

Weaker candidates did not make enough use of the workings provided in the scenario to explain how the data could be used to calculate the labour cost of the 200 houses. They would quote how 50 houses took 331.06 hours and 49 took 332.08 hours which were provided but not then demonstrate how the total cost had been arrived at.

When explaining if the learning curves would be of use, many candidates knew that the tasks had to be repetitive, that no prolonged breaks in work were needed and that labour had to have a low turnover and they applied this to the house building scenario noting that it would be applicable for Modpod but not for Jord homes. This was useful analysis, however

only the better candidates discussed the learning curve's use in determining the correct amount of time to build 200 houses so that a reliable cost, selling price and time schedule could be produced.

Requirement 2

This question was answered badly

Most candidates demonstrated little knowledge of segmental reporting. The main problem was that most candidates seemed to think this was the only financial information that Jord would have of Modpod (i.e. that it would have no separate financial records at all) so all the answers were based on how the segmental info would help internally so the board of Jord would make better decisions for Modpod and the management would use this info to assess the performance of Modpod etc. While some credit was given for the information that could be shown, as the user focus was incorrect it was difficult to give this a passing grade.

In terms of the limitations of segmental reporting answers tended to be limited to just time and cost of providing the information. Some candidates tried to state that they wouldn't be able to produce this financial information due to lack of training, so generally pretty poor narrow answers.

Task 4

Requirement 1

Candidates generally didn't provide an answer focused on the Project Quality Plan(PQP) instead they either wrote about generic planning so included recruitment of a suitable team, budgets but also risk assessment, and monitoring so some parts were relevant and could be credited.

Or candidates thought the question was just asking about quality so discussed how quality should be checked at every stage i.e. from looking at suppliers, to testing RMs, training employees and testing quality of final build. These candidates also discussed the importance of TQM and conformance and non-conformance costs. These answers had a very narrow focus just on quality and the marks for these answers was severally limited as they only covered a small part of the PQP.

Requirement 2

These answers were generally good.

Candidates could easily discuss time, cost and quality providing the impacts of failure on them to Jord. Weaker candidates didn't discuss the link between the three constraints.

For the KPIs most candidates could provide a valid KPI for each of cost, time and quality so the majority of candidates passed this section, the difference with the weaker candidates is that they just provided the KPI with no narrative, so expansion marks could not be credited.

Variant 5

	Designed to test ability to:	Competency being tested:	Syllabus lead learning outcome:
Task 1	Discuss competition analysis	Business skills	E2 A2b - discuss the approaches to competitor analysis including the collection and interpretation of trend data
	Identify business risks associated with overseas expansion	Technical skills	P2 D2a – discuss risk management
Task 2	Discuss suitability of rights issue for unquoted company	Technical skills	F2 A1a – discuss the characteristics of different types of long-term debt and equity finance
	Approach to pricing in a new market	Business skills	P2 C2a – discuss pricing strategies and their consequences
Task 3	Discuss disclosures associated with dealing with family member	Technical skills	F2 B3a – discuss the need for and nature of disclosure of transactions between related parties
	Discuss importance of organisational culture	People skills	E2 B2b – explain the importance of organisational culture
Task 4	Discuss KPIs	Leadership skills	P2 B2a - prepare performance reports for the evaluation of projected and actual performance
	Discuss value chain	Leadership skills	P2 A1c - discuss techniques for enhancing long-term profits
	Discuss HRM activities	People skills	E2 B1b – discuss HRM approaches for managing and controlling individuals' performance

Comments on performance

Task 1

Candidates were asked to consider the levels of competition which may be faced in Ustaria and to consider the business risks for Jord building more houses in Ustaria.

Requirement 1

Candidates described various academic theories such as Porter's Five Forces without applying directly to the case in hand; e.g. not discussing barriers to entry with Jord as the new entrant, discussing supplier power when this was not really relevant to the scenario, there were many candidates with confused answers here referring to local timber supplies being tied up with other competition yet the scenario dictated that there would be no local manufacturing expansion planned. Many candidates failed to analyse the data supplied giving a fairly poor overview of local understanding of the competition, there was little reference to the substantial market data supplied.

Requirement 2

The main candidate weakness was to list lots of generic risks without direct reference to the case study. Also demonstrated in answers was a clear confusion about or lack of understanding of the given scenario e.g. many candidates seemed to automatically assume the company would be manufacturing overseas and so they detailed lots of manufacturing risks such as quality suppliers and employee skills. Only a handful of candidates identified the greatest risk of all – capacity restriction and the net impact on existing business with no planned increase in current capacity for which there are significant waiting periods.

Task 2

Candidates are asked to consider the building of a local showroom in Ustaria and the funding options to support that; initially by considering a rights issue and subsequently to consider other options available.

Requirement 1

Generally candidate's knowledge of rights issues was limited but enough to gain a pass standard especially if some reference was made to the share ownership material supplied. A few candidates thought such an event only possible with a listed company. Candidates had little problem in identifying alternative sources of funding and there were many high scores. Knowledge of debt funding was good.

Requirement 2

Considers pricing strategy, whether to continue with premium pricing or consider alternative approaches. Here again candidates struggled, candidates found it difficult to give a positive appraisal of the Jord position. The average candidates answer to this task was to simply describe the various pricing methodologies available and then to say that they should continue to apply premium pricing.

Task 3

Was about renting a showroom in a property owned by the brother of the CIO. Candidates are asked to explain why additional disclosures would be needed and what those disclosures would need to be.

Requirement 1

Generally candidate's knowledge of IAS24 was good and even if the standard and its detail were not identified the response often recognised the underlying conflict of interest and transparency issues involved in related party transactions and thus gained marks. A number of candidates actually failed to identify this need and instead focused on the need to disclose detailed leasing agreements.

Requirement 2

Went on to consider the extent to which cultural differences between the European Corvola and Northern American Ustaria matter and how to manage them to ensure the new showroom runs smoothly.

Very few candidates identified the differences in culture affecting the buying habits of the local population and the need to assess and potentially assimilate local taste and buying habits before embarking on any sales or marketing campaigns.

There was far too much emphasis and discussion in the areas of time differences, human resource law and shorter working hours which are arguably not really organisational cultural differences. The casual and flexible work attitude was

the important area and candidate response was much better at identifying ways of overcoming this than they were at explaining why such cultural differences matter. Some candidates took the opportunity to explain all cultural theories they had studied with little reference to the scenario

Task 4

The case concluded with candidates being supplied with several KPIs and being asked to provide reasons why there may be variances from the targets set.

Requirement 1

This was a very generic question and plenty of evidence supplied candidates managed to identify some reasonable meaning or appropriate possible connection in the KPIs given although there was often a tendency to overlook some of the KPIs in their discussion. The staff related KPIs were often given less attention than the customer and financial figures. Only very few- best candidates identified the apparent discrepancies in the staffing levels between the start-up Ustaria showroom and the well-established Corvola showroom.

Requirement 2

Candidates were asked to specify which aspects of the value chain should be focused on in order to improve sales in Ustaria. Rounding this off with an assessment of HR activities to be undertaken to assist in improving sales team motivation and performance. Here there was a tendency to concentrate on the sales and marketing element of the value chain which was appropriate. Often points already covered in the KPI analysis were reiterated but this was also valid so an element of double scoring could not be avoided in this part of the paper.

Requirement 3

HR activities were covered well and most scripts scored at least a pass mark as should be expected in this task.