

CGMAX Operational Level Case Study February 2020
Marking Guidance
Variant 2

About this marking scheme

This marking scheme has been prepared for the CIMA 2019 Professional Qualification Operational Case Study [Feb 2020].

The indicative answers will show the expected or most orthodox approach; however the nature of the case study examination tasks means that a range of responses will be valid. The descriptors within this level-based marking scheme are holistic and can accommodate a range of acceptable responses.

General marking guidance is given below, markers are subject to extensive training and standardisation activities and ongoing monitoring to ensure that judgements are being made correctly and consistently.

Care must be taken not to make too many assumptions about future marking schemes on the basis of this document. While the guiding principles remain constant, details may change depending on the content of a particular case study examination form.

General marking guidance

- Marking schemes should be applied positively, with candidates rewarded for what they have demonstrated and not penalised for omissions.
- All marks on the scheme are designed to be awarded and full marks should be awarded when all level descriptor criteria are met.
- The marking scheme and indicative answers are provided as a guide to markers. They are not intended to be exhaustive and other valid approaches must be rewarded. Equally, students do not have to make all of the points mentioned in the indicative answers to receive the highest level of the marking scheme.
- An answer which does not address the requirements of the task must be awarded 0 marks.
- Markers should mark according to the marking scheme and not their perception of where the passing standard may lie.



- Where markers are in doubt as to the application of the marking scheme to a particular candidate script, they must contact their lead marker.

How to use this levels-based marking scheme

1. Read the candidate's response in full

2. Select the level

- For each trait in the marking scheme, read each level descriptor and select one, using a best-fit approach.
- The response does not need to meet all of the criteria of the level descriptor – it should be placed at the level when it meets more of the criteria of this level than the criteria of the other levels.
- If the work fits more than one level, judge which one provides the best match.
- If the work is on the borderline between two levels, then it should be placed either at the top of the lower band or the bottom of the higher band, depending on where it fits best.

3. Select a mark within the level

- Once you have selected the level, you will need to choose the mark to apply.
- A small range of marks may be given at each level. You will need to use your professional judgement to decide which mark to allocate.
- If the answer is of high quality and convincingly meets the requirements of the level, then you should award the highest mark available. If not, then you should award a lower mark within the range available, making a judgement on the overall quality of the answer in relation to the level descriptor.

Summary of the core activities tested within each sub task

Sub Task	Core Activity	Sub task weighting (% section time)
Section 1		
(a)	C. Explain raw material and fixed production overhead variances	48%
(b)	E. Apply decision criteria under conditions of uncertainty	36%
(c)	E. Explain non-financial factors for a decision	16%
Section 2		
(a)	D. Apply the rules in IFRS 5 and IAS 16 in respect of asset disposals and additional expenditure	48%
(b)	A. Explain digital costing and its benefits	52%
Section 3		
(a)	B. Explain what-if analysis	36%
(b)	E. Explain expected value and attitudes to decision making	32%
(c)	B. Explain the application of activity-based budgeting	32%
Section 4		
(a)	D. Apply IAS 10	24%
(b)	C. Identify and explain KPIs	32%
(c)	F. Interpret working capital ratios	44%

SECTION 1			
Task (a): Explain what each of the six variances on my schedule means and gives reasons for each variance.			
Trait			
Raw materials	Level	Descriptor	Marks
		No rewardable material	0
	Level 1	Explains the raw material variances with some technical accuracy but with limited explanation of how these variances have arisen.	1
	Level 2	Explains the raw material variances with reasonable technical accuracy. There are reasonable explanations of the reasons why these variances have occurred. Reasons given might not relate to the correct variance or might not be drawn from the information presented in the task.	2-3
	Level 3	Explains the raw material variances with technical accuracy. There are good explanations of the reasons why these variances have occurred. Reasons given clearly relate to the specific variance and are drawn for the information presented in the task.	4
Fixed production overhead	Level	Descriptor	Marks
		No rewardable material	0
	Level 1	Explains the fixed production overhead variances with some technical accuracy but with limited explanation of how these variances have arisen.	1-3
	Level 2	Explains the fixed production overhead variances with reasonable technical accuracy. There are some explanations given of the reasons why these variances have occurred. Reasons given might not relate to the correct variance or might not be drawn from the information presented in the task.	4-6
	Level 3	Explains the fixed production overhead variances with technical accuracy. There are a number of explanations given of the reasons why these variances have occurred. Reasons given clearly relate to	7-8

		the specific variance and are drawn for the information presented in the task.	
Task (b): Explain three decision criteria that we could use, given the uncertainty over production levels, and how each of these could help us decide, based on cost, which resin quantity to purchase. Please state the quantity we would purchase under each of these decision criteria.			
Trait			
Decision criteria	Level	Descriptor	Marks
		No rewardable material	0
	Level 1	Demonstrates some technical understanding of the decision criteria. Either there has been no attempt to state the decision or the decisions are inaccurate.	1-3
	Level 2	Demonstrates reasonable technical understanding of each of the three decision criteria and mostly selects the correct decision under each criterion.	4-6
	Level 3	Demonstrates good technical understanding of each of the three decision criteria and mostly selects the correct decision under each criterion.	7-9
Task (c): Explain two non-financial factors we should consider before contracting with the new supplier.			
Trait			
Other factors	Level	Descriptor	Marks
		No rewardable material	0
	Level 1	Explains, either briefly or with a lack of clarity, one non-financial factor.	1
	Level 2	Explains at least one non-financial factor, with reasonable clarity and depth.	2-3
	Level 3	Explains clearly and fully two non-financial factors to be considered.	4

SECTION 2			
Task (a): Explain whether the two asset disposals identified in the attachment will need to be reclassified as assets held for sale and the impact of these disposals on the financial statements for the year ended 31 December 2020. Please also explain how the additional expenditure reconditioning the third asset will be treated in the same financial statements.			
Trait			
Assets held for sale	Level	Descriptor	Marks
		No rewardable material	0
	Level 1	Demonstrates some understanding of the recognition criteria of IFRS 5 in respect of assets held for sale but they are incorrectly applied to the asset disposals. The impact of the disposals on the financial statements is only partially or incorrectly explained.	1-3
	Level 2	Demonstrates reasonable understanding of the recognition criteria of IFRS 5 in respect of assets held for sale and attempts to apply these to the asset disposals. The impact of the disposals on the financial statements is explained but explanation lacks some detail or accuracy.	4-6
	Level 3	Demonstrates full understanding of the recognition criteria of IFRS 5 in respect of assets held for sale and applies these correctly to the asset disposals. The impact of the disposals on the financial statements is comprehensively explained.	7-8
Additional expenditure	Level	Descriptor	Marks
		No rewardable material	0
	Level 1	Explains the recognition rule for capitalisation of subsequent expenditure in IAS16 with no application to the scenario.	1
	Level 2	Explains how the subsequent expenditure on the asset can be capitalised in accordance with IAS 16 but explanation lacks clarity. The costs of dismantling might not be mentioned.	2-3
	Level 3	Explains fully how the subsequent expenditure on the asset can be capitalised in accordance with IAS 16 and that the cost of dismantling can also be included as this is directly attributable.	4

SECTION 2 (continued)

Task (b): Explain how our current costing system works, how digital costing might change this and the benefits of doing this for our business.

Trait			
Current and digital?	Level	Descriptor	Marks
		No rewardable material	0
	Level 1	Demonstrates some understanding of the current standard costing system. Little or no reference made to digital costing.	1-2
	Level 2	Demonstrates a reasonable understanding of the current standard costing systems. Some understanding of the features of digital costing.	3-4
	Level 3	Demonstrates a clear understanding of the current standard costing system. Reasonable understanding of the features of digital costing system and how this might change the current standard costing system.	5-6
Benefits of digital costing	Level	Descriptor	Marks
		No rewardable material	0
	Level 1	Explains at least one benefit associated with digital costing but the explanation lacks clarity, or the benefits are general rather than specific to costing.	1-2
	Level 2	Explains more than one benefit associated with digital costing with reasonable clarity of explanation. Some of the benefits may be general rather than specific to costing.	3-5
	Level 3	Explains a range of benefits associated with digital costing in a clear and comprehensive manner.	6-7

SECTION 3			
Task (a): Explain the revised profit figures shown in Table 1 of my schedule and why 'what-if' analysis is more appropriate than sensitivity analysis in this situation.			
Trait			
What-if analysis	Level	Descriptor	Marks
		No rewardable material	0
	Level 1	Demonstrates some understanding of what-if analysis and gives a limited explanation of the figures in Table 1. Explanation of why what-if analysis is more appropriate may be limited or generic rather than linked to the scenario.	1-3
	Level 2	Demonstrates reasonable understanding of what-if analysis and gives a reasonable explanation of the figures in Table 1. Explanation of why what-if analysis is more appropriate may be generic rather than linked to the scenario.	4-6
	Level 3	Demonstrates comprehensive understanding of what-if analysis and gives a detailed and accurate explanation of the figures in Table 1. Explains why what-if analysis is more appropriate with good reference to the scenario.	7-9
Task (b): Explain the figures shown in Table 2 and Table 3 and how our attitude to risk will affect our decision about which reduction in selling price would potentially give us the best result.			
Trait			
Expected value and attitudes to decision-making	Level	Descriptor	Marks
		No rewardable material	0
	Level 1	Explains some of the figures in Tables 2 and 3 in the context of the scenario. Explanation of the best result under each attitude is possibly missing or completely inaccurate.	1-3
	Level 2	Explains most of the figures in Tables 2 and 3 in the context of the scenario. Explanation of the best result under each attitude is mostly accurate, but sometimes inaccurate or missing.	4-6
	Level 3	Explains comprehensively the figures in Tables 2 and 3 in the context of the scenario. Accurately explains what would be considered the best result for each attitude.	7-8

SECTION 3 (continued)

Task (c): Explain how the budget for the maintenance employee cost in the new production facility could be established using an activity-based budgeting approach.

Trait			
Application of ABB	Level	Descriptor	Marks
		No rewardable material	0
	Level 1	Demonstrates some understanding of an activity-based budgeting approach. There may be an attempt to apply this to explain how to establish the budget but this explanation is poor. Little or no reference is made to the scenario.	1-3
	Level 2	Demonstrates reasonable understanding of an activity-based budgeting approach and makes a reasonable attempt to apply this to explain how to establish the budget. Explanation makes reference to the scenario.	4-6
	Level 3	Demonstrates clear understanding of activity-based budgeting and applies this to explain how to establish the budget. Explanation is clearly linked to the scenario and recognises that this is a new production facility.	7-8

SECTION 4			
Task (a): Explain how the two events identified above will affect the financial statements for the year ended 31 December 2020.			
Trait			
Application of IAS 10	Level	Descriptor	Marks
		No rewardable material	0
	Level 1	Explains correctly how at least one of the events will affect the financial statements for the year ended 31 December 2020. Explanation of why the events are adjusting/non-adjusting is either missing or poor.	1-2
	Level 2	Explains correctly how at least one of the events will affect the financial statements for the year ended 31 December 2020. The reasons why the events are adjusting/non-adjusting are explained, although the explanation might lack some clarity.	3-4
	Level 3	Explains mostly accurately how BOTH of the events will affect the financial statements for the year ended 31 December 2020. The reasons why the events are adjusting/non-adjusting are comprehensively explained.	5-6
Task (b): Suggest the three key performance indicators (KPIs) that we can establish to monitor the performance of our suppliers. Please include a justification of why each KPI that you suggest is appropriate.			
Trait			
Identify and explain KPIs	Level	Descriptor	Marks
		No rewardable material	0
	Level 1	Identifies one or two KPIs which are relevant for measuring the performance of suppliers but the measure might not be clearly stated and/or the justification is either missing or not clear.	1-3
	Level 2	Identifies two or three KPIs which are relevant for measuring the performance of suppliers but the measure might not be clearly stated and/or justification lacks some clarity.	4-6
	Level 3	Identifies three KPIs which are appropriate for measuring the performance of suppliers which are well justified.	7-8

SECTION 4 (continued)

Task (c): Explain BGF Graphite’s working capital position based on the information in the attached schedule. Please also explain any risks associated with this position that might affect our decision to use them as a supplier.

Trait				
Interpretation	Level	Descriptor	Marks	
			No rewardable material	0
	Level 1	Explains briefly, or with a lack of clarity, the supplier’s working capital position with reference to each element of working capital days. There is little or no reference to the nature of the supplier or attempt to interpret the figures.	1-2	
	Level 2	Explains the supplier’s working capital position with reference to each element of working capital days. There is some attempt to link the explanation to the nature of the supplier and to interpret the figures.	3-4	
	Level 3	Explains fully the supplier’s working capital position with reference to each element of working capital days and to the nature of the supplier.	5-6	
Risks				
Risks	Level	Descriptor	Marks	
			No rewardable material	0
	Level 1	Explains at least one risk associated with the supplier’s working capital position but overtrading has not been identified. Little or no reference is made to Lottie Graphite and the supplier decision.	1-2	
	Level 2	Explains more than one risk associated with the supplier’s working capital position but this might not make reference to overtrading. Some reference is made to the supplier decision.	3-4	
	Level 3	Explains fully at least two different risks associated with the supplier’s working capital position, including the fact that it is potentially overtrading. The explanation identifies how this risk could affect our decision to use them as a supplier.	5	