

**CGMAX Operational Level Case Study February 2020**  
**Marking Guidance**  
**Variant 3**

**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)
<b>Section 1</b>		
(a)	A. Costing of a digital cost object	52%
(b)	B. Time series analysis	48%
<b>Section 2</b>		
(a)	E. Multi-product break-even	44%
(b)	D. Purchase of plant and equipment	32%
(c)	D. Disposal of property	24%
<b>Section 3</b>		
(a)	C. Sales variances	52%
(b)	F. Receivables management	48%
<b>Section 4</b>		
(a)	E. Short term decision making	48%
(b)	C. KPIs	28%
(c)	B. Beyond budgeting	24%

<b>SECTION 1</b>			
<b>Task (a):</b> Explain the difficulties associated with establishing a cost per app for the S-Pencil and the types of cost still to be incurred for the app.			
<b>Trait</b>			
Difficulties	<b>Level</b>	<b>Descriptor</b>	<b>Marks</b>
		No rewardable material	0
	<b>Level 1</b>	Explains at least one difficulty of measuring the cost per S-Pencil for the app, but this explanation may lack clarity. The explanation makes little or no reference to the scenario	1-2
	<b>Level 2</b>	Explains more than one difficulty associated with measuring the cost per S-Pencil for the app, but this explanation may lack some clarity. The explanation makes some reference to the scenario.	3-5
	<b>Level 3</b>	Explains with clarity a range of difficulties of measuring the cost per S-Pencil for the app. The explanation makes good reference to the scenario.	6-7
Types of cost	<b>Level</b>	<b>Descriptor</b>	<b>Marks</b>
		No rewardable material	0
	<b>Level 1</b>	Explains at least one future cost associated with the app. The explanation may demonstrate little understanding of the digital aspects such as infrastructure and IT support. An answer at this level may just explain testing and royalty costs.	1-2
	<b>Level 2</b>	Explains at least two future costs associated with the app. The explanation demonstrates some understanding of the digital aspects such as infrastructure and IT support.	3-4
	<b>Level 3</b>	Explains at least three future costs associated with the app. The explanation clearly demonstrates understanding of the digital aspects such as infrastructure and IT support.	5-6

<b>SECTION 1 (continued)</b>			
<b>Task (b):</b> Explain what the attached time series information means and how useful it is to enable us to predict sales volumes for our new S-Pencil.			
<b>Trait</b>			
Trend and SV	<b>Level</b>	<b>Descriptor</b>	<b>Marks</b>
		No rewardable material	0
	Level 1	Explains the trend and seasonal variation data with some technical accuracy. Reasons for and implications of the trend and seasonal variations may be missing.	1-2
	Level 2	Explains the trend and seasonal variation data technically accurately for the most part. Reasons for and implications of the trend and seasonal variations are given, but these might not be always relevant to the scenario and the products.	3-5
	Level 3	Explains the trend and seasonal variation data with technical accuracy. Reasons for and implications of the trend and seasonal variations are given which are relevant to the scenario and the products.	6-7
Usefulness	<b>Level</b>	<b>Descriptor</b>	<b>Marks</b>
		No rewardable material	0
	Level 1	Demonstrates some understanding of the usefulness of using time series data to forecast sales in a general sense, but there is little reference to the S-Pencil product.	1-2
	Level 2	Demonstrates reasonable understanding of the usefulness of using this time series data to forecast sales for the S-Pencil with some consideration of the nature of this particular product and its market compared to normal graphite pencils.	3-4
	Level 3	Demonstrates understanding of the usefulness of using this time series data to forecast sales for the S-Pencil with detailed consideration of the nature of this particular product and its market compared to normal graphite pencils.	5

SECTION 2			
<b>Task (a):</b> Explain Line A on the profit-volume chart and the information that this gives us based on the original budget. Please also explain how the revised budget, represented by Line B, changes your analysis.			
<b>Trait</b>			
Line A	<b>Level</b>	<b>Descriptor</b>	<b>Marks</b>
		No rewardable material	0
	Level 1	Demonstrates some understanding of the multi-product break-even chart. The answer makes some attempt to explain Line A and /or identify the break-even point but lacks clarity. Margin of safety unlikely to be commented on.	1
	Level 2	Demonstrates reasonable understanding of the multi-product break-even chart. The answer explains what Line A represents with reference to the scenario and identifies the break-even point, but sometimes lacks clarity. Margin of safety may not be commented on.	2-3
	Level 3	Demonstrates good understanding of the multi-product break-even chart. The answer is comprehensive, clearly explains what Line A represents with reference to the scenario and identifies the break-even point. Margin of safety may not be commented on.	4
Line B	<b>Level</b>	<b>Descriptor</b>	<b>Marks</b>
		No rewardable material	0
	Level 1	Demonstrates some understanding of what Line B represents but little reference is made to compare this to Line A. Explanation is likely to be brief and lack clarity.	1-2
	Level 2	Demonstrates reasonable understanding of what Line B represents and makes some attempt to compare to Line A to establish the impact of the differences in volume, selling price and fixed costs. Explanation may lack clarity.	3-5
	Level 3	Demonstrates clear understanding of what Line B represents and makes a good attempt to compare to line A to establish the impact of the differences in volume, selling price and fixed costs.	6-7

**SECTION 2 (continued)**

**Task (b):** Explain how the expenditure associated with the new baking equipment will be initially recorded in our financial statements and how we should depreciate the asset.

<b>Trait</b>			
Initial recognition	<b>Level</b>	<b>Descriptor</b>	<b>Marks</b>
		No rewardable material	0
	<b>Level 1</b>	Explains the recognition rules of IAS 16 but does not apply this to the scenario.	1
	<b>Level 2</b>	Explains the recognition rules of IAS 16 and applies these to explain recognition of the baking equipment as a non-current asset and/or how each type of expenditure will affect the amount capitalised. There may be a lack of clarity in the explanation.	2-3
	<b>Level 3</b>	Explains the recognition rules of IAS 16 and applies these to clearly explain recognition of the baking equipment as a non-current asset and how each type of expenditure will affect the amount capitalised.	4
<b>Trait</b>			
Depreciation	<b>Level</b>	<b>Descriptor</b>	<b>Marks</b>
		No rewardable material	0
	<b>Level 1</b>	Explains the principle of depreciating over the UEL of an asset but does not apply this to the scenario.	1
	<b>Level 2</b>	Explains the principle of depreciation and attempts to apply this to the scenario. Explanation of splitting of the asset into component parts may be missing.	2-3
	<b>Level 3</b>	Explains the principle of depreciation and applies this to the scenario to clearly and fully explain the splitting of the asset into component parts.	4

**SECTION 2 (continued)**

**Task (c):** Explain how the disposal of the warehouse building will affect both the tax charge for the year and our financial statements for the year ended 31 December 2020.

<b>Trait</b>			
Tax impact	<b>Level</b>	<b>Descriptor</b>	<b>Marks</b>
		No rewardable material	0
	Level 1	Demonstrates some understanding that this gives rise to a capital gain. Little else is explained.	1
	Level 2	Demonstrates reasonable understanding that this gives rise to a capital gain and explains how this will be calculated and/or taxed.	2
	Level 3	Demonstrates good understanding that this gives rise to a capital gain and explains how this will be calculated and taxed.	3
Accounting impact	<b>Level</b>	<b>Descriptor</b>	<b>Marks</b>
		No rewardable material	0
	Level 1	Demonstrates some understanding that this gives rise to a profit on disposal. Little else is explained.	1
	Level 2	Demonstrates reasonable understanding that this gives rise to a profit on disposal and explains how this will be calculated and reflected in the financial statements, although not all impacts may be noted.	2
	Level 3	Demonstrates good understanding that this gives rise to a profit on disposal and fully explains how this will be calculated and reflected in all of the financial statements, including the statement of cash flows.	3



**SECTION 3**

**Task (a):** Explain what the sales price, mix, quantity and volume variances mean and the reasons for their occurrence. Please also comment on whether you think that Ben's two actions have been successful, with reference to each of the customer groups.

<b>Trait</b>			
Sales price variance	<b>Level</b>	<b>Descriptor</b>	<b>Marks</b>
		No rewardable material	0
	Level 1	Demonstrates some understanding of the sales price variances but is unlikely to provide any reasons or the reasons are not valid.	1
	Level 2	Demonstrates reasonable understanding of the sales price variances and provides at least one reason for the variance which is linked to the scenario.	2
	Level 3	Demonstrates good understanding of the sales price variances and provides reasons for the variance which are linked to the scenario.	3
Sales mix and quantity variances	<b>Level</b>	<b>Descriptor</b>	<b>Marks</b>
		No rewardable material	0
	Level 1	Demonstrates some technical understanding of the mix and quantity variances but is unlikely to provide any reasons or the reasons are not valid.	1-2
	Level 2	Demonstrates reasonable technical understanding of the sales mix and quantity variances and provides at least one reason for the variances which is linked to the scenario.	3-4
	Level 3	Demonstrates good understanding of the sales mix and quantity variances and provides reasons for the variance which are linked to the scenario.	5-6
Overall	<b>Level</b>	<b>Descriptor</b>	<b>Marks</b>
		No rewardable material	0
	Level 1	Explains that overall there is a positive impact on profit but does not link this to the different types of variances.	1
	Level 2	Explains that overall the negative impact of the discounts given is outweighed by both the change in mix and the increase in volume. The explanation may lack some clarity.	2-3

SECTION 3 (continued)			
	Level 3	Explains clearly and comprehensively overall the negative impact of the discounts given is outweighed by both the change in mix and the increase in volume. Identifies that overall the volume variance for large retailer customers is adverse and the implications of this.	4
<b>Task (b):</b> How the profile of aged receivables has changed over the last three months, reasons for these changes and the potential implication of these changes. Please also include two measures that we could take to manage these implications.			
<b>Trait</b>			
Profile	<b>Level</b>	<b>Descriptor</b>	<b>Marks</b>
		No rewardable material	0
	Level 1	Explains some aspects of how the aged receivables profile has changed but there is little attempt to link this to the changes in customer base. The implications for the business may not be identified.	1-2
	Level 2	Explains how the aged receivables profile has changed and attempts to link this to the changes in customer base. The implications of this for the business may not be identified.	3-4
	Level 3	Explains comprehensively how the aged receivables profile has changed and links this to the changes in customer base. The implications for the business of this change in profile are identified.	5-6
Measures	<b>Level</b>	<b>Descriptor</b>	<b>Marks</b>
		No rewardable material	0
	Level 1	Explains at least one suggestion for how to manage the implications of reduced cash flow and irrecoverable debts. The explanation may lack clarity and is unlikely to consider that cost/benefit analysis will be required.	1-2
	Level 2	Explains at least one sensible suggestion for how to manage the implications of reduced cash flow and irrecoverable debts. The explanation may lack some clarity and might not consider that cost/benefit analysis will be required.	3-4

SECTION 3 (continued)			
	Level 3	Explains two sensible suggestions for how to manage the implications of reduced cash flow and irrecoverable debts. The explanation considers that cost/benefit analysis will be required.	5-6

SECTION 4			
<b>Task (a):</b> Explain how we could decide which supplier of IT administrative services to use under different attitudes to risk using the data in the attached schedule and identify what the decisions would be using each attitude. Please also explain the limitations of using this analysis for selecting the IT administrative services supplier.			
<b>Trait</b>			
The decision	<b>Level</b>	<b>Descriptor</b>	<b>Marks</b>
		No rewardable material	0
	Level 1	Explains how to make the decision using one of the risk attitude approaches and identifies the correct decision for this approach.	1-2
	Level 2	Explains how to make the decision using two of the risk attitude approaches and identifies the correct decision for each of these approaches.	3-4
	Level 3	Explains how to make the decision using all three of the risk attitude approaches and identifies the correct decision for each approach.	5-6
Limitations  (Note this relates to both a critique of the method used and other factors to be considered)	<b>Level</b>	<b>Descriptor</b>	<b>Marks</b>
		No rewardable material	0
	Level 1	Explains at least one of the limitations (the subjectivity of the data, limitations with using EV and/or COV and ignores non-financial factors). The explanation may lack clarity.	1-2
	Level 2	Explains some of the limitations (the subjectivity of the data, limitations with using EV and/or COV and ignores non-financial factors). The explanation may lack some clarity.	3-4
	Level 3	Explains a range of limitations that are well explained.	5-6

<b>SECTION 4 (continued)</b>			
<b>Task (b):</b> Suggest and justify three KPIs that we could introduce to measure the performance of the IT administrative services provider for our S-Pencil app.			
<b>Trait</b>			
KPIs	<b>Level</b>	<b>Descriptor</b>	<b>Marks</b>
		No rewardable material	0
	<b>Level 1</b>	Identifies one or two KPIs which are relevant for measuring the performance of the IT services supplier, but the explanation is either missing or not clear.	1-2
	<b>Level 2</b>	Identifies two or three KPIs which are relevant for measuring the performance of the IT services supplier, but the explanation lacks some clarity.	3-5
	<b>Level 3</b>	Identifies three KPIs which are wholly appropriate for measuring the performance of the IT services supplier which are well explained.	6-7
<b>Task (c)</b> Explain what beyond budgeting is and how we might apply it.			
<b>Trait</b>			
Beyond Budgeting	<b>Level</b>	<b>Descriptor</b>	<b>Marks</b>
		No rewardable material	0
	<b>Level 1</b>	Explains at least one of the key principles of beyond budgeting (rolling budgets, expanded performance measures and participation) and how this can be applied. The answer may lack clarity and is unlikely to make reference to Lottie Graphite.	1-2
	<b>Level 2</b>	Explains at least two of the key principles of beyond budgeting (rolling budgets, expanded performance measures and participation) and how this can be applied. The answer makes some reference to Lottie Graphite.	3-4
	<b>Level 3</b>	Explains clearly at least two of the key principles of beyond budgeting (rolling budgets, expanded performance measures and participation) and how this can be applied. The answer makes good reference to Lottie Graphite.	5-6