

This document should be read in conjunction with the examiner’s suggested answers and marking guidance.

General comments

This examination was based on a pre-seen scenario which described Denby, a private hospital. The scenario was made available in advance of the exam and a number of variant papers were set, each offering additional scenario-based information and each setting three sections to be completed. Each section was split into two or more specific elements. This is a very interesting industry which most candidates would understand. The pre-seen scenario was detailed and well prepared candidates should have been able to give good answers in the context of the industry. The unseen scenarios were interesting and presented some realistic questions on the industry.

Candidate performance

Overall, candidates performed reasonably well on some aspects of all the variants. However, there were a number of areas of concern relating to student performance in several other areas; this applies to all variants. The main weaknesses were that in several tasks, candidates failed to apply their knowledge directly to the scenario information and in some parts candidates just failed to answer what had been asked. On the positive side most candidates structured their answers well.

All answers must be applied to the case study and should bring in aspects of the pre-seen information as well as the information and exhibits in the unseen material. Most candidates did demonstrate application of knowledge in their answers which was good. Many candidate answers lacked depth of development and therefore, although demonstrating a basic understanding and application of knowledge, they failed to accumulate sufficient marks due to not developing their answers sufficiently.

Candidates are reminded to carefully read each task requirement and only answer what has been asked. In addition, candidates are also reminded that theoretical answers are awarded very few marks.

Looking ahead to future examinations

Candidates should read the pre-seen material carefully and come into the examination understanding the industry and the company which will be the focus of the exam. This will help candidates formulate good answers that relate to the tasks they are given.

Candidates must manage their time well and make sure they do not run out of time on sections they know well.



Candidates must read the questions very carefully and answer what has been asked. Answers which are not applied to the case will not score high marks.

A good level of knowledge of the three strategic syllabi is necessary in order to do well in the exams, it is not enough to have knowledge of topics; candidates must be able to apply their knowledge to a variety of situations and show they have an in-depth knowledge of the subject matter.

Variant 1

	Designed to test ability to:	Competency being tested:	Syllabus lead learning outcome:
Section 1	Determine demand for new service	Business skill	E3 B2a - evaluate strategic analysis tools
	Evaluate proposal to raise additional debt	Technical skill	F3 B1a - evaluate the impact of changes in capital structure for an incorporated entity on shareholders and other stakeholders
Section 2	Evaluate intellectual property as a strategic resource	People skills	P3 B1c - advise managers of the risks in the development of strategies for information systems that support the organisation's strategic requirements
	Develop IS to preserve and share intellectual property	Leadership skills	E3 C1b - evaluate the role of leadership in managing the change process and building and managing effective teams
Section 3	Discuss relevance of purchasing power parity	Technical skills	P3 D2a - advise on the effects of economic factors that affect future cash flows from international operations
	Evaluate fixed rate foreign currency loan as a hedge	Business skills	P3 D2b - evaluate appropriate models for the identification and management of financial risks associated with international operations
	Discuss likely impact of project for share price	People skills	F3 C2a - calculate the value of a whole entity ...
	Discuss impact of integrated reporting on share price	Leadership skills	F3 A1c - advise on the use of sustainability and integrated reporting to inform stakeholders of relevant information concerning the interaction

			of a business with society and the natural environment
--	--	--	--

Comments on performance

Section 1

Requirement 1 - Demand for sports injury clinics

Candidates should have drawn on the relevant facts that were stated in the scenario, and also trailed to some extent in the pre-seen material. Denby has considerable expertise in treating orthopaedic injuries, but this new venture is intended as a much more ambitious offering that will rely on finding patients who are prepared to pay a considerable premium for a more speedy or more certain recovery.

Marks were awarded for any sensible suggestions as to how demand for this service might be forecast. Stronger candidates might be realistic about some of the difficulties arising from the fact that potential patients/clients have little to lose from claiming that they would use this service and then making alternative arrangements. Answers were not very strong for this requirement. Candidates should have discussed research into possible demand. They could have asked local sports clubs what they thought for example. They could have sent out surveys or had an interesting website which could have asked about the likelihood of readers using the service. These results could have been examined and used to forecast demand. A number of candidates answered another question which was the reasons why the service would be popular, few marks were awarded for this approach.

Requirement 2 - Borrowing

The question essentially raised two related issues. Borrowing to fund this project will increase gearing. That raises questions about whether the gearing ratio is likely to be increased beyond acceptable limits. Better candidates should have recognised that gearing will increase, but not to the extent that there is a categorical argument that it has become excessive.

The increase in gearing should have been considered against the possibility that the new venture will have an adverse effect on operating profit. It should always be recognised that high gearing is a problem because it intensifies the effect of volatility in operating profit on the profit for the year. If there is no volatility in operating profit then gearing is much less of an issue.

Candidates might also have considered whether lenders would be prepared to accept Denby’s assets as security. They may have limited resale value, if a lender could accept the bad publicity associated with foreclosing on a hospital and removing potentially life-saving equipment. This question was done quite well by many candidates with many discussing gearing well. Weaker candidates did

not mention gearing at all. Few candidates mentioned the issue of using assets as security which was a disappointing. Some candidates decided to say that equity would be better and gave a whole answer on equity which did not gain high marks.

Section 2

Requirement 1 - Intellectual property

Candidates should probably have considered both sides of this argument, because it is relatively complex.

Denby is in competition with other private hospitals and is also, to an extent, competing for patients' willingness to pay for treatment that would otherwise be provided for free by the KHS. Any form of expertise and skill that the company's doctors can apply to the treatment of patients has the potential to increase revenues.

Better answers should have reflected the fact that medical ethics might make it difficult to withhold information from other hospitals, even if they are in competition with Denby for private patients. Similarly, the doctors themselves are free to leave and it would undoubtedly be impossible to prevent them from drawing on the experience and expertise they developed while working at Denby.

There were some good answers to this requirement. Generally most candidates managed to write something sensible for this requirement.

Requirement 2 - Information system

The pre-seen material highlights some of the complexities of treating patients. Candidates should have recognised that it would be difficult to develop an information gathering system that offered even a fraction of the flexibility associated with a consultation between two or more professional doctors. No two cases are exactly the same and so a database that logs the success or failure of treatment plans will only be of any use if it captures every potentially relevant factor.

Candidates could have seen this as an opportunity to draw upon Big Data Analytics in order to offer an alternative to a traditional information system. It was not, however, mandatory to do so in order to earn full marks.

Very few candidates discussed Big Data in their answers.

Answers to this requirement were surprisingly weak, few candidates seemed to have a good idea what would be involved in developing a good system. Many candidates just achieved a passing score. It was a lack of application and a lack of knowledge which led to lower marks.

Section 3

This section is essentially two pairs of linked requirements. They are presented as two pairs in the question paper, but the answers are shown separately below for the sake of simplifying the marking grid.

Requirement 1 - Exchange rate

The first part of this requirement deals with the PPP theory and the question of whether it might be cheaper to borrow in a foreign currency that might decrease in value.

Candidates should have been able to explain the theory behind this model, as well as indicating some understanding of the empirical evidence concerning its effectiveness in practice. The fact that the model does not work exactly as the mathematics suggest leaves some scope for risk.

There were many very good answers to this question.

Requirement 2 - Foreign currency borrowing

This part effectively asks candidates to consider whether natural hedging might be of value in this scenario. Better candidates will recognise that the timings of the cash flows will disrupt the hedging. This requirement was performed badly with many candidates showing very poor knowledge of this part of the syllabus. Few candidates gave reasonable answers to this requirement. This was mainly due to lack of knowledge.

Requirement 3 - Share price

Candidates may preface their answers with a reference to the Efficient Market Hypothesis (EMH), although that should not have been a major part of this answer.

Better candidates viewed the impact on the share price in terms of the information that is available for the market to process and the extent to which the shareholders agree that this is a sound investment. Weaker candidates were unable to really answer this requirement and offered no more than a surface discussion of EMH. Again, knowledge of this part of the syllabus was surprisingly weak.

Requirement 4 - Integrated reporting

Candidates should know what integrated reporting is, but a detailed description of what it is was not worth many marks unless the description was tied back to the scenario. Few candidates could do much more than briefly mention the six capitals and say integrated reporting was a good idea. Marks were close to the passing score with few high marks being awarded. Candidates knew the theory of integrated reporting but poor at application to the case.

Variant 2

	Designed to test ability to:	Competency being tested:	Syllabus lead learning outcome:
Section 1	Evaluate Board's decision to rely heavily on a revenue stream	Leadership skills	E3 B1a - evaluate the processes of strategic analysis and strategic options generation
	Discuss share price movement	Technical skills	F3 C2a - calculate the value of a whole entity ...
Section 2	Recommend and justify CSFs and KPIs	Business skills	E3 D1b - recommend solutions to problems in strategic performance measurement
	Evaluate ethical issues	People skills	P3 B2a - evaluate the risks of unethical behaviour
Section 3	Discuss evaluation of project	Business skills	P3 E1a - evaluate investment projects
	Explain conflict between profit and wealth	People skills	P2 E1b - evaluate conflicts that may arise from capital investment decisions
	Evaluate dividend decision	Technical skills	F3 B2b - recommend appropriate dividend policies, including consideration of shareholder expectations and the cash needs of the entity
	Discuss implications of cash reserve for dividend	Leadership skills	F3 B2b - recommend appropriate dividend policies, including consideration of shareholder expectations and the cash needs of the entity

Comments on performance

Section 1

Section 1 related to a recent article in the press which announced that the KHS was considering the level of referrals it makes to private hospitals. The first task asked candidates to consider whether the Board of Denby were irresponsible to have become reliant on KHS referrals and the second task required candidates to explain why Denby's drop in share price was lower than its competitors following the announcement and also why the percentage reduction was lower than the potential percentage reduction in revenue.

Requirement 1 - Reliance on KHS referrals

This requirement was answered well by most candidates. Many took a well-balanced approach to this answer, arguing that there are two sides to this issue. Many candidates also correctly identify that Denby was probably justified in making the best possible use of the opportunity to take KHS referrals while it lasted.

Weaker candidates failed to take a balanced approach and instead based their answers on criticising the board based only on the fact that the KHS referrals have recently come under threat. Some candidates offered limited responses that had little justification because they had merely reacted to the news article without looking at the wider context of Denby and its competitive position.

Requirement 2 - Share price reduction

This requirement was not answered well by many candidates. Many answers commenced with a discussion of the efficient markets hypothesis which was acceptable. However, some candidates presented a detailed theoretical discussion on the different forms of efficiency which was not required and therefore was awarded limited credit. Candidates are reminded to focus on the question asked and to not present theoretical answers.

Some candidates correctly recognised that the capital markets should have taken account of the possibility that KHS referral revenue would not continue and so the press announcement should have been pre-empted to some extent. However, the main weakness of responses to this requirement was that very few candidates recognised that referral revenue stream is probably the least profitable for Denby and so Denby's share price would not be as seriously impacted as it would from the loss of other revenue streams.

Section 2

The two requirements in this section required candidates to consider in more detail the implications for Denby of the loss of KHS referral revenue and the proposal to set up a Liaison Team to establish links with the KHS and Ministry of Health with the aim of influencing their thinking. Firstly, candidates were asked to recommend a range of CSFs and KPIs to measure the performance of

the liaison team. Secondly, candidates were asked to consider the ethical issues for Denby of involving itself in the KHS referral review process and how these could be managed.

Requirement 1 - CSFs and KPIs

This requirement was not answered well. Very few candidates answered this question successfully, with many demonstrating a very poor basic understanding of both CSFs and KPIs. Very few candidates specifically focused their answers on the Liaison team, with most merely presenting CSFs and KPIs for Denby in general terms. This presumably was largely caused by not reading the question carefully, as it was quite clear from the requirement that the focus should have been specifically on measuring the performance of the Liaison team only.

Requirement 2 - Ethical issues

Answers to this requirement were reasonable, although too many candidates presented theoretical answers, describing CIMA's ethical principles with very limited application. Candidates are reminded that theoretical answers are awarded few marks at strategic level. However, there were some good answers, where candidates applied in particular the potential ethical challenges related to Denby's self-interest and familiarity.

A further weakness was that a significant number of candidates failed to consider the management of these ethical dilemmas, which was specifically asked for in the requirement. Candidates are reminded to read the tasks very carefully to make sure that they are answering all requirements. However, those candidates that did address the management issues offered a number of sensible approaches including ensuring full transparency in all communications and full documentation of all consultations with all parties.

Section 3

Section 3 focused on a proposal put forward by the Keeland Health Service for Denby to acquire four underperforming KHS hospitals in order to run and manage these to deliver services to KHS patients. This would then make Denby the preferred private supplier for the KHS. The four requirements asked candidates to assess a range of potential considerations on whether Denby should acquire these hospitals (the first two requirements) or choose to use the money to pay its shareholders an additional dividend (requirements 3 and 4).

Requirement 1 - Evaluating the capital investment decision

This requirement was answered well by most candidates. Most considered both the difficulties in determining the cash outflows and also the difficulties in assessing future revenues, should Denby acquire these four hospitals.

However, weaker candidates spent too long on discussing the potential different approaches to assessing the capital investment decision (such as NPV versus IRR or ARR), which was not what the question asked.

Requirement 2 - Profit v wealth

This requirement was not well answered by most candidates. Few candidates correctly distinguished the issues arising from having a positive NPV project and reporting a profit in the short term. Very few candidates were able to identify the implications of the “conflict” between profit and wealth and their impact in the short and long term for shareholders.

The next two requirements were focused on the considerations needed should Denby decide not to proceed with the investment decision.

Requirement 3 - Dividend

This requirement was answered reasonably well by candidates, many of whom were able to present a sound discussion of the implications of paying a large dividend to its shareholders. Good answers also included points relating to taking into account the tax considerations of shareholders

Weaker answers were those that merely considered that the markets may be misled as to the level of future dividends.

Requirement 4 - Cash reserve

This requirement was not well answered by most candidates. Most candidates did correctly recognise from the pre-seen that Denby has held a great deal of cash at least since last year. However, few candidates recognised that returning this cash as a dividend might be viewed as a sign that the Board could not find any positive NPV projects which could undermine confidence in the Board’s stewardship. Many answers to this question were superficial and really did not address the requirement.

Variant 3

	Designed to test ability to:	Competency being tested:	Syllabus lead learning outcome:
Section 1	Evaluate strategic fit of proposal	Business skills	E3 B1a - evaluate the processes of strategic analysis and strategic options generation
	Discuss challenges of raising debt	Technical skills	F3 A2b - advise on the development of financial strategy for an entity taking into account taxation and other external influences
Section 2	Evaluate usefulness of Big Data Analytics	People skills	E3 E2b - evaluate the strategic and competitive impact of information systems, including the potential contribution of Big Data
	Evaluate implications of changing board structure	Leadership skills	P3 B3a - evaluate the risks associated with poor governance structures
Section 3	Discuss relationship between interest and currency movements	Technical skills	P3 D2a - advise on the effects of economic factors that affect future cash flows from international operations
	Hedging currency risk	Business skills	P3 D2b - evaluate appropriate methods for the identification and management of financial risks associated with debt finance
	Evaluate cost of equity	People skills	F3 C3a - evaluate alternative pricing structures and bid process including taxation implications
	Evaluate challenges associated with achieving synergies	Leadership skills	F3 C3b - evaluate post-transaction issues

Comments on performance

Section 1

Requirement 1 – Strategic fit

The first requirement asked whether a proposed chain of lifestyle coaching centres would be a good strategic fit with the medical hospitals provided by the company. This venture would carry the Denby brand, but would operate independently of the existing facilities.

Most candidates offered a realistic argument in favour of the proposal and discussed the manner in which it might create synergies with the medical treatments that are presently being provided. Answers were generally logical and relevant. Most candidates used the SAF model, which was perfectly acceptable, although any sensible discussion was accepted.

Requirement 2 – Challenges of raising debt

The second requirement asked about the issues associated with raising debt to fund this new activity. The basic concern is that much of the cash raised will be spent on start-up costs such as recruitment and promotion and so there may be relatively little in the way of security from the venture itself. There is a further problem in that the debt will have a significant impact on the gearing ratio.

Many candidates identified the problems associated with borrowing. Better scripts went on to explain how those problems might be overcome. Generally, stronger candidates thought about how Denby might signal its ability to service this debt without interruption. Weaker answers offered some rather contrived concerns about the need to avoid offering covenants to satisfy the bank and similar unrealistic arguments.

Section 2

Requirement 1 – Big Data Analytics

The first requirement dealt with the use of Big Data Analytics to evaluate the potential demand for this type of service. The key to applying this technique is to identify data sources, both internal and external and identify ways in which they might be analysed and how relationships might be developed.

The quality of answers varied significantly. Stronger answers identified ways in which Denby might pull together information from both social media and its own medical files in order to develop an understanding of the number of potential clients for a counselling service. Some stronger candidates highlighted the advantages and pitfalls of those sources, including the ethical implications of pulling data from medical records without patient permission.

Weaker answers demonstrated little real understanding of Big Data Analytics. Weaker answers simply described data sources that would not require this approach to investigate, such as charting the number of existing counselling centres.

Requirement 2 – Change of Board structure

The second requirement asked about the advantages and disadvantages of appointing a new director to take charge of the new venture. Answers were generally good with regard to the potential advantages. Many candidates saw this as an opportunity to add expertise to the Board in order to ensure that the venture could be supervised at a strategic level.

Answers were often weaker in discussing the disadvantages. Many candidates failed to see the potential for conflict on the Board if there is an individual who is focussed on what will be a relatively small part of the company. A significant number of candidates focussed on the salary and other benefits that would have to be provided and the need to add a non-executive to balance the Board. Such arguments were valid and accepted.

Section 3

Requirement 1 – Interest and currency movements

The first requirement asked whether a foreign currency loan that appears to offer a low interest rate in comparison to a loan from the local banks was attractive. Many candidates failed to see that that the International Fisher Effect suggests that a low interest rate is usually a sign that a country's currency will strengthen and so there is unlikely to be a benefit from taking this loan. While there can be no guarantee that this will be the case, the expected real rate of borrowing will be the same, regardless of the currency in which the cash is borrowed.

Requirement 2 – Managing currency risk

The second requirement asked whether the lower rate could be “locked in”. Many candidates discussed the ways in which financial instruments might be used, with little real thought concerning the cost of such an instrument. The counterparties are unlikely to sell an instrument that restricts the loan to a low level cheaply when they are likely to have to incur cost in settling their commitments.

Requirement 3 – Cost of equity

The third requirement asked about the impact of an acquisition's beta on the group's beta. While calculation were not required, the question gave figures that showed the acquisition as having a higher beta than Denby's current position. That would suggest that the group's overall beta is expected to increase. A disappointing number of candidates did not understand what the beta coefficient actually means.



Requirement 4 – Achieving synergies

The fourth requirement asked about the challenges associated with obtaining the anticipated synergies from the acquisition. Answers were generally strong, with candidates seeing the threat of key professional staff leaving the company in the aftermath of an acquisition.

Variant 4

	Designed to test ability to:	Competency being tested:	Syllabus lead learning outcome:
Section 1	Evaluate significance of strategic relationships	People skills	E3 A1d - recommend how to build and manage strategic relationships with stakeholders
	Evaluate ethical implications of operating practice	Leadership skills	P3 B2a - evaluate the risks of unethical behaviour
Section 2	Evaluate implications of share price remaining unchanged	Technical skills	F3 C2a - calculate the value of a whole entity ...
	Evaluate potential acquisition as a strategic resource	Business skills	E3 B1a - evaluate the processes of strategic analysis and strategic options generation
Section 3	Evaluate economic currency risk	Business skills	P3 D1a - evaluate financial risks facing an organisation
	Evaluate challenge of managing economic currency risk	Technical skills	P3 D2b - evaluate appropriate methods for the identification and management of financial risks associated with international operations
	Evaluate implications of economy for lenders	Leadership skills	F3 A2a - evaluate the interrelationship between investment, financing and dividend decisions for an incorporated entity
	Evaluate implications of debt covenant for lenders	People skills	F3 B1b - evaluate and compare alternative methods of raising long-term debt finance

Comments on performance

Section 1

Requirement 1 – Strategic relationships

In the first section candidates were asked to evaluate the significance of two strategic stakeholder relationships which affect Denby's ability to use KHS resources. Generally, this requirement was well addressed. Most candidates selected two appropriate stakeholder relationships, such as those with KHS hospital managers and the government of Keeland. Some candidates ignored the requirement to select two relationships and either only explored one or provided a superficial discussion of a long list of stakeholders. Most could describe suitable steps to manage Denby's relationships with the selected stakeholders.

Requirement 2 – Ethical implications

Secondly, candidates were asked to evaluate the ethical implications of Denby relying on the KHS to manage the risk of patients developing serious health problems. There were a number of issues it would be appropriate to explore here. Denby cannot conduct operations without relying on the KHS, which has a financial cost to the KHS. The CIMA code of ethics provides a useful framework for exploring the issues. Many discussions were too simplistic, with candidates not appearing to grasp the ethical implications of the use of KHS hospitals for ICU. Many quoted the CIMA code of ethics but did not apply those principles to the scenario.

Section 2

Requirement 1 – Share price

The candidate was informed that Denby's share price had remained unchanged by the announcement that Denby intends to buy CCUH and was asked whether this meant that this is a bad investment. Some answered this well, exploring the impact of the efficient markets hypothesis, the possibility that shareholders might consider that the investment will provide the required rate of return and no more, and that the stock market may not have all the information and plans developed by the Denby Board. However, a significant number of candidates misread or misinterpreted the requirement as asking for an analysis of the pros and cons of the purchase. Many applied the SAF framework to the purchase of CCUH rather than relating the purchase to the apparent lack of share price movement. They discussed whether or not this is a good investment with no reference to share price impact.

Requirement 2 – Acquisition as strategic resource

Candidates were then asked whether Denby should treat the acquisition of CCUH as a strategic resource which offers Denby additional strategic options. This was often better attempted. Many explored Denby's ability to staff the units, and the possibility that

the new facilities would enable Denby to differentiate the procedures they can offer from those of competitors. Candidates identified a good range of benefits arising from the acquisition.

Section 3

Requirement 1 – Economic currency risk

In the final section candidates were asked how the volatility of the K\$ might affect Denby's economic currency risk. The impact of the volatility of the K\$ on foreign patient revenue was well described and some candidates also discussed the impact on hospital supplies.

Requirement 2 – Managing economic currency risk

Candidates were then asked what the challenges would be with managing the economic currency risk. A good answer would have recognised that it would be difficult for patients to hedge the risk, but undesirable for Denby to bear it on their behalf. Many candidates did not really address this requirement, providing a list of derivatives which could be used to hedge currency risk and explaining them in very general terms.

Requirement 3 – Implications of economy

Candidates were asked why the state of Keeland's economy would make lenders reluctant to see an increase in Denby's gearing. Better answers recognised that economic uncertainty could make lenders unwilling to commit funds which could be invested in a more stable country. Many candidates explained why the uncertainty could lead to lower revenue for Denby, and this requirement was generally well answered.

Requirement 4 – Implications of debt covenant

Finally, candidates were asked why it might be difficult to reassure lenders by offering to sign a debt covenant. Weaker answers described debt covenants but did not really answer the question. Better candidates recognised that the debt covenant could not change the impact on Denby's assets of a declining economy.

Variant 5

	Designed to test ability to:	Competency being tested:	Syllabus lead learning outcome:
Section 1	Evaluate benefits of PEST analysis	Leadership skills	E3 A1a - evaluate the influence and impact of the external environment on an organisation's strategy
	Ethics of recruiting staff from state hospitals	People skills	P3 B2a - evaluate the risks of unethical behaviour
Section 2	Recommend valuation basis for acquisition	Technical skills	F3 C2a - calculate the value of a whole entity ...
	Identify CSFs	Business skills	E3 D1b - recommend solutions to problems in strategic performance management
Section 3	Evaluate failure to predict risk	Technical skills	F3 C1a - evaluate the financial and strategic implications of proposals for an acquisition, merger or divestment, including taxation implications
	Recommend ways to restore value	Business skills	F3 C3b - evaluate post-transaction issues
	Recommend internal controls	People skills	P3 C2a - evaluate the essential features of internal control systems for identifying, assessing and managing risks
	Evaluate internal audit role	Leadership skills	P3 C3a - evaluate the effective planning and management of internal audit and internal audit investigations

Comments on performance

Section 1

In Section 1 candidates were asked to consider the value to be derived from carrying out a PEST analysis of the whole environment surrounding the recruitment and retention of nursing staff. This developed to consider the ethical position of recruiting only those nurses who have gained experience at a national health service level, whether Keeland or foreign national health services.

Requirement 1 – Benefits of PEST analysis

On the whole candidates gave a good overview of PEST and the use of such tools to highlight environmental aspects as related directly to the scenario. However very few gave any indication of the limitations of PEST and the need for further evidence gathering and analysis.

Requirement 2 – Ethical implications

The treatment of the consideration of the ethical position of recruiting only those nurses who have gained experience at a national health service level, whether Keeland or foreign national health services was quite encouraging. Many candidates gave well considered answers which highlighted issues and opinions from both sides. Most concluded that Denby were being ethical as they are competing openly in the market and stand to lose as well as attract staff.

Section 2

Section 2 develops the theme and leads candidates to consider the value to Denby of a private nurses training college in nearby Bordia which may be considered for acquisition. Section 2 goes on to question what Critical Success Factors should the BNC college have and how these might be identified as present.

Requirement 1 – Valuation of acquisition

In requirement 1 the Candidates are asked to consider the Value to Denby of this acquisition. Many answers were a little weak as they failed to use the information given in the scenario. Many candidates identified the weakness of the financial performance of BNC and valued the business very simply as future cash flows. However, there were some excellent responses to this requirement.

Requirement 2 - CSFs

In the second section most candidates identifies KPIs and ignored critical success factors. Most were very happy to list a number of KPIs which measured outcomes, but very few gave very good insight as to which factors must be present in order to ensure that

good outcomes were possible let alone expected as normal. Some candidates gave excellent answers on what makes a good college, environment, quality of teaching, ethos of achievement and learning.

Section 3

Section 3 is concerned with post acquisition departure of tutors, whether this risk should have been anticipated and how the value of BNC might be restored following this. It also asks candidates to recommend internal controls to ensure that students are selected on entry qualifications which meet Denby's needs and to consider the difficulties which might be experienced by Denby's Internal Audit Department if they were to investigate the compliance of BNC's recruitment team with the standards and procedures relating to academic entry qualifications.

Requirement 1 – Failure to predict risk

On the whole almost every candidate explained quite well that change would bring uncertainty and disruption, the better candidates highlighting the foreign commercial aspect versus the traditional local founder ownership. Many simply stated that other external posts had been available which fails to identify the need to anticipate and reassure those key resources before this particular issue had developed.

Requirement 2 – Restoring value of BNC

This requirement was generally not answered well. A few candidates suggested attempts at retention or part time return, a few also suggested some opportunity to restructure, slimdown and focus on just Denby's needs. However, most merely stated "recruit some new staff to replace the old who had left".

Requirement 3 – Internal controls

Candidates were not particularly strong in developing internal controls to ensure best students were recruited, many dealt with segregation of duties amongst recruiters and similar standard responses which did not gain high marks. However, many also grasped the need to review and evolve the entry level requirements in line with the desired outcomes and market forces, also identifying the need to assess and be flexible in adjusting to the market dynamics.

Requirement 4 – Difficulties for Internal Audit

Most candidates identified the possible feelings of antagonism created by investigating shortly after acquisition questioning whether any department would necessarily be open and honest in such an event and the fact that deliberately misleading or unhelpful information might be provided. Better candidates identified the need for a collusive approach to be taken to enhance the working team rather than carry out an "investigation".