Note: Some of the answers that follow are fuller and more comprehensive than would be expected from a well-prepared candidate. They have been written in this way to aid teaching, study and revision for tutors and candidates alike.

These Examiner’s answers should be reviewed alongside the question paper for this examination which is now available on the CIMA website at www.cimaglobal.com/p3papers

The Post Exam Guide for this examination, which includes the marking guide for each question, will be published on the CIMA website by early August at www.cimaglobal.com/P3PEGS

SECTION A

Answer to Question One

Rationale

This question is based on both the common pre-seen scenario and the unseen scenario. It draws on themes involving the business risks associated with entering a foreign market, the risks associated with interest rate movements and the control risks associated with the implementation of new technology.

Part (a) draws mainly on Section B of the syllabus (Risk and Internal Control). This part asks for an evaluation of risks associated with entry to a new foreign market. Two aspects are considered. Part (i) draws on the fact that the entity is a quoted company and the project is being promoted heavily as an indication that the board is taking the initiative to expand and create organic growth. That raises potential corporate governance issues because the directors may feel that their reputations are at stake and that the investment must appear to succeed. That could lead to misreporting or dysfunctional behaviour in the event of any problems. Part (ii) deals with the cultural risks associated with entry to a new market. These exist for most businesses, but are likely to be particularly acute for a supermarket that must promote itself and its products to consumers.

Part (b) draws mainly on section D (Management of Financial Risk). The entity is affected by variations in interest rates both because it has variable rate debt and also because interest rates affect the spending power of the consumers who buy from the company. In addition to exploring those risks the question asks for a discussion of the use of swaps to convert variable rate borrowings to fixed and also the risks associated with entering into a succession
of short-term loans in place of a single loan covering the entire term for which funding is required.

Part (c) draws mainly on section E (Risk and Control in Information Systems). The entity wishes to evaluate the control risks arising from the introduction of new technology that should be of value in inventory management. Part (i) focuses on the opportunities created by this technology. Part (ii) deals with the implementation issues.

Suggested Approach

Part (a)(i) asks for a discussion of two ways in which the expansion overseas could affect the relationship between the board and the shareholders. In order to consider this effectively, the starting point should be to think about the significance of the investment to the company and to the reputation of the board. This is only one store, which is not a material investment for a company of this size. The real significance of the project is that it may be seen as a reflection of the board’s ability to identify new markets and exploit them successfully. The project may attract a disproportionate amount of attention from the business press both in the company’s home country and in the new local market. In the event that this project falters then the board may be tempted to manipulate any reports of success and that could affect the directors’ credibility in the eyes of the shareholders. There is also a danger that the directors will be perceived as building a retail empire for the sake of their own reputations and career progression rather than creating wealth for the shareholders. The key to this part is to articulate the potential for conflict clearly so that the implications can be explored. Part (a)(ii) offers the opportunity to explore some of the risks arising from global expansion. Opening a supermarket chain in a new country creates the risk that consumers will be resistant to the promotional strategy and will remain loyal to existing suppliers. Overcoming that problem will be difficult because copying existing approaches to retailing will make it difficult to differentiate the new stores, while making the company seem too different may alienate them. There are also some very obvious risks associated with the possibility of causing offence to local customs or religious beliefs through the sale or promotion of products that could prove controversial.

Part (b)(i) is looking for both the obvious point that a heavily geared company that has variable rate borrowing will have its cost of borrowing affected by movements in interest rates and the equally important fact that consumer demand is affected by the cost of interest. The latter issue arises from the impact of interest rates on mortgage payments and will be particularly acute for a supermarket business because consumers may be able to switch their buying habits very quickly in response to any reduction in their disposable income. Part (b)(ii) is looking for a reasoned explanation of the effects of a particular interest rate swap opportunity and requires some basic calculations in order to make sense of the impact. Part (b)(iii) asks for a basic understanding of the relationship between the buyers and sellers of derivative instruments and the extent to which the prices offered make it unlikely that the pricing of a succession of short-term instruments will make it possible to hedge a long-term risk.

Part (c)(i) asks candidates to consider the implications of a fairly mainstream technology for the automation of inventory management. In principle, the replacement of a physical count should reduce staff time and ought to enable more frequent checking. The only problem is that the technology is now one step removed from counting products and could be defeated by a trick as simple as removing the electronic tag and leaving it in place in order to overstate any electronic count. Part (c)(ii) requires some suggestions as to the manner in which this new system might be tested.

(a)

(i) The biggest risk is that the directors have invested a great deal of their credibility and reputation in this project. They may feel inclined to distort the results in order to protect their standing in the industry and retain the respect of the shareholders. In that case, the publication of partial or distorted figures could be uncovered and may affect the credibility of the other information that is communicated to the shareholders. The overall
effect may be that the shareholders’ wealth will be tied up in further investments in country A without the prospect of a realistic return on that investment. This risk will be even greater if the shareholders did not share the directors’ initial enthusiasm for the venture in the first instance and so the board has a greater incentive to appear to have succeeded in country A.

There is a possibility that this type of investment will highlight the differences between the directors’ interests and those of the shareholders. The shareholders’ interests are served by the creation of wealth, whereas the directors may have other ambitions, such as building a retailing empire. Furthermore, the directors may be unwilling to commit themselves to create additional shareholder wealth because such a commitment may be difficult to discharge. Choosing an alternative, such as increasing sales revenue or reported profit, is easier to deliver. The directors will have greater security if they can control the dimensions in which success or progress for the company are measured.

(ii) Culture can manifest itself in a variety of different ways. The two greatest threats are national identity and the risk that B’s product range will cause offence.

The biggest threat to B is that its entry into country A will threaten the displacement of two established national retailers. B’s target customers have already built up a sense of brand loyalty towards B’s competitors within that market. The competitors will be able to play upon that sense of brand and also the associated sense of national identity when B attempts to capture market share. Global businesses are not always welcomed when they seek to establish themselves in new markets and there are often fears of foreign interference in areas such as treatment of local suppliers and of employees. Major multinational retailers in particular have been accused of exporting their home country business culture to the host countries where they operate and of using their global purchasing power to impose those values. B risks being viewed as an outsider, particularly when the Chief Executive is determined to have the local market adapt to the company’s ways rather than the opposite.

There is an important secondary arising from the breadth of the range of goods that B sells. A hypermarket will sell many products that have the potential to provoke controversy in certain cultures. For example, the sale of certain types of foodstuff, or alcohol or of entertainment material such as music and film can be offensive to some consumers. In some cases, the offence could be unforeseen and the adverse publicity could be out of proportion to the level of sales. For example, a product could contain an ingredient that is considered unacceptable to customers of a particular religious faith and that could cause a damaging controversy. It will be very difficult for B to be aware of the risks of such offence because an outsider may not be aware of the potential for offence and a local adviser may not realise that B will even consider selling such an item. Misunderstandings can also occur because customers in country A may misunderstand some of the nuances of B’s products. For example, hamburgers and beefburgers are both made out of beef, but that is not always recognised because some consumers do not realise that the former term is due to the product being associated with the German city of Hamburg.

(b) The two risks are: gearing and revenue.

(i) B is fairly heavily geared, with gearing of 15,744/(24,019+15,744) = 40%. That level of gearing will generally mean that any increase in the cost of borrowing could be a significant threat to the company’s profit. Finance costs are presently 852/6,211 = 14% of net operating profit and a rise in rates will increase that percentage even further.

Offset against that threat is the fact that B generates interest income of EUR 165 million. If interest rates rise then any increased income from that source may go some way towards offsetting the increase in the cost of finance. If the instruments that generate this income are fixed interest then any increase in rates may reduce the capital value of the investments.
B is also affected by the impact of interest rates on consumer demand. If interest rates increase then B’s customers will have less disposable income because of increased mortgage payments and may reduce their expenditure on food or even switch to lower-cost retailers. The same economic pressures may also force customers to delay the purchase of the electrical goods and other discretionary items that B sells through its hypermarkets and discount stores.

(ii) If B enters into the swap then its outlay will be 7.2%. If interest rates remain constant then the bank’s payment will be 3.8% + 1.1% = 4.9% and so B will pay 7.2% - 4.9% = 2.3% x EUR 7,000 million = EUR 161 million more than if it had left its interest rates to vary.

If rates rise as B’s finance director predicts then the net effect will be 7.2% - (3.8% + 2.0%) = 1.4% or EUR 98 million.

The fact that these two forecasts suggest that the fixed interest will be more expensive than even the higher predicted variable rate does not alter the fact that there will always be some risk that rates could rise by more than anyone has predicted. Furthermore, those predictions are for one year only and the loan has a further six years to go. Rates could rise fairly substantially in the medium term and it will become much more expensive to fix a rate once that starts to happen.

Having a fixed rate will make it easier for B to forecast the effects of its interest payments on cash flows and profit and will also provide a little mitigation for the impact of any increase in rates on sales.

There will always be a counterparty risk arising from the danger that the bank will not meet its commitments and B’s loan will revert to a variable rate.

(iii) The financial instruments that are available for the management of interest rate risk are essentially insurance policies. As with any such instrument, the vendor is willing to assume a risk in return for a payment from the buyer.

The problem with agreeing to fix a buyer’s interest rate into the medium to long term future is that the vendor will be taking on a risk that will be very difficult to predict. That will make it difficult to set a realistic price. It is also possible that the vendor will be accepting a risk that is potentially catastrophic.

The Finance Director’s statement is valid. There is very little point in buying a sequence of instruments that protect the company against short-term increases. Each instrument will be priced according to the vendor’s expectations of a rate rise. If a rise is likely then the instrument will be expensive and so the cover will be costly at times when it is most necessary. Furthermore, the company will be left exposed to the higher rate once the instrument expires after a few months. The net effect of these factors is that the premiums will be at least as much as the difference between fixed and variable rate interest and the company will be just as exposed with these instruments as without them.

(c)

(i) The technology will make it easier to conduct spot checks frequently and so inventory shortages should be recognised immediately. The store manager can count and recount inventory without taking large numbers of staff away from other duties.

There will also be far less scope for concealing shortages through overstating the count. At present the store staff will be able to check inventory holdings according to the computer before conducting the count and fabricating the result to conceal any shortage. They could do so either because they have taken goods for personal use or because they do not wish to endure the disruption caused by a fraud investigation if the report honestly. The reading machine will not be able to misreport in this way. The only way in which the
result could be distorted would be if the operator did not have the machine in range of all holdings, in which case the count will be understated rather than overstated.

There is a shortcoming to this system, though. The machine counts tags rather than items. If a member of staff steals, say, a tagged laptop computer then the tag itself could be removed from the packaging and left with the other computers of that type. The tag will be included in the count even if it is not attached to anything. A physical count would not be as easily confused.

(ii) The internal audit staff should review the results of the test counts that have been conducted since the pilot began. There should be fewer reported discrepancies after the introduction of RFID technology if the new system is more effective.

Analytical review of overall inventory holdings should be used to check that inventory levels are in line with expectations and that the new system has not introduced any systematic bias into the counting of inventory.

The nature of any discrepancies under RFID should be investigated in case they do reveal any logical inconsistencies. For example, significant overstatements in the count would be impossible unless the system was double counting individual tags, which would imply a software problem. Consistent understatements would imply operator error because staff are not standing within range of all of the inventory or there was some other problem with the technology.

The audit staff should observe a number of counts in operation to ensure that staff have been trained to operate the equipment correctly. The auditor should then undertake physical counts of a sample of items to corroborate the results from the RFID scan. The internal audit staff should discuss the experience of operating the new system with staff in order to get some feedback on the way in which the new technology has been implemented.
SECTION B

Answer to Question Two

Rationale
This question draws on section E (Risk and Control in Information Systems). Part (a) deals with the risks associated with relying upon an expert system for a delicate and complex decision-making process. Part (b) deals with the development of the expert system discussed in part (a).

Suggested Approach
Part (a) requires candidates to think about the nature of the task that is being automated. This is a complicated area and the implications of making an incorrect decision are serious. There is an upside risk in terms of reducing costs and also being able to recruit and train staff more quickly. There is a downside in that the company will lose revenue if it rejects winnable cases and will be exposed to significant costs if it accepts cases that are likely to be unsuccessful.

Part (b) asks candidates to consider the difficulties of testing the output from this system, bearing in mind the fact that the various cases that are being considered will be unique in themselves and any decision will be based on the balance of conflicting concerns. There is, therefore, no “correct” decision that can be used as a benchmark when evaluating the outputs from the system. These problems offer candidates the opportunity to demonstrate the ability to develop relevant tests.

(a) The use of an expert system has both upside and downside risks.

The expert system may prove better at identifying suitable cases than the present staff. It could do so because it should replicate the thought processes of senior members of the company’s legal team, who are more experienced and better qualified than the legal advisors employed in the call centre. Furthermore, the system will be less prone to emotional factors. At present, the legal advisors may have some sympathy for the victim and that could affect their judgement. The expert system will be an impartial and objective tool to identify the probability of winning the case.

The expert system is dealing with a very complicated decision that may not lend itself to a computerised thought process. There may be matters of judgement that only a human interviewer could determine. For example, the present arrangements lend themselves to asking open-ended questions that will make it easier to identify inconsistencies in the potential client’s story. The inputs into an expert system will lead to asking more closed questions that may have the effect of leading a dishonest applicant who wishes to pursue a weak case at H’s expense.

The expert system will not necessarily be able to react in the same manner as a human operator. For example, the client may misunderstand the nature of a case and may describe an accident at work in terms of negligence whereas a legally-trained operator would quickly determine that the actual issue is one of employment law. The expert system may require operators to be almost as well qualified as the present staff and that may reduce the potential for salary reductions.

H is heavily exposed to any errors in the expert system. There is an opportunity cost to every rejected case that could have been won. Any weak cases that are accepted will leave H exposed to the risk of wasted billable hours and the threat of paying legal fees to successful defendants.
If there is any bias or error in the system then that will not be apparent until the system has been running for some time. H will only be aware that it is rejecting winnable cases if it is discovered that a large proportion of applicants is being rejected, in which case the clients will have made arrangements with other legal firms and the opportunity to represent them will be lost. H will only discover that it is accepting too many unwinnable cases after it has signed up to represent those clients and it may then be too late to withdraw.

The expert system may not be as easy to update as a human staff. Human operators can be briefed on developments in the law or changes in the attitude of the courts by means of a memo or a training course. The expert system will have to be reprogrammed, and that may require significant changes that will take time and expense to introduce. The new system will be far less responsive in an area that can change very quickly.

Once H makes its legally trained staff redundant then it will not be able to revert to the former system in the event that the expert system fails. The present staff will start to look for alternative employment as soon as the proposed change is announced and they are unlikely to be available if H decides to offer them their jobs back in the event that the expert system proves unreliable.

**Design**

A briefing document should be developed to highlight the nature of the decision that has to be coded and to reflect the lack of clear-cut decision criteria and the consultant should be asked to provide examples of similar tasks that have been undertaken.

H should ask the consultant to discuss the decision process with several people in the organisation, both senior lawyers and present members of the call centre staff. That will provide some scope for differences of opinion to be identified, particularly with respect to the possibility that senior managers may have become detached from the actual process of dealing with applications.

**Testing**

The system should be tested in the first instance by running a sample of past applications through it to establish the consistency of the responses. The results should be interpreted with care because it is possible that the criteria coded into the expert system will be superior to those used in practice by the call centre staff and so there should be a detailed review to determine why the differences arose. The test cases should be selected so that the most (ideally all) of the branches that questioning can follow are tested – for example, if different questions are asked in cases of road traffic accidents compared with industrial accidents then examples of both should be included.

There should be a further review of a sample of cases by H’s lawyers to establish that they agree with the decision that is being recommended.

The incidence of cases referred for further review should be established because too many of those will imply that the system is not sufficiently sophisticated and so it will not be a satisfactory replacement of the present system.

Operators will have to be trained carefully. The first draft of the training materials should be prepared by the consultant who designed the system, so that they are consistent with the software and the interface. The first training course should also be attended by members of H’s legal team to ensure that any legal terminology is properly reflected in the materials and so will be fully understood. Any recurring requests for clarification by operators under training should be noted and either result in a revision to the software so that the questions are more precise or result in an amendment to the training materials so that future courses cover the points raised.
The proportion of cases accepted should be kept under constant review. If that changes from the proportion accepted under the previous system then the reasons should be investigated by having the decisions made by the expert system reviewed by a member of the legal department. The results from accepted cases should be kept under review anyway as a matter of course. Any deterioration in the success rate of accepted cases should be investigated in case there is a problem with the expert system.
Answer to Question Three

<table>
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<tr>
<th>Rationale</th>
<th>This question draws mainly on section D (Management of Financial Risk). It deals with the pricing of forward contracts and also the issues relating to the appointment of a corporate treasurer.</th>
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<tr>
<td>Suggested Approach</td>
<td>Part (a) requires an understanding of the process by which forward rates are arrived at. The pricing mechanisms are relevant because they provide both parties to such an arrangement with a basis for deciding whether the costs outweigh the benefits. This question also requires some appreciation of the fact that the company concerned appears to be relatively small and it is faced with the decision as to whether to hedge a single large transaction. Parts (b) and (c) require some thought about whether it would be desirable for a small, but apparently growing, business to employ a corporate treasurer. In reaching that decision it may be worth considering the possibility of employing an accountant in a more general financial management role that would encompass treasury. The question also asks how the company would go about identifying a suitable appointment. Clearly, this requires an understanding of the treasurer’s role.</td>
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(a) The Chief Executive is correct in stating that changes in the exchange rate cannot be predicted with any certainty, but that does not mean that today's rate is the best forecast of the rate that will prevail in three months' time. The capital markets use differences in interest rates to establish the anticipated rate between two currencies, which suggests that there will be an observable difference in the interest rates available on GBP versus USD which will explain the forward rate on offer. The interest rate on USD is, presumably, higher at present, which implies that the USD is expected to weaken against GBP and so it is perfectly realistic for the bank to offer an inferior rate for three months compared to spot.

The bank manager’s argument seems to take the question of the differential rates for granted. The fact that the offer is consistent with market sentiments suggests that there is a rational basis to expect the USD to decline. If the market rate was unrealistic then there would be arbitrage opportunities that would enable market participants to exploit the market’s pricing error and that market error would be corrected very quickly.

The Chief Executive’s argument that J should leave this position unhedged suggests that it is illogical to pay a premium in return for a reduction in risk. There is clearly a possibility that J will enjoy an upside if the position if left unhedged and the USD weakens by less than the amount anticipated by the bank’s forward rate. The question is whether the associated possibility of a loss outweighs the potential gain.

The fact that J has not taken the possibility of changing exchange rates into account in pricing this sale is irrelevant. J is going to receive USD 15m regardless of the fact that a higher price should have been charged to reflect anticipated changes in the exchange rate.

(b) A corporate treasurer could strengthen J’s management team. At present, there is nobody with any particular expertise in accountancy or finance in the company. The fact that J has secured an order of this magnitude suggests that the company is of a size where it requires more attention to be paid to financial management. The fact that the order was for export suggests that there is a need for support in this area, particularly given that the chief executive’s discussion with the bank indicates a lack of understanding.
It could be argued that it would make more sense to appoint a qualified accountant to manage all aspects of the accounting function, including treasury matters. A qualified treasurer is trained in greater depth to manage the relationship with the bank and to manage receipts and payments. A professionally qualified accountant holding, say, the CIMA qualification should have sufficient skill in treasury matters to deal with the treasury needs of a medium-sized and growing company and should be able to contribute to other areas such as the development of management accounting and financial reporting.

There is a danger that the company’s needs would not justify such an appointment and that the costs would outweigh the benefits. There is a danger that appointing an accountant or treasurer will prove a distraction from the basic business of manufacturing and selling electronics if the appointee feels it necessary to table reports and ask the board to fine-tune financial decisions.

It may be that J would be better advised to take on a part-time accountant rather than a full-time treasurer. That would strike a balance between the conflicting arguments for and against an appointment.

(b) The first step is to define the role clearly so that J can decide on the skills and experience that the treasurer will require.

It would be worth appointing a recruitment agency to assist with identifying suitable candidates. J’s board has no experience to draw upon in identifying experts in this area and so it would make more sense for the company to ask a specialist agency to produce a shortlist.

The final interview should be conducted by J’s directors. Even if the recruitment agency has shortlisted a suitable candidate it is important that the board is satisfied that it can work with this individual.

J should insist on seeing a detailed CV and checking up on all references. The board will not really be in a position to provide detailed oversight of this individual, which makes competence an issue, and the appointee will be in a significant position of trust with respect to J’s bank balances, which makes honesty important too.
Answer to Question Four

### Rationale
Part (a) draws mainly on section A (Management and Control Systems) and part (b) on section B (Risk and Internal Control). This question deals with a manufacturing company that wishes to reduce losses due to defects in the manufacturing process. The question explores the potential of TQM for dealing with this problem and also asks for an evaluation of the risks associated with reducing the emphasis on quality control.

### Suggested Approach
Part (a)(i) requires an appreciation of the fact that the company has adopted TQM in an inadequate and ineffective manner. Management has demonstrated no commitment to TQM and has not supported the initiative taken by supervisory staff in a partial attempt to experiment with the approach.

Part (a)(ii) requires an explanation of the process for the introduction of TQM. This requires an understanding of the objectives and the philosophy of TQM.

Part (c) asks for a discussion of the implications of reducing the emphasis on quality control in the event that TQM is introduced. While the fact that TQM should render quality control almost redundant, there are issues of legitimation. The fact that the company manufactures parts of car braking systems is also relevant.

(a)

(i) G’s board has not really implemented TQM; the directors have simply established a weekly meeting for production supervisors and called that a quality circle.

There is no evidence that G’s board is prepared to make meaningful changes in response to the need to prevent errors and improve quality. Firstly, the initiative to promote quality must come from the very top of the organisation and permeate through the various levels of management and supervision. G has clearly got significant quality problems because one fifth of all output is scrapped and the associated manufacturing costs cannot even be offset by scrap sales.

The supervisors’ first suggestion sounds like a practical means of reducing errors. G’s board should have been prepared to at least experiment with rescheduling so that there was less happening at times when the workforce is less attentive. Apart from anything else, the change might give an idea of the extent to which defects are due to staff motivation rather than some other factors.

The board should not have rejected the supervisors’ proposal to move staff to reduce the incidence of errors. The concept of “getting it right” is an important aspect of TQM. The supervisors appear to have a greater commitment to TQM principles than the board. The board’s insistence that any improvement in quality will lead to redundancy is unlikely to capture the commitment of the workforce to making improvements.

The fact that the comments obtained from the quality circle have been ignored in this manner means that the supervisors will be discouraged and will not take the TQM process seriously in the future.

(ii) Firstly, the directors should have commissioned a study to determine the failure rates at each stage in the manufacturing process. Stages that have a higher incidence of errors should be reviewed more carefully, as should stages that are later in the production process because they will have cost more to manufacture. A sample of rejected parts should be studied for each of the more costly areas and the causes of the defects
identified. That will give G an insight into whether losses are caused by operator error, defective materials, or whatever.

The next step would be to review the design and manufacture of the parts. It may be possible to eliminate errors by simplifying the product or by combining or replacing some of the manufacturing stages.

The workforce should be involved in the process. The board should introduce training and publicity so that staff at all levels should be involved. There should be an incentive scheme for suggesting improvements that would reduce waste or increase quality. Ideally, there should be an overall incentive to motivate staff to eliminate errors, such as a bonus that will be payable to all staff if particular quality standards can be met.

The quality circles should be established to give production supervisors an opportunity to make suggestions. These should be properly resourced, with participants being trained in order to give them a better idea of what their role entails. The quality circles should be supported, to the extent that any recommendations are considered and only rejected if they are clearly impractical or involve significant risk.

(b) G's products form part of car braking systems. Any defects in delivered parts could cause injury or death and so there are risks of legal action and adverse publicity in the event of an accident that can be attributed to a manufacturing defect. Reducing the number of quality control staff will increase the risk that any defects in completed goods will be overlooked and the resulting items shipped to customers. There may be some compensation arising from the fact that the car manufacturers should be conducting their own quality control before using parts and before completed cars are delivered. Thus, G is not entirely responsible for any cars sold with defective brakes.

Hopefully, the new working practices will reduce the number of defects and so there will be some compensation for the reduction in inspections. One problem is that the smaller number of inspectors may not be able to detect any increase in the numbers of defects because there will be too few inspections.

If G is ever criticised because of an accident arising from one of its products then the reduction in the quality staff may be cited as evidence of negligence. The fact that any claim will be made in the aftermath of an accident will give the injured party the benefit of hindsight and that can be linked to the defective part that has been sold by G. G knows that the parts will be used for this purpose and so any damages that are awarded will be substantial.

The possibility of an accident creates risks to G’s reputation because any blame arising from concerns about quality control will make the company appear to be negligent. The reduction in quality staff could be made to look as if G would rather risk customer’s safety than invest in adequate quality control. G’s customers may feel obliged to source these parts from another supplier if G is accused of negligence.