Kaplan's three Content Specialists for the CIMA Strategic Level papers – Steve Weaver, Ben Dickson-Green and Andrew Howarth – present their Top 10 key issues based on the pre-seen material for November 2014. These are the key topics and themes which they expect to be developed in the unseen material in the November 2014 E3, F3 and P3 exams.

OVERALL MISSION AND OBJECTIVES

Y's mission states that the company's aim is to 'delight customers by providing luxurious products which strengthen the brand'. This ties in well to the stated strategic objectives, both of which focus on improving Y's understanding of its customers and what they want. However, there is a slight concern over Y's 'overall aim' of improving margins by, in part, cutting costs. This may not sit well with Y's focus on a high-quality, luxury product.

There is also a concern over Y's financial objectives – one of which is to 'operate on a sound financial basis'. This seems too vague for an objective and should really be explained in more detail to be useful.

Note as well that there is significant focus in the mission on Y's brand. Any strategies that the company adopts should ensure the protection of the brand and the company's reputation. This may lead to questions being raised about Y's current strategy of making 'own brand' confectionery for supermarkets.

PERFORMANCE MANAGEMENT

Given Y's divisional structure (and the fact that the divisions are run as investment centres), you may be asked to analyse divisional performance. In E3 this would likely take the form of Return on Investment (ROI) or Residual Income (RI). Make sure that you know the difference between these, as well as the pros and cons of each.

Any analysis may be complicated by the fact that the divisions do not have complete autonomy over their investments. In addition, the DCS division obtains all of its goods from the MC division. While no mention is made of transfer pricing, this could distort any divisional analysis. Any transfer price needs to be set at an appropriate level to ensure goal congruence within the business.

CORPORATE SOCIAL RESPONSIBILITY (CSR)

Y seems to have a strong interest in CSR, with initiatives on supporting farmers, food labelling, recycling and energy efficiency. In addition, Y offers its staff competitive wages, as well as training and other benefits.

This is likely to significantly increase Y's reputation, as well as improving its relationship with key stakeholders such as employees and suppliers. It has also likely reduced Y's costs in some areas, such as packaging and energy.

However, many of these initiatives will be costing Y money. Given the relatively stagnant profitability achieved in recent periods, there may be pressure on the management to reduce costs – which could see pressure to reduce any money Y spends on CSR activities. The overall impact of cutting back on CSR would have to be carefully weighed up before any such decision was made.

Finally, the fact that Y only makes and sells confectionery could, in itself, be seen as poor CSR. None of Y's products are healthy and they could be seen as contributing to obesity and the ill health of its customers. Government initiatives/legislation or changes in eating habits of its customers could lead to a long-term decline in Y's sales.

CHANGE MANAGEMENT

Employees are currently highly trained and, as mentioned above, seem to be well treated. This is underlined by the way that Y has retrained and redeployed staff from stores it has closed down, rather than making them redundant.

Should Y close more stores, or reduce employee benefits to save money, employees are likely to be upset and Y may need to consider how to manage this effectively. Note that we do not know if employees are heavily unionised or not – if they are, managing major changes could be even more important.

INVESTMENT APPRAISAL

Investment appraisal has been tested many times over the years, so it would be no surprise to see part of the paper F3 Section A question covering this topic.

Specifically here, Y intends to expand its online operations, and to rationalise the number of high street stores, so look out for detailed cash flow information related to these projects.

If investment appraisal is tested, it may well involve foreign currency.

You will most probably be asked to calculate the NPV of given future cash flows.

TAKEOVER OR ORGANIC GROWTH

Rather than expanding its online operations by organic growth, you might be given information regarding an existing company which Y can acquire.

Learn the pros and cons of organic growth v acquisition, and make sure you have revised the various methods of business valuation. Methods such as P/E method, PV of future cash flows, and asset valuation, have been tested many times in past exams.

FINANCING

The preseen tells us that some of the borrowings are repayable in 2015 (next year), but we are not told what proportion. Y has nowhere near enough cash in its statement of financial position to fund a large repayment, so it is likely that Y will have to refinance the loans. Non-current assets are very large, so it is assumed that secured loans would be fairly easy to arrange.

Unusually, the preseen does not tell us whether Y is a listed company or not. A listed company would have a greater variety of financing options (e.g. bonds, public issues of shares) that are not available to an unlisted company.

Revise sources of finance carefully, and make sure that any suggestions you make are appropriate to the specific terms of the case (e.g. a listed or unlisted company, depending what you are told Y is).

For an unlisted company, there are relatively few financing options, so it might be worth considering a listing on the stock exchange to increase the potential financing options. Be prepared to explain the process of an Initial Public Offering of shares (IPO), and the advantages and disadvantages of this.

FOREIGN EXCHANGE RISK

Y's purchase costs for cocoa are incurred in USD, most of the remaining production costs in EUR but revenues may be received in a wide range of world currencies, resulting in a significant exposure to foreign exchange risks. While some risks will cancel out, there is still a need for hedging. In addition, fluctuations in world cocoa prices may make hedging more difficult.

GROWTH IN ONLINE SALES

Growth in online sales is a major opportunity for Y so it is vital that it manages the risks of such expansion. These include safeguarding customer details, not losing sales due to website downtime, ensuring that details relating to pricing and product availability are correct, ensuring that websites are mobile and tablet friendly and enabling "click and collect" by linking website sales to local stores' information systems.

CO-ORDINATING GROWTH

There are a number of potential concerns over a possible lack of coordination between divisions – for example, there is no explicit central marketing function so the Manufacturing and Commercial division selling B2B may present a different message to customers than that from the Direct Customer Sales Division. Similarly, each division has its own IT function, possibly resulting in a lack of coordination and the potential for a loss of standardisation of systems going forwards.