

CIMA Chartered Management Accounting Qualification 2010	
Student Support Guide	T4 Part B Case Study – Examples of Question 1(b) and Suggested Answers

Introduction

This guide provides examples of alternative types of questions that may be asked as question 1(b) in the T4 Part B Case Study examination and the suggested answers.

The purpose of question 1(b) is to assess the candidate's effective communication of a particular issue which will have been analysed and considered in question 1(a) of the Case Study examination. It should be noted that only one of the issues dealt with in question 1(a) will form the subject of question 1(b) and it may, or may not, be what the examiners suggested answer subsequently identifies as the most important issue.

Question 1(b) will require candidates to go beyond a re-statement of what has been produced within their answer to the relevant issue in question 1(a). An illustration of this can be seen in example 3 on the following pages.

Question 1(b) will be a requirement of all T4 Part B Case Study examinations. It will always be worth 10 marks, which are shown on the Assessment Criteria matrix as part of the criterion for 'Logic'.

Examples of Question 1(b)

The five examples shown on the following pages are all based upon the May 2010 T4 Part B Case Study examination. This examination paper and the examiners suggested answer can be downloaded from within 'MyCIMA' on the CIMA website.

Example 1 – Presentation

This example is the actual question 1(b) that appeared in the May 2010 T4 Part B Case Study examination.

Question

As an Appendix to your report, prepare a summary for use in a presentation to the CeeCee Board, in bullet point format, of your findings and the financial implications of the proposal to franchise CeeCee shops in Asia.

This Appendix should contain no more than 10 bullet points.

(Total marks for Question 1(b) = 10 marks)

Note: Marks for calculations, relevant to Question 1(b), are awarded within the Assessment Criterion of Application included in Question 1(a).

Suggested Answer

Summary for presentation to the CeeCee Board on the franchising proposal

- Recommendation is to proceed with franchising.
- This will speed up CeeCee's growth in Asia and will result in a total of 900 shops open by end 2014, 100 shops more than planned.
- Operating profit from franchised shops forecast to be a total of €235 million over the next 4 years.
- Franchisees will bring local knowledge and this will help achieve success in Asia.
- CeeCee does not need to finance the capital expenditure for 150 franchised shops, saving around €660 million in capital expenditure.
- Overall, net operating profit will increase by €151 million over the next 4 years with franchised shops generating higher shareholder returns.
- The franchising proposal (including reduced number of CeeCee managed shops) will increase operating profit each year (by €11 million in 2011 and to €59 million in 2014).
- Franchisees will be motivated to generate high revenues and profits and CeeCee takes a fixed percentage of revenues, reducing risk for CeeCee.
- Need to manage franchisees to ensure that the CeeCee "house style" is conformed to and that non-CeeCee products are not sold in franchised shops.
- Challenge to management time to expand into Asia and open 100 CeeCee managed shops and 150 franchised shops in just 4 years. Shop openings average over 60 per year – higher than CeeCee has previously achieved.

Example 2 – Email

Question

As an Appendix to your report, prepare an email to the CEO, Carla Celli, for presentation to the CeeCee Board, summarising your findings and the financial implications of the proposal to franchise CeeCee shops in Asia. Your email should contain no more than 10 separate points in short phrases or sentences and your recommendation.

(Total marks for Question 1(b) = 10 marks)

Note: Marks for calculations, relevant to Question 1 part (b), are awarded within the Assessment Criterion of Application included in Question 1 part (a).

Suggested Answer

Email

From: Management Accountant

Sent: May 2010

To: Carla Celli, CEO

Subject: **Summary for presentation to the CeeCee Board on the franchising proposal.**

Dear Carla,

Recommendation

My recommendation is to proceed with franchising as this will speed up CeeCee's growth in Asia and will result in a total of 900 shops being opened by the end of 2014, 100 shops more than planned.

Financial implications

The financial implications are:

1. Operating profit from franchised shops forecast to be a total of €235 million over the next 4 years.
2. CeeCee does not need to finance the capital expenditure for 150 franchised shops, saving around €660 million in capital expenditure.
3. Overall the net operating profit will increase by €151 million over the next 4 years, with franchised shops generating higher shareholder returns.
4. The franchising proposal (including reduced number of CeeCee managed shops) will increase operating profit each year (by €11 million in 2011 and to €59 million in 2014).

Other considerations

Other considerations which are relevant to the proposal include:

- (a) Franchisees will bring local knowledge which will help achieve success in Asia and will be motivated to generate high revenues and profits;
- (b) CeeCee takes a fixed percentage of revenues, reducing the risk for CeeCee;
- (c) Need to manage franchisees to ensure that the CeeCee "house style" is conformed to and that non-CeeCee products are not sold in franchised shops;
- (d) Challenge to management time to expand into Asia and open 100 CeeCee managed shops and 150 franchised shops in just 4 years. Shop openings average over 60 per year – higher than CeeCee has previously achieved.

Example 3 – Letter

Question

As an Appendix to your report, prepare a draft letter for the CEO, Carla Celli's, consideration. The letter is to be sent to members of a special sub-committee of the Board of Directors, which will review the proposal to franchise CeeCee shops in Asia. Your letter should include an agenda for a meeting of the sub-committee which will make a final decision on whether or not to proceed with this proposal. Include your findings on the financial implications of the proposal to support appropriate items on the agenda.

(Total marks for Question 1(b) = 10 marks)

Suggested Answer

Draft letter to:

Members of the sub-committee of the Board of Directors reviewing the franchise proposal.

May 2010

Dear Board Member,

Franchising Proposal

I set out below an agenda for the forthcoming sub-committee meeting which will discuss the proposal to franchise CeeCee shops in Asia.

Agenda

1. Attendance.
2. Apologies for absence.
3. Franchising proposal.
 - (i) Financial considerations – revenue (see Financial implications below);
 - (ii) Financial considerations – capital (see Financial implications below);
 - (iii) Non-financial considerations.
4. Action proposed.
5. Recommendation to Board, including rationale.
6. Any other business.

Financial implications

The financial implications are:

1. Operating profit from franchised shops forecast to be a total of €235 million over the next 4 years.
2. CeeCee does not need to finance the capital expenditure for 150 franchised shops, saving around €660 million in capital expenditure.
3. Overall, net operating profit will increase by €151 million over the next 4 years with franchised shops generating higher shareholder returns.
4. The franchising proposal (including reduced number of CeeCee managed shops) will increase operating profit each year (by €11 million in 2011 and to €59 million in 2014).

Yours faithfully,

Carla Celli, CEO

Example 4 – Graph (as an attachment within an Email)

Question

As an Appendix to your report, prepare a short email summary of the financial implications of the proposal to franchise CeeCee shops in Asia. Include a graph as if it were an attachment to your email which shows the cumulative revised forecast operating profit from the franchising proposal compared with the agreed 5 year plan over the years 2011 to 2014 inclusive.

(Total marks for Question 1(b) = 10 marks)

Note: Marks for calculations, relevant to Question 1(b), are awarded within the Assessment Criterion of Application included in Question 1(a).

Suggested Answer

Email

From: Management Accountant

Sent: May 2010

To: Carla Celli, CEO

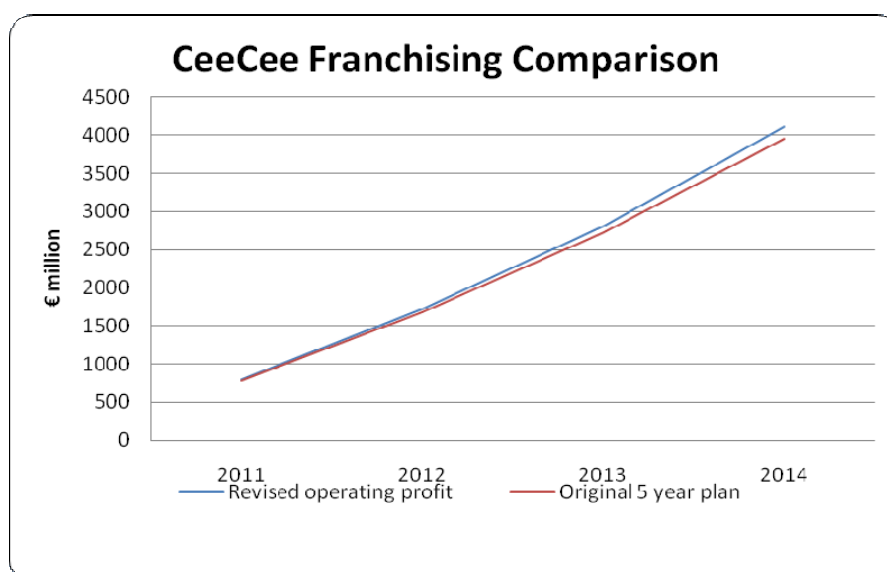
Subject: **Summary of the financial implications of the franchising proposal.**

Dear Carla,

The financial implications are:

1. Operating profit from franchised shops forecast to be a total of €235 million over the next 4 years.
2. CeeCee does not need to finance the capital expenditure for 150 franchised shops, saving around €660 million in capital expenditure.
3. Overall the net operating profit will increase by €151 million over the next 4 years, with franchised shops generating higher shareholder returns.
4. The franchising proposal (including reduced number of CeeCee managed shops) will increase operating profit each year (by €11 million in 2011 and to €59 million in 2014).

Attachment - Cumulative Revised Forecast Operating Profit



Example 5 – Chart (as an attachment within an Email)

Question

As an Appendix to your report, prepare a short email summary of the financial implications of the proposal to franchise CeeCee shops in Asia. Include a chart as if it were an attachment to your email which shows the revised forecast operating profit from the franchising proposal compared with the agreed 5 year plan for each year from 2011 to 2014 inclusive.

(Total marks for Question 1 part (b) = 10 marks)

Note: Marks for calculations, relevant to Question 1(b), are awarded within the Assessment Criterion of Application included in Question 1(a).

Suggested Answer

Email

From: Management Accountant

Sent: May 2010

To: Carla Celli, CEO

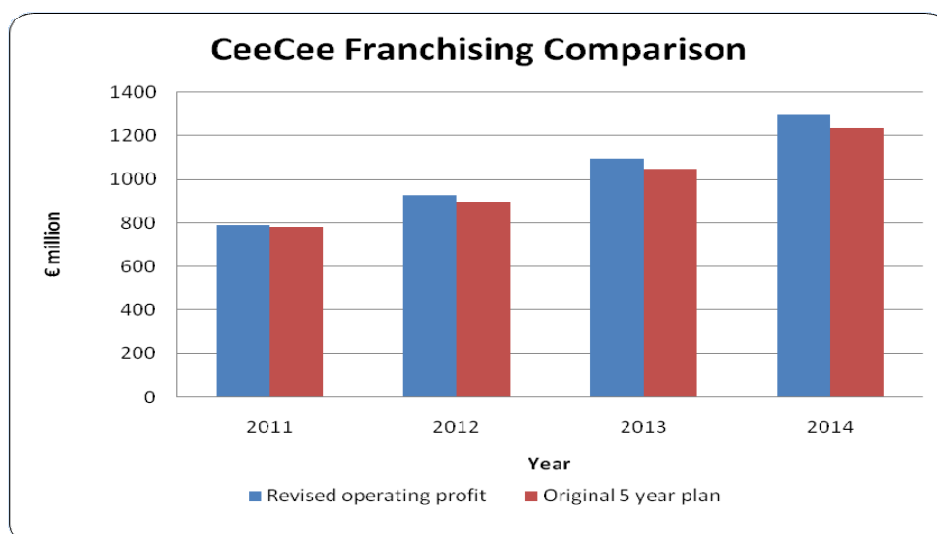
Subject: **Summary of the financial implications of the franchising proposal.**

Dear Carla,

The financial implications are:

1. Operating profit from franchised shops forecast to be a total of €235 million over the next 4 years.
2. CeeCee does not need to finance the capital expenditure for 150 franchised shops, saving around €660 million in capital expenditure.
3. Overall the net operating profit will increase by €151 million over the next 4 years, with franchised shops generating higher shareholder returns.
4. The franchising proposal (including reduced number of CeeCee managed shops) will increase operating profit each year (by €11 million in 2011 and to €59 million in 2014).

Attachment - Revised Forecast Operating Profit



Conclusion

In order to optimise your chance of success in the T4 Part B Case Study examination we recommend the following:

1. Make sure that you leave enough time **to attempt** question 1(b).
2. Leave approximately 15 to 20 minutes towards the end of the examination in which to prepare your answer to question 1(b).
3. Practice your 'quick-fire' bullet pointing technique, identifying key factors relating to typical business issues that occur in the Case Study examination. The former case study exam (known as 'TOPCIMA' under the 2005 syllabus) has exam papers and suggested answers which can be used to gain practice and these are available on the website.
4. Practice preparing the various formats for answers that may be asked for in question 1(b) – using the examples in this document as a guide i.e. presentation, email, letter, graph, chart.

End