How to avoid a drama turning into a crisis

Sabotage, ultimatums and threats may sound like the plot line for a new gritty BBC One drama. In fact it describes some of the key themes from the September 2010 T4 Case Study exam, and this was one episode that certainly kept students on the edge of their seats until results day.

In this article, Zoe Robinson, Kaplan’s T4 Content Specialist and co-author of ‘A student’s guide to writing business reports’ analyses the September 2010 exam and shows how the development of basic skills should deliver success, regardless of what transpires in the exam hall.

A review of posts to various discussion forums, in the days following the September exam, shows that it was not well liked by students. But what was it that students felt concerned about and did they really have a need to worry?

It’s true that the prioritisation of issues was not clear cut. In fact, in all my years of teaching T4 (and its predecessors) I don’t think I can recall a greater range of prioritisations being discussed by students. It’s also true that there were plenty of calculations, all of which required you to draw on your technical knowledge. But are these factors really enough to declare this an ‘impossible exam’?

Absolutely not! What the examiner has achieved in this paper is exactly what is demanded in a final level case study-style exam; something that gives students an opportunity to demonstrate how they will perform in their role as a newly qualified accountant. In real life, issues don’t fall into neat little boxes. It will not always be easy to prioritise issues and you will need to draw on technical knowledge that you might not have reviewed for quite some time.

So what does this mean for students who are about to attempt the T4 case study exam in November 2010? Firstly, I would say expect more of the same. The T4 Examiner is the ‘keeper of the keys’; an important role for the future success of CIMA. They cannot let just anyone put the ACMA letters after their name, and you wouldn’t want them to. If they did, the well regarded and respected qualification that you have been studying so hard for would be worthless. But ‘more of the same’ does not mean that students should be fearful. The good news is that, regardless of what comes up in any T4 exam, there is a core set of skills that, if demonstrated and applied, will deliver success. The purpose of this article is to highlight these skills and, by relating them to the September exam, show you how to achieve success this November.

One theme you’ll see running throughout this article is reference to the assessment criteria; and it’s worth mentioning this as a separate point. An understanding and appreciation of the criteria against which your script will be marked, is one of the most important pieces of knowledge you will take into the exam. As a reminder, the criteria are:

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I will make reference to these as we go through each of the skills outlined below.
1. Strategic and financial analysis

On every exam there will be 5 technical marks and 15 application marks available. To score well in these criteria students should aim to use five technical models or frameworks to help analyse the issues presented, as well as complete two or perhaps three sets of calculations. Students should always present a SWOT analysis.

This advice is fairly formulaic; it suggests that the exam can be passed by simply ticking boxes on a sheet. Such an attitude won’t always lead to success so let me present another, more skilful approach.

Imagine that preparing your report is like constructing a house; the walls are represented by your judgement on the impact of the issues and alternative courses of action, the roof represents your recommendations. In this context, your technical models and calculations, perhaps better referred to as strategic and financial analysis, should be regarded as the foundations. Without a sound application of strategic models and without preparing accurate calculations, your judgement and recommendations will not hold up.

In the September exam you could not evaluate the proposal to invest in the new computer graphics package without performing a net present value calculation. Neither could you comment on overhead absorption and cost control on the new daily programme without costing the series out. And it’s not just the numbers that should be regarded as essential; a PEST analysis would have revealed that the new trend for programme commissions was unlikely to be a flash-in-the-pan and therefore needed to be treated as a significant issue requiring a change in strategy.

So, instead of walking into the exam hall with a list of technical models that you’re going to fit to the issues, no matter what comes up, try reversing it; try to take a more skilful approach. For every issue you’re presented with, ask yourself “which technical model can I use to help me understand the impact of this issue or to help me identify alternative courses of action?”

To improve your financial analysis you need to practise completing calculations under timed conditions using past T4 exams or mock exams from tuition providers (see section 4 of this article for more details on this).

2. Commerciality

A sound commercial understanding of the company’s position and the industry in which it operates will help students gain marks in several criteria. By applying your commerciality you are better able to:

- **focus** on the right issues,
- **prioritise** them effectively,
- apply sound **judgement** when discussing the impact of an issue and when considering alternative courses of action, and
- reach **logical** and practical recommendations that are of value to the recipient.

In addition, there are five marks available within the ‘diversity’ criterion specifically for including a range of relevant real world examples to illustrate the points you are making.

Before looking at how to gain a sound commercial understanding, it is first worth considering what I mean by the term.

I feel that being ‘commercial’ is best thought of in two parts. Firstly it implies that you have a focus on profit; that you are able to consider the impact that an issue or an alternative course of action may have on profit in both the short and long-term. Secondly it implies an appreciation or awareness of context - the set of circumstances that surround the information. Context is given in the pre-seen material, the real-life industry and within the information provided in the exam hall. Context helps you consider the
wider implications, not just the impact on profit. It enables you to gauge the reaction of different stakeholders and to identify practical solutions that will work.

To illustrate this point, let’s look at how a commercial approach would have helped in analysing the issue of the damage to the videotape editing equipment.

Relevant context to this issue includes:

From the pre-seen – we are told that VYP’s skills lie with its creative and artistic programme-making people. Although it outsources many of the operational functions, VT editing is performed in-house, presumably because they view this as a key value-adding part of the process. Also we know that VYP produced 197 programmes in the year ended 31 March 2010, implying the completion of approximately four programmes per week.

From industry awareness – broadcasters have slots to fill and a delay in delivery of a scheduled programme could cause significant problems. With only a small number of customers (broadcasters), VYP cannot afford to damage their relationships with any of them.

From the un-seen – the four VT editing suites are currently used for over 90% of VYP’s usual working hours. Also, the recent commission for a new daily programme will mean additional demand for VT editing facilities.

From this context you can gain a greater appreciation of the wider implications: if VYP do not source access to more facilities as soon as possible they will be late in delivering programmes. This will damage their reputation since broadcasters will no longer feel VYP can be relied upon. With a focus on profit, delays in delivery will result in lost revenue and potential fines. Also, the repair costs will reduce both profit and future cash flow.

Now we appreciate what is meant by the term ‘commercial’, I must address the harder question of how you obtain a commercial understanding. In part, the answer has already been given. Immersing yourself in the case information, becoming familiar with every paragraph of the pre-seen information and researching the industry, will give you a comprehensive awareness of the issues and how they can be dealt with. When researching the industry, don’t just confine yourself to facts and figures about the marketplace. Look at other operators, be it competitors or other companies up and down the supply chain. Also, don’t neglect the wider context, including what’s happening in the world of economics or politics.

Whenever you read anything, think about the potential implications on VYP. By training yourself to think ‘commercially’ outside the exam hall, you will significantly increase your chances of doing it on the exam day.

3. Communication

Within the ‘judgement’ criterion there are 20 marks available for discussing the impact of each issue and evaluating the alternative courses of action that could be taken. Additionally, within the ‘logic’ criterion there are 20 marks available for making clear recommendations on each issue, justifying why you are making this recommendation and explaining what actions are required to make the recommendation happen. However, your ability to score well in these critical areas does not just depend on the strength of your analysis or the depth of your commercial awareness; it could all lead to nothing if you are unable to communicate your thoughts and opinions effectively.

The importance attached to this skill by employers is demonstrated by the increased emphasis CIMA have given to communication within the new T4 exam when compared to the old TOPCIMA. As well as testing your ability to prepare a report (question 1(a)), the introduction of a smaller second requirement (question 1(b)) means students have to be able to demonstrate their skills across a broader range of applications. This second
requirement is worth a further 10 marks, all of which are awarded within the ‘logic’ criterion.

Students should expect the second requirement to always relate to one of the issues they have covered in their report, although this is not restricted to a key business issue and could relate to an ethical issue. However, for 10 marks this should be regarded as far more than a ‘cut and paste’ exercise. To quote from the recently released Student Support Guide issued by CIMA, ‘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)’.

Question 1(b) in the September exam was to prepare an e-mail to the joint Managing Directors on whether to try to retain Tom Harrison. The e-mail therefore followed on from the issue relating to Tom’s request for an increase in his bonus, his potential departure if this request wasn’t met, his excessive expenses claim and subsequent threatening behaviour towards a finance clerk. Within their answer to question 1(a), students may have analysed this issue as one of their key business issues, or may have focussed more on the associated ethical dimensions. The fact that this issue appeared within the question 1(b) requirement should not have influenced this decision.

Guidance was provided on both the content and style of the e-mail. Students were told to limit their e-mail to 10 short sentences. They were also directed to cover five key areas:

- Advantages of retaining Tom
- Disadvantages of retaining Tom
- Other factors to consider
- Financial factors
- A recommendation

A logical approach would be to write two short sentences on each of the requested areas.

Don’t forget that it’s just as important to be commercial in your answer to question 1(b) as it is in 1(a). If you recommended that efforts should not be made to retain Tom then one of the factors to consider must be how VYP should earn future revenue from international sales; should Tom be replaced or should the department be outsourced? If however, your advice is to retain Tom, you must consider how to ensure other key personnel don’t become de-motivated.

4. Time management

Effective time management is a crucial skill when it comes to passing the T4 case study exam. 3 hours and 20 minutes is not a long time, especially when you consider everything that you have to get done. It is therefore important to have a plan that allocates your time between the various tasks and, more importantly, be disciplined enough to stick to it.

Like any other exam, there are a finite number of marks available for each element. The only difference is that rather than an element being a sub-section of a bigger requirement, in the case study an element relates to an issue. Each issue will have a maximum number of judgement and logic marks that can be obtained. There will be more marks available for the key issues than for the minor issues; as a result you should start by identifying the key issues and then allocate your time evenly between them, aiming to achieve a balance within your report. You are unlikely to score well if you write four pages of ideas on one issue and then only half a page on another.

The other real robber of time in the exam is your calculations. I’ve already discussed why these are important so abandoning them to save time is not an option. Instead you must ensure that all calculations performed add value to your analysis. You also need to carefully consider the layout and approach to your
calculations, before you start them, to ensure you’re performing them in the most efficient way.

The calculations on the new daily programme provide an excellent example from the September exam. There were a number of ways in which you could layout these calculations; you could work out the cost per programme or you could work out the cost for the whole series. The margins could be calculated before or after both the overhead allocation and the contingency. If you decide on your approach before you start you can save yourself precious time by ensuring your calculations deliver what you need as quickly as possible.

So, there we have my list of the four key skills needed to succeed in the CIMA case study exam. However, like any skill they must be mastered and this can only be done through practise; it is not good enough to just be aware of them.

My final tip therefore - whether you use practise mock exams from tuition providers or real past CIMA case study exams (available from the CIMA website), there is simply no substitute for completing as many practice exams as you can under timed conditions. It is only when faced with this pressure that you can be sure your skills are sufficiently developed to bring success.

This article should be read in conjunction with the post exam guidance issued by CIMA on the T4 Case Study September 2010 exam.

More information on the areas covered in this article can be found in ‘A student’s guide to writing business reports’ by Zoe Robinson and Stuart Pedley-Smith; Kaplan Publishing (2010).